

Joint Stock Company “Concern Galnaftogaz”**Consolidated cash flow statement**

For the year ended 31 December 2007

(In thousands of Ukrainian hryvnia, unless otherwise noted)

	2007	2006
Cash flows from operating activities		
Profit before income tax	75,431	55,806
Adjustments for:		
Depreciation, amortisation and impairment of goodwill	36,514	24,898
Gain on disposal of property, plant and equipment	(1,380)	(802)
Impairment/(reversal of impairment) of property, plant and equipment	(158)	508
Interest expense, net	71,881	51,825
Operating profit before changes in working capital	182,288	132,235
Increase in inventories	(43,037)	(32,899)
Decrease in trade and other receivables	54,748	31,355
Decrease/(increase) in prepayments and other current assets	59,975	(54,537)
Increase in payables and advances received	75,316	11,993
Decrease in other current liabilities	(96,662)	(21,708)
Cash flows generated from operations	232,628	66,439
Income tax paid	(12,355)	(9,356)
<i>Net cash from operating activities</i>	220,273	57,083
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (of UAH 44 in 2007 and UAH 14 in 2006) (Note 22)	(102,156)	(8,486)
Acquisition of minority interest	-	(27)
Purchases of property, plant and equipment	(548,771)	(215,738)
Purchases of intangible assets	(326)	(561)
Proceeds from sale of equipment	1,656	1,237
Interest received	561	242
<i>Net cash used in investing activities</i>	(649,036)	(223,333)
Cash flows from financing activities		
Issue of share capital	226,578	-
Proceeds from long-term borrowings	323,200	252,500
Proceeds from short-term borrowings	108,030	76,280
Repayments of long-term borrowings	(43,604)	(16,873)
Repayments of short-term borrowings	(110,651)	(44,855)
Interest paid	(70,884)	(64,378)
<i>Net cash provided by financing activities</i>	432,669	202,674
Net increase in cash and cash equivalents	3,906	36,424
Cash and cash equivalents at the beginning of the year	52,766	16,342
Cash and cash equivalents at the end of the year (Note 17)	56,672	52,766

SUPPLEMENTARY CASH FLOW INFORMATION (Note 21)

The consolidated cash flows statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 5 to 33.