

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006  
(Amounts in millions)

### (a) Reconciliation of profit before taxation to net cash generated from operating activities

	2006	2005
	RMB	RMB
<b>Operating activities</b>		
Profit before taxation	78,923	64,656
Adjustments for:		
Depreciation, depletion and amortisation	34,235	31,618
Dry hole costs	3,960	2,992
Share of profits less losses from associates	(947)	(857)
Investment income	(256)	(178)
Interest income	(555)	(384)
Interest expense	7,437	5,926
Unrealised foreign exchange gains	(689)	(852)
Loss on disposal of property, plant and equipment, net	1,646	2,098
Impairment losses on long-lived assets	825	1,851
<b>Operating profit before changes in working capital</b>	<b>124,579</b>	<b>106,870</b>
Increase in trade accounts receivable	(737)	(4,759)
(Increase)/decrease in bills receivable	(1,570)	652
Increase in inventories	(3,112)	(25,037)
Decrease in prepaid expenses and other current assets	371	1,786
Increase in lease prepayments	(559)	(1,071)
Increase in long-term prepayments and other assets	(1,123)	(2,222)
(Decrease)/increase in trade accounts payable	(1,901)	29,142
Decrease in bills payable	(1,613)	(7,554)
Increase in accrued expenses and other payables	9,531	8,154
Increase/(decrease) in other liabilities	13	(227)
<b>Cash generated from operations</b>	<b>123,879</b>	<b>105,734</b>
Interest received	558	388
Interest paid	(8,861)	(6,967)
Investment and dividend income received	619	668
Income tax paid	(20,320)	(21,609)
<b>Net cash generated from operating activities</b>	<b>95,875</b>	<b>78,214</b>

The notes on pages 123 to 160 form part of these financial statements.