

**MABUHAY VINYL CORPORATION**

BALANCE SHEETS  
DECEMBER 31, 2003 AND 2002

	2003	2002
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 277,125,890	P 416,572,316
Trade and other receivables, net	195,674,958	179,217,574
Receivable from an affiliated company	100,000,000	-
Inventories	140,859,911	162,568,473
Deferred income tax assets	12,454,454	13,480,730
Other current assets	24,933,448	31,032,276
Total current assets	751,048,661	802,871,369
NON-CURRENT ASSETS		
Investment in stocks	6,345,182	6,345,182
Property, plant and equipment, net	737,048,854	542,314,214
Other assets	5,673,590	4,976,197
Total non-current assets	749,067,626	553,635,593
	P1,500,116,287	P1,356,506,962
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables	P 67,474,152	P 82,035,770
Notes and trust receipts payable	79,196,786	23,747,240
Income tax payable	1,034,345	470,231
Total current liabilities	147,705,283	106,253,241
LONG-TERM DEBT	100,000,000	-
STOCKHOLDERS' EQUITY	1,252,411,004	1,250,253,721
	P1,500,116,287	P1,356,506,962

(See accompanying notes to financial statements)

**MABUHAY VINYL CORPORATION**

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	2003	2002	2001
NET SALES	P891,709,220	P860,398,554	P967,879,162
COST OF SALES	(635,308,574)	(611,528,960)	(668,039,986)
GROSS PROFIT ON SALES	256,400,646	248,869,594	299,839,176
OPERATING EXPENSES	(209,032,965)	(190,771,695)	(229,109,122)
	47,367,681	58,097,899	70,730,054
OTHER OPERATING INCOME, net	7,846,841	13,680,106	12,374,423
OPERATING INCOME	55,214,522	71,778,005	83,104,477
FINANCE COSTS, NET			
Interest and financing charges	(6,101,744)	(7,938,446)	(27,609,823)
Interest income	21,053,724	33,209,339	45,573,150
Foreign exchange gain	551,127	-	-
	15,503,107	25,270,893	17,963,327
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAX	70,717,629	97,048,898	101,067,804
(PROVISION FOR) BENEFIT FROM INCOME TAX			
Current	(17,002,145)	(24,037,332)	(13,323,607)
Final tax	(4,210,745)	(6,641,868)	(9,114,630)
Deferred	(1,668,444)	1,207,603	(7,995,480)
	(22,881,334)	(29,471,597)	(30,433,717)
INCOME FROM CONTINUING OPERATIONS	47,836,295	67,577,301	70,634,087
DISCONTINUED OPERATIONS OF A SEGMENT OF BUSINESS			
Equity in net earnings of PRII	-	-	9,120,809
Gain from sale of investment in PRII, net of final tax of P28,267,457	-	-	131,895,277
Gain from sale of marketing and sales operations of PVC business, net of applicable income tax of P3,457,432	-	-	7,347,043
Loss from PVC plant operation	-	-	(6,182,895)
	-	-	142,180,234
NET INCOME FOR THE YEAR	P 47,836,295	P 67,577,301	P212,814,321
BASIC/DILUTED EARNINGS PER SHARE			
Continuing operations	P 0.063	P 0.089	P 0.093
Discontinued operations	-	-	0.187
	P 0.063	P 0.089	P 0.280
WEIGHTED AVERAGE NO. OF SHARES	761,316,866	761,316,866	761,316,866

(See accompanying notes to financial statements)

**MABUHAY VINYL CORPORATION**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	2003	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income from continuing operations before provision for income tax	P 70,717,629	P 97,048,898	P 101,067,804
Equity in net earnings of PRII	-	-	9,120,809
Gain from sale of investment in PRII	-	-	160,162,734
Gain from sale of marketing and sales operations of PVC business	-	-	10,804,475
Loss from PVC plant operations	-	-	(6,182,895)
Income before provision for income tax	70,717,629	97,048,898	274,972,927
Adjustments for:			
Depreciation	49,017,011	44,686,530	66,081,345
Equity in net earnings of PRII	-	-	(9,120,809)
Gain from sale of investment in PRII	-	-	(160,162,734)
Gain from sale of marketing and sales operations of PVC business	-	-	(10,804,475)
Provision (reversal of provision) for doubtful accounts	(2,944,756)	6,192,465	4,460,257
Provision for decline in value of investments	-	-	25,634,500
Loss (gain) on exchange/sale of property, plant and equipment	(115,453)	138,567	(299,850)
Interest income	(21,053,724)	(33,209,339)	(45,573,150)
Interest expense	6,089,387	7,788,600	27,317,436
Operating income before working capital changes	101,710,094	122,645,721	172,505,447
(Increase) decrease in:			
Accounts receivable	(13,684,560)	53,629,686	15,844,432
Inventories	21,708,562	14,596,652	73,888,959
Other current assets	6,191,999	(16,160,836)	12,851,936
Increase (decrease) in:			
Trust receipts payable	5,449,546	(59,629,205)	(86,475,305)
Trade and other payables	(14,390,668)	21,265,555	3,581,273
Cash generated by operations	106,984,973	136,347,573	192,196,742
Income taxes paid	(16,531,202)	(23,567,101)	(6,006,995)
Interest paid	(6,260,337)	(6,371,770)	(29,883,427)
Net cash provided by operations	84,193,434	106,408,702	156,306,320
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in other assets	(1,339,561)	807,207	2,323,366
Receivable from an affiliated company	(100,000,000)	-	-
Proceeds from sale of investment in PRII, net of tax	-	-	856,650,955
Proceeds from sale of PVC business, net	-	-	81,080,398
Proceeds from sale of property, plant and equipment	510,726	1,069,310	1,342,760
Acquisitions of property, plant and equipment	(244,146,924)	(221,014,575)	(62,664,734)
Interest received, net of tax	17,014,911	27,744,547	34,327,548
Net cash (used in) provided by investing activities	(327,960,848)	(191,393,511)	913,060,293
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from (payments of) notes payable, net	50,000,000	(22,000,000)	(191,000,000)
Proceeds from (payments of) long-term debt, net	100,000,000	-	(21,468,784)
Payments of cash dividends	(45,679,012)	-	(380,658,433)
Net cash (used in) provided by financing activities	104,320,988	(22,000,000)	(593,127,217)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(139,446,426)</b>	<b>(106,984,809)</b>	<b>476,239,396</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	416,572,316	523,557,125	47,317,729
End of year	P 277,125,890	P 416,572,316	P 523,557,125

(See accompanying notes to financial statements)