

**BENGUET CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands, Except Number of Shares)

	December 31	
	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 35)	₱21,498	₱44,876
Trade and other receivables - net (Notes 5 and 35)	92,691	83,529
Inventories (Note 6)	43,000	75,998
Other current assets - net (Note 7)	43,607	81,461
<b>Total Current Assets</b>	<b>200,796</b>	<b>285,864</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments (Notes 8 and 35)	9,826	8,951
Property, plant and equipment (Notes 2, 9 and 15):		
Land at revalued amounts	1,827,169	1,826,331
Property, plant and equipment at cost - net	198,969	234,957
Mining exploration and project development costs (Notes 2 and 11)	178,497	167,173
Investment property (Note 10)	166,693	166,693
Other noncurrent assets - net (Note 12)	135,660	129,927
<b>Total Noncurrent Assets</b>	<b>2,516,814</b>	<b>2,534,032</b>
<b>TOTAL ASSETS</b>	<b>₱2,717,610</b>	<b>₱2,819,896</b>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>		
<b>Current Liabilities</b>		
Unsecured bank loans (Notes 2 and 13)	₱367,810	₱368,259
Trade and other payables (Notes 14 and 35)	2,195,757	1,935,796
Secured bank loans (Notes 2, 15 and 35)	1,273,765	1,349,658
<b>Total Current Liabilities</b>	<b>3,837,332</b>	<b>3,653,713</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net (Note 30)	1,012,757	954,337
Liability for mine rehabilitation (Note 16)	7,933	6,851
Estimated liability for real estate project	7,297	9,288
Accrued pension liability (Note 29)	4,426	5,548
Equity of claimowners and others	50,407	68,471
<b>Total Noncurrent Liabilities</b>	<b>1,082,820</b>	<b>1,044,495</b>
<b>Total Liabilities</b>	<b>4,920,152</b>	<b>4,698,208</b>
<b>Capital Deficiency</b> (Notes 2, 18, 27 and 36)		
Capital stock (Note 17)	343,437	343,437
Capital surplus	704,552	704,552
Revaluation increment (Note 9)	1,269,481	1,265,850
Cumulative translation adjustment	45,284	48,555
Cost of share-based payment (Note 18)	19,267	—
Unrealized loss on AFS investments (Note 8)	—	(14,173)
Deficit	(4,576,547)	(4,218,517)
	(2,194,526)	(1,870,296)
Less cost of 116,023 shares held in treasury (Note 31)	8,016	8,016
<b>Total Capital Deficiency</b>	<b>(2,202,542)</b>	<b>(1,878,312)</b>
<b>TOTAL LIABILITIES AND CAPITAL DEFICIENCY</b>	<b>₱2,717,610</b>	<b>₱2,819,896</b>

*See accompanying Notes to Consolidated Financial Statements.*

**BENGUET CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Loss Per Share)

	<b>Years Ended December 31</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>REVENUES (Note 33)</b>			
Sale of mine products	<b>₱136,008</b>	₱160,580	₱132,800
Trucking and warehousing services	<b>65,778</b>	66,943	56,849
Real estate sales	<b>7,525</b>	9,102	5,614
Contract orders	<b>4,288</b>	25,136	43,364
Sale of merchandise and others	<b>43,124</b>	45,302	57,034
	<b>256,723</b>	307,063	295,661
<b>OPERATING COSTS AND EXPENSES</b>			
Cost of mine products sold (Note 19)	<b>92,228</b>	103,798	66,361
Cost of merchandise sold and services (Note 20)	<b>66,750</b>	95,683	119,821
Cost of real estate sales	<b>5,888</b>	8,078	3,671
Selling and general (Note 21)	<b>261,227</b>	256,578	163,946
Financing charges - Net (Note 24)	<b>113,805</b>	172,105	163,875
Taxes on revenue	<b>2,397</b>	2,880	2,390
	<b>542,295</b>	639,122	520,064
<b>OTHER CHARGES (INCOME) - Net (Note 25)</b>	<b>20,605</b>	(66,708)	696
<b>LOSS BEFORE INCOME TAX</b>	<b>306,177</b>	265,351	225,099
<b>PROVISION FOR INCOME TAX (Note 30)</b>	<b>51,853</b>	4,904	567,673
<b>NET LOSS (Note 31)</b>	<b>₱358,030</b>	₱270,255	₱792,772
<b>LOSS PER SHARE (Note 31)</b>	<b>₱3.14</b>	₱2.37	₱6.95

*See accompanying Notes to Consolidated Financial Statements.*



**BENGUET CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES**  
**IN CAPITAL DEFICIENCY**  
**(Amounts in Thousands)**

Attributable to equity holders of the parent

	Capital Stock	Capital Surplus	Revaluation Increment	Cumulative Translation Adjustment	Cost of Share-Based Payment (Note 18)	Unrealized Loss on AFS Investments	Deficit	Treasury Stock	Total
Balances at January 1, 2004, as previously stated	₱343,437	₱704,552	₱1,476,266	₱95,916	₱—	₱—	(₱3,349,331)	(₱8,016)	(₱737,176)
Effect of adoption of PFRS	—	—	(109,178)	—	—	—	101,829	—	(7,349)
Balances at January 1, 2004, as restated	343,437	704,552	1,367,088	95,916	—	—	(3,247,502)	(8,016)	(744,525)
Net loss, as previously stated	—	—	—	—	—	—	(790,453)	—	(790,453)
Effect of adoption of PFRS	—	—	—	—	—	—	(2,319)	—	(2,319)
Net loss, as restated	—	—	—	—	—	—	(792,772)	—	(792,772)
Decrease in revalued amount of land	—	—	(45,731)	—	—	—	—	—	(45,731)
Foreign currency translation	—	—	—	(47,467)	—	—	—	—	(47,467)
Balances at December 31, 2004	343,437	704,552	1,321,357	48,449	—	—	(4,040,274)	(8,016)	(1,630,495)
Net loss	—	—	—	—	—	—	(270,255)	—	(270,255)
Foreign currency translation	—	—	—	(1,281)	—	—	—	—	(1,281)
Unrealized loss on AFS investments	—	—	—	—	—	(14,173)	—	—	(14,173)
Disposal of property and equipment	—	—	(92,012)	—	—	—	92,012	—	—
Change in tax rate	—	—	36,505	1,387	—	—	—	—	37,892
Balances at December 31, 2005	343,437	704,552	1,265,850	48,555	—	(14,173)	(4,218,517)	(8,016)	(1,878,312)
Net loss	—	—	—	—	—	—	(358,030)	—	(358,030)
Cost of share-based payment	—	—	—	—	19,267	—	—	—	19,267
Increase in revalued amount of property	—	—	3,631	—	—	—	—	—	3,631
Foreign currency translation	—	—	—	(3,271)	—	—	—	—	(3,271)
Increase in fair value of AFS investments	—	—	—	—	—	788	—	—	788
Impairment loss on AFS investments (Note 8)	—	—	—	—	—	13,385	—	—	13,385
Balances at December 31, 2006	₱343,437	₱704,552	₱1,269,481	₱45,284	₱19,267	₱—	(₱4,576,547)	(₱8,016)	(₱2,202,542)

See accompanying Notes to Consolidated Financial Statements.



**BENGUET CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	Years Ended December 31		
	2006	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P306,177)	(P265,351)	(P225,099)
Adjustments for:			
Interest expense	245,956	236,463	219,048
Unrealized foreign exchange gains (Note 24)	(128,248)	(58,170)	(52,061)
Provisions for impairment losses, inventory losses and others	48,975	41,411	650
Depreciation, depletion and amortization (Note 23)	27,970	31,142	40,119
Cost of share-based payment	19,267	—	—
Impairment loss on AFS investment	13,385	—	—
Interest income	(3,903)	(6,188)	(3,112)
Accretion expense	1,082	935	807
Impairment loss on investment property	—	33,291	—
Gain on debt settlement (Note 15)	—	(86,422)	—
Operating cash flows before working capital changes	(81,693)	(72,889)	(19,648)
Decrease (increase) in:			
Trade and other receivables	(9,626)	61,230	36,851
Inventories	32,998	54,166	(28,648)
Other current assets	23,593	13,421	12,384
Increase (decrease) in trade and other payables	36,768	(239,996)	40,900
Cash generated from (used in) operations	2,040	(184,068)	41,839
Interest received	3,903	5,801	3,112
Income taxes paid	—	(9,493)	(738)
Interest paid	—	—	(7,755)
Net cash from (used in) operating activities	5,943	(187,760)	36,458
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Reductions in (additions to):			
Property, plant and equipment	8,645	127,192	(12,097)
Disposal of land	—	111,696	—
Mining exploration and project development costs	167	(3,655)	(13,494)
Decrease (increase) in other noncurrent assets	(53,540)	53,344	(17,743)
Net cash from (used in) investing activities	(44,728)	288,577	(43,334)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in equity of claimowners and others	15,407	(12,724)	(3,281)
Payment of long-term debt	—	(73,872)	(983)
Cash from (used in) financing activities	15,407	(86,596)	(4,264)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(23,378)</b>	<b>14,221</b>	<b>(11,140)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>44,876</b>	<b>30,655</b>	<b>41,795</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>P21,498</b>	<b>P44,876</b>	<b>P30,655</b>

See accompanying Notes to Consolidated Financial Statements.

