



November 9, 2007

**MEDIA RELEASE  
FOR PUBLICATION**

**PETRON POSTS P4.1 BILLION YTD-SEPTEMBER 2007 NET INCOME**

Market leader Petron Corporation reported a net income of P4.1 billion for the first nine months of the year, equivalent to a 3% increase compared to the same period last year. Quarter on quarter, the company's income increased by 7.3% to P1.4 billion versus the P1.3 billion posted in the third quarter of 2006. The company said its income was buoyed by foreign exchange gains and significantly improved margins on export sales.

Pre-tax income rose 19% to P6.04 billion, more than offsetting an increase in income tax expense due to the expiration of the income tax holiday on mixed xylene sales.

Petron posted a 2% increase in domestic sales to 31.36 million barrels, primarily due to higher sales of LPG as well as increased fuel sales to the power sector. In the highly-competitive retail sector, the company's sales volume likewise increased, sustaining its market leadership. Based on the latest industry data, Petron is serving 38.4% of the country's total fuel requirements.

Exports continued to provide steady income. Export margins more than doubled, contributing about 25% of total net income despite a decline of around 17% in volume compared to last year. The lower export volume resulted from the retirement of the company's old cracking unit to enable the early completion of the new one - the Petro Fluidized Catalytic Cracker (PetroFCC). The decline in exports pulled total revenues down by 7%. Revenues decreased to P152.33 billion from P164.2 billion in 2006.

"We are encouraged by the consistent profitability of our export business, and we expect that with the increase in our petrochemical production starting next year, Petron's earnings growth will move to a higher trajectory," said Petron Chairman and CEO Nicasio I. Alcantara.

The PetroFCC will improve operating efficiencies at Petron's 180,000 barrel-per-day Bataan refinery and enable increased production of white products as well as the extraction of the petrochemical propylene.

PetroFCC is a major component of the company's \$300-million Refinery Master Plan. The plan likewise includes a BTX unit that will produce aromatics such as benzene and toluene and expand the company's mixed xylene production.

The construction of the PetroFCC is expected to be completed by the end of 2007.

Meanwhile, Petron continues to expand its service station network. As of the end of September, the company had opened 25 additional service stations, bringing its total service station count to 1,267—the largest retail network in the country.

“While we continue to pursue our diversification strategies, our business remains anchored on the domestic market,” said Petron President Kamal M. Al-Yahya. “This is why we continue to invest not only in network expansion, but also in product development and supply chain improvements. These initiatives should ensure that we sustain our market leadership over the long term,” he added.

(end)

Petron Corporation is the leading oil refining and marketing company in the Philippines. Its 180,000 barrel-per-day oil refinery produces a full range of petroleum products to supply nearly 40% of the country’s fuel requirements. Petron is dedicated and passionate about its vision to be the leading provider of total customer solutions in the energy sector and its derivative businesses. Please visit [www.petron.com](http://www.petron.com) for more information.

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Unaudited



**PETRON CORPORATION AND SUBSIDIARIES**  
**STATEMENT OF INCOME**  
For the Nine-Month Periods Ended September 30, 2007 and 2006  
(Amounts in Millions of Pesos, Except Per Share Amounts)

	<u>January to September</u>	
	<u>2007</u>	<u>2006</u>
SALES	152,339	164,202
COST OF GOODS SOLD	<u>(141,569)</u>	<u>(153,553)</u>
GROSS PROFIT	10,770	10,649
SELLING AND ADMINISTRATIVE EXPENSES	(3,827)	(3,708)
INTEREST INCOME	239	223
INTEREST EXPENSE	(1,892)	(2,109)
OTHERS	<u>747</u>	<u>22</u>
INCOME BEFORE INCOME TAX	6,037	5,077
PROVISION FOR INCOME TAX	<u>(1,933)</u>	<u>(1,080)</u>
NET INCOME	<u>4,104</u>	<u>3,997</u>
Attributable to:		
Equity holders of the parent	4,098	3,991
Minority interest	<u>6</u>	<u>6</u>
	<u>4,104</u>	<u>3,997</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	<u>0.44</u>	<u>0.43</u>



**Unaudited**  
**PETRON CORPORATION & SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(Amounts in Millions of Pesos)**

	As at	
	9/30/2007	12/31/2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	11,690	11,735
Financial assets at fair value through profit or loss	242	180
Available-for-sale investments	118	103
Receivables	16,886	15,629
Inventories	29,850	26,289
Other current assets	7,201	7,054
Total Current Assets	65,987	60,990
<b>Non-Current Assets</b>		
Property, plant and equipment	31,642	25,153
Investment properties	211	222
Available-for-sale investments	535	529
Other noncurrent assets	639	622
Total Noncurrent Assets	33,027	26,526
	99,014	87,516
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans	24,351	28,135
Liabilities for crude oil and petroleum product importation	17,782	7,541
Accounts payable and accrued expenses	4,649	3,731
Current portion of long-term debt	1,527	1,633
Income tax payable	477	452
Total Current Liabilities	48,786	41,492
<b>Non-Current Liabilities</b>		
Long-term debt - net of current portion	12,260	11,279
Deferred income tax liabilities	1,396	1,443
Other noncurrent liabilities	1,156	1,049
Total Noncurrent Liabilities	14,812	13,771
<b>Stockholders' Equity Attributable to Equity Holders of the Parent</b>		
Capital stock	9,375	9,375
Retained earnings:	26,414	23,253
Other reserves	(494)	(490)
Stockholders' Equity Attributable to Equity Holders of the Parent	35,295	32,138
<b>Minority Interest</b>		
Total Stockholders' Equity	121	115
	35,416	32,253
	99,014	87,516



**PETRON CORPORATION & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Millions of Pesos)

Unaudited

	<u>September 2007</u>	<u>September 2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	6,037	5,076
Adjustments for:		
Depreciation and amortization	1,858	1,864
Interest expense	1,875	2,311
Interest income	(239)	(223)
Net unrealized foreign exchange loss (gain)	(514)	(283)
Others	(64)	(35)
<b>Operating income before working capital changes</b>	<b>8,953</b>	<b>8,710</b>
Changes in operating assets and liabilities		
Decrease (increase) in assets:		
Receivables	(159)	(2,655)
Inventories	(3,561)	(6,096)
Other current assets	(237)	(2,882)
Increase (decrease) in liabilities:		
Liabilities for crude oil and petroleum product importation	10,843	5,944
Accounts payable and accrued expenses	727	(70)
Provisions for doubtful accounts, inventory obsolescence and others	88	223
Interest paid	(1,955)	(2,137)
Income taxes paid	(1,956)	(477)
Interest received	237	224
<b>Net cash provided by (used in) operating activities</b>	<b>12,980</b>	<b>784</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property, plant and equipment	(8,337)	(2,929)
Investment properties	1	-
Decrease (increase) in:		
Other receivables	(1,128)	1,017
Other noncurrent assets	(18)	(161)
Reductions from (additions to):		
Available-for-sale investments	(20)	(38)
Investments	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>(9,502)</b>	<b>(2,111)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of loans	44,261	128,147
Payments of:		
Loans	(46,925)	(122,030)
Cash dividends	(923)	(922)
Others	80	35
<b>Net cash provided by (used in) financing activities</b>	<b>(3,507)</b>	<b>5,230</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(16)</b>	<b>(14)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(45)</b>	<b>3,889</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>11,735</b>	<b>4,071</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>11,690</b>	<b>7,960</b>

