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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 for more information.

Contact: Raffy Ledesma Number: 886-3022

886-3888 loc 3917

E-mail: rrledesma@petron.com



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)

	January to Se	January to September	
	2007	2006	
SALES	152,339	164,202	
COST OF GOODS SOLD	(141,569)	(153,553)	
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	747_	22	
INCOME BEFORE INCOME TAX	6,037	5,077	
PROVISION FOR INCOME TAX	(1,933)	(1,080)	
NET INCOME	4,104	3,997	
Attributable to:			
Equity holders of the parent	4,098	3,991	
Minority interest	6	6	
	4,104	3,997	
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE PARENT	0.44	0.43	

Unaudited



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

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Current Assets 11,690 11,735 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 Non-Current Assets 211 222 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 LIABILITIES AND STOCKHOLDERS' EQUITY 24,351 28,135 Liabilities 24,351 28,135 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 3,73		9/30/2007	12/31/2006	
Cash and cash equivalents 11,690 11,735 Financial assets at fair value through profit or loss 242 180 Available-for-sale investments 16,886 15,629 Receivables 16,886 15,629 Inventories 29,850 26,289 Other current assets 65,987 60,990 Non-Current Assets 65,987 60,990 Non-Current Assets 211 222 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 Total Noncurrent Assets 33,027 26,526 Liabilities or crude oil and petroleum product importation 17,782 7,541 Accounts payable and accrued expenses 4649 3,731 Current portion of long-term debt 1,527 1,633 Income tax payable 477 452 Total Current Liabilities 1,626	ASSETS			
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Available-for-sale investments 535 529 Other noncurrent assets 639 622 Total Noncurrent Assets 33,027 26,526 By,014 87,516 LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities 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 Non-Current Liabilities 12,260 11,279 Deferred income tax liabilities 1,396 1,434 Other noncurrent Liabilities 1,156 1,049 Total Noncurrent Liabilities 9,375 9,375 Stockholders' Equity Attributable to Equity Holders Other Parent 26,414 23,253 Other reserves 4,949 4,949 Stockholders' Equity At	Property, plant and equipment	31,642	25,153	
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Page Page	Other noncurrent assets	639	622	
LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities 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 Non-Current Liabilities 12,260 11,279 Deferred income tax liabilities 1,396 1,443 Other noncurrent liabilities 1,156 1,049 Total Noncurrent Liabilities 1,156 1,049 Total Noncurrent Liabilities 9,375 9,375 Stockholders' Equity Attributable to Equity Holders 9,375 9,375 Retained earnings: 26,414 23,253 Other reserves (490) (490) Stockholders' Equity Attributable to Equity Holders of the Parent 35,295 32,138 Minority Interest 121 115 Total Stockholders' Equity 35,4	Total Noncurrent Assets	33,027	26,526	
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Deferred income tax liabilities1,3961,443Other noncurrent liabilities1,1561,049Total Noncurrent Liabilities14,81213,771Stockholders' Equity Attributable to Equity Holdersof the Parent9,3759,375Retained earnings:26,41423,253Other reserves(494)(490)Stockholders' Equity Attributable to Equity Holders of the Parent35,29532,138Minority Interest121115Total Stockholders' Equity35,41632,253	Non-Current Liabilities		1 - 12	
Other noncurrent liabilities1,1561,049Total Noncurrent Liabilities14,81213,771Stockholders' Equity Attributable to Equity Holdersof the Parent9,3759,375Retained earnings:26,41423,253Other reserves(494)(490)Stockholders' Equity Attributable to Equity Holders of the Parent35,29532,138Minority Interest121115Total Stockholders' Equity35,41632,253	Long-term debt - net of current portion	12,260	11,279	
Other noncurrent liabilities 1,156 1,049 Total Noncurrent Liabilities 14,812 13,771 Stockholders' Equity Attributable to Equity Holders of the Parent 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 Minority Interest 121 115 Total Stockholders' Equity 32,253	Deferred income tax liabilities	1,396	1,443	
Stockholders' Equity Attributable to Equity Holders of the Parent Capital stock Retained earnings: Other reserves Other reserves Stockholders' Equity Attributable to Equity Holders of the Parent Minority Interest Total Stockholders' Equity Stockholders' Equity Total Stockholders' Equity Total Stockholders' Equity Total Stockholders' Equity Stockholders' Equity Total Stockholders' Equity Total Stockholders' Equity Total Stockholders' Equity	Other noncurrent liabilities		1,049	
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Other reserves(494)(490)Stockholders' Equity Attributable to Equity Holders of the Parent35,29532,138Minority Interest121115Total Stockholders' Equity35,41632,253	Capital stock	9,375	9,375	
Other reserves(494)(490)Stockholders' Equity Attributable to Equity Holders of the Parent35,29532,138Minority Interest121115Total Stockholders' Equity35,41632,253	Retained earnings:	26,414	23,253	
Stockholders' Equity Attributable to Equity Holders of the Parent35,29532,138Minority Interest121115Total Stockholders' Equity35,41632,253	Other reserves		(490)	
Minority Interest 121 115 Total Stockholders' Equity 35,416 32,253	Stockholders' Equity Attributable to Equity Holders of the Parent			
Total Stockholders' Equity 35,416 32,253				
	The state of the s	35,416	32,253	
			87,516	



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

	September 2007	September 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
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)
Operating income before working capital changes	8,953	8,710
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
Net cash provided by (used in) operating activities	12,980	784
CASH FLOWS FROM INVESTING ACTIVITIES 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	-	-
Net cash provided by (used in) investing activities	(9,502)	(2,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans	44,261	128,147
Payments of:		
Loans	(46,925)	(122,030)
Cash dividends	(923)	(922)
Others	80	35
Net cash provided by (used in) financing activities	(3,507)	5,230
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(16)	(14)
AND CASH EQUIVALENTS	(10)	(14)
NET INCREASE (DECREASE) IN CASH AND CASH		
EQUIVALENTS	(45)	3,889
EQ014ALLM13	(43)	3,009
CASH AND CASH EQUIVALENTS AT BEGINNING OF		
PERIOD	11,735	4,071
		4,0/1
CASH AND CASH EQUIVALENTS AT END OF		
PERIOD	11,690	7,960
		1,,,50