



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

Unaudited

| | <u>April to June</u> | | <u>January to June</u> | |
|--|----------------------|-----------------|------------------------|-----------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| SALES | 55,443 | 54,786 | 98,789 | 106,973 |
| COST OF GOODS SOLD | <u>(51,273)</u> | <u>(50,165)</u> | <u>(91,734)</u> | <u>(99,492)</u> |
| GROSS PROFIT | 4,170 | 4,621 | 7,055 | 7,481 |
| SELLING AND ADMINISTRATIVE EXPENSES | (1,449) | (1,538) | (2,545) | (2,776) |
| INTEREST INCOME | 108 | 50 | 186 | 112 |
| INTEREST EXPENSE | (581) | (638) | (1,215) | (1,237) |
| OTHERS | <u>313</u> | <u>(288)</u> | <u>462</u> | <u>(72)</u> |
| INCOME BEFORE INCOME TAX | 2,561 | 2,207 | 3,943 | 3,508 |
| PROVISION FOR INCOME TAX | <u>(812)</u> | <u>(524)</u> | <u>(1,241)</u> | <u>(817)</u> |
| NET INCOME | <u>1,749</u> | <u>1,683</u> | <u>2,702</u> | <u>2,691</u> |
| Attributable to: | | | | |
| Equity holders of the parent | 1,747 | 1,681 | 2,699 | 2,684 |
| Minority interest | <u>2</u> | <u>2</u> | <u>3</u> | <u>7</u> |
| | <u>1,749</u> | <u>1,683</u> | <u>2,702</u> | <u>2,691</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | <u>0.19</u> | <u>0.18</u> | <u>0.29</u> | <u>0.29</u> |



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

Unaudited

| | As at | |
|--|-----------|------------|
| | 6/30/2007 | 12/31/2006 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 6,322 | 11,735 |
| Financial assets at fair value through profit or loss | 247 | 180 |
| Available-for-sale investments | 180 | 103 |
| Receivables | 18,616 | 15,629 |
| Inventories | 31,299 | 26,289 |
| Other current assets | 4,788 | 7,054 |
| Total Current Assets | 61,452 | 60,990 |
| Non-Current Assets | | |
| Property, plant and equipment | 29,311 | 25,153 |
| Investment properties | 214 | 222 |
| Available-for-sale investments | 443 | 529 |
| Other noncurrent assets | 640 | 622 |
| Total Noncurrent Assets | 30,608 | 26,526 |
| | 92,060 | 87,516 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Short-term loans | 21,285 | 28,135 |
| Liabilities for crude oil and petroleum product importation | 14,905 | 7,541 |
| Accounts payable and accrued expenses | 4,838 | 3,731 |
| Current portion of long-term debt | 1,607 | 1,633 |
| Income tax payable | 360 | 452 |
| Total Current Liabilities | 42,995 | 41,492 |
| Non-Current Liabilities | | |
| Long-term debt - net of current portion | 12,316 | 11,279 |
| Deferred income tax liabilities | 1,630 | 1,443 |
| Other noncurrent liabilities | 1,103 | 1,049 |
| Total Noncurrent Liabilities | 15,049 | 13,771 |
| Stockholders' Equity Attributable to Equity Holders of the Parent | | |
| Capital stock | 9,375 | 9,375 |
| Retained earnings: | - | - |
| Appropriated | 17,021 | 17,021 |
| Unappropriated | 7,994 | 6,232 |
| Other reserves | (492) | (490) |
| Total Stockholders' Equity Attributable to Equity Holders of the Parent | 33,898 | 32,138 |
| Minority Interest | | |
| Total Stockholders' Equity | 34,016 | 32,253 |
| | 92,060 | 87,516 |



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

Unaudited

| | June 2007 | June 2006 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | 3,943 | 3,508 |
| Adjustments for: | | |
| Depreciation and amortization | 1,244 | 1,276 |
| Interest expense | 994 | 1,191 |
| Interest income | (186) | (112) |
| Net unrealized foreign exchange loss (gain) | (136) | (6) |
| Others | (66) | (30) |
| Operating income before working capital changes | 5,793 | 5,827 |
| Changes in operating assets and liabilities | | |
| Decrease (increase) in assets: | | |
| Receivables | (2,843) | (1,557) |
| Inventories | (5,010) | (10,940) |
| Other current assets | 2,174 | (3,128) |
| Increase (decrease) in liabilities: | | |
| Liabilities for crude oil and petroleum product importation | 7,318 | 8,609 |
| Accounts payable and accrued expenses | 1,075 | (110) |
| Provisions for doubtful accounts, inventory obsolescence and others | 93 | 378 |
| Interest paid | (984) | (1,158) |
| Income taxes paid | (1,147) | (221) |
| Interest received | 186 | 112 |
| Net cash provided by (used in) operating activities | 6,655 | (2,188) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to: | | |
| Property, plant and equipment | (5,394) | (1,608) |
| Decrease (increase) in: | | |
| Other receivables | (117) | 905 |
| Other noncurrent assets | (15) | (121) |
| Reductions from (additions to): | | |
| Available-for-sale investments | 10 | (1) |
| Investments | - | - |
| Net cash provided by (used in) investing activities | (5,516) | (825) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Availment of loans | 26,366 | 80,244 |
| Payments of: | | |
| Loans | (32,064) | (71,699) |
| Cash dividends | (891) | (502) |
| Others | 37 | 23 |
| Net cash provided by (used in) financing activities | (6,552) | 8,066 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | |
| | - | (4) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (5,413) | 5,049 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 11,735 | 4,071 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 6,322 | 9,120 |