



## CERTIFICATION

I, **Virginia A. Ruivivar**, Public Affairs Manager of PETRON CORPORATION with office address at 39<sup>th</sup> floor, Petron MegaPlaza, 358 Sen. Gil Puyat Ave. Makati City, hereby certify that the attached media release titled “**PETRON REPORTS 14% DROP IN NET INCOME FOR FIRST HALF OF 2008**” with related financial statement was read by me and that the contents are true and not intended to deceive or mislead the public.

A handwritten signature in black ink that reads "V. A. Ruivivar".

*V. A. Ruivivar*

**Virginia A. Ruivivar**  
Public Affairs Manager



July 31, 2008  
Petron Corporation's Disclosure

**PHILIPPINE STOCK EXCHANGE, INC. (PSE)**  
Philippine Stock Exchange Center  
Exchange Road, Ortigas Center  
Pasig, Metro Manila

Attention: **Atty. Pete Malabanan**  
**Head, Disclosure Department**

Dear Atty. Malabanan:

Pursuant to PSE and SEC's disclosure requirements, attached is the media release titled "PETRON REPORTS 14% DROP IN NET INCOME FOR FIRST HALF OF 2008".

Very truly yours,

A handwritten signature in black ink that reads "V. A. Ruivivar".

**Virginia A. Ruivivar**  
Public Affairs Manager



July 31, 2008  
MEDIA RELEASE  
FOR PUBLICATION

### **PETRON REPORTS 14% DROP IN NET INCOME FOR FIRST HALF OF 2008**

The country's largest oil refining and marketing company Petron Corporation reported a net income of ₱2.32 billion for the first half of 2008 during its 14<sup>th</sup> Annual Stockholders Meeting today. This is equivalent to a 14% drop compared to the ₱2.7 billion income over the same period last year.

The company attributed the drop in income to the unprecedented rise in crude costs and higher financing costs. Since the start of the year, Dubai crude has increased by 49% from an average of \$85.58/barrel in December 2007 to \$127.87/barrel in June. For the month of July, Dubai continued its surge, breaching \$140/barrel, and is currently averaging 133/barrel.

Despite high fuel prices, Petron was able to increase its 1<sup>st</sup> half domestic sales by 3.3% to 21.29 million barrels, from 20.61 million barrels for the same period in 2007. Among the oil majors, the company sustained its leadership with a market share of 46.7%.

Petron continued to expand its service station network adding 15 more stations in the first half. To date, the company has 1,284 stations nationwide—still the largest in the country.

Total sales revenue amounted to ₱131.32 billion or a 33% increase from ₱98.79 billion last year.

“Despite this drop in our net income caused by exceptional external factors, we remain optimistic about meeting our financial targets,” Chairman and CEO Nicasio I. Alcantara said. “With our diversification strategy, particularly our efforts to increase our production of petrochemicals, we are in a stronger position to cope with oil price volatility.”

As part of its strategy to diversify from its core business, Petron commissioned the country's first petrochemical feedstock units last April at its Bataan refinery. The PetroFCC, which converts fuel oil into more high-value products such as LPG, gasoline and diesel, also produces the petrochemical feedstock propylene. The propylene is further purified through the Propylene Recovery Unit (PRU) and is used for various industrial applications including automobile parts, electrical appliances etc.

(continued)

A BTX unit is also under construction in Bataan to produce additional petrochemical feedstocks. This unit has an annual capacity to produce 22,800/MT of benzene, 150,000/MT of toluene, and an additional 71,000/MT of mixed xylene. The facility is expected to be completed by the 1<sup>st</sup> quarter of 2009.

The company also opened a blending plant in Subic Bay recently with an annual capacity to produce 12,000 M/T of fuel additives. Petron is now sourcing its additive requirements for its fuel brands, such as XCS Plus and DieselMax, from this facility. This is expected not only to generate cost savings for the company, but also provide an additional source of revenue. Innospec, a global fuel additives supplier, will also be sourcing its fuel additives supply to Asian customers from this blending plant.

Petron recently launched its E10 Premium product, a new specially formulated unleaded gasoline that meets and exceeds the requirements of the Philippine Biofuels Law. It contains 10% fuel grade Ethanol and 90% Petron Premium Unleaded Gasoline with enhanced fuel additive. This unique additive allows the removal of existing deposits, which results in improved power and fuel economy.

“Our initiatives to diversify from our core business are beginning to give us new revenue streams that will boost our profitability in coming years,” Alcantara concluded.

About Petron Corporation

Petron Corporation is the largest 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 total fuel requirements. Through more than 1,260 service stations nationwide -- the largest service station network in the country -- we retail gasoline, diesel and kerosene to motorists. 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 us at [www.petron.com](http://www.petron.com) for more information.

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**PETRON CORPORATION & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Millions of Pesos)

	As at	
	6/30/2008	12/31/2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	13,880	9,732
Financial assets at fair value through profit or loss	181	229
Available-for-sale investments	317	164
Receivables	17,940	17,869
Inventories	41,268	30,271
Other current assets	7,163	10,672
Total Current Assets	<u>80,749</u>	<u>68,937</u>
<b>Non-Current Assets</b>		
Property, plant and equipment	36,107	34,122
Investment properties	201	208
Available-for-sale investments	338	468
Other noncurrent assets	817	739
Total Noncurrent Assets	<u>37,463</u>	<u>35,537</u>
	<u>118,212</u>	<u>104,474</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans	32,961	33,784
Liabilities for crude oil and petroleum product importation	23,866	12,873
Accounts payable and accrued expenses	6,976	4,544
Current portion of long-term debt	2,625	1,604
Income tax payable	104	523
	<u>66,532</u>	<u>53,328</u>
<b>Non-Current Liabilities</b>		
Long-term debt - net of current portion	9,619	11,176
Deferred income tax liabilities	1,916	1,268
Other noncurrent liabilities	971	914
Total Noncurrent Liabilities	<u>12,506</u>	<u>13,358</u>
<b>Stockholders' Equity Attributable to Equity Holders of the Parent</b>		
Capital stock	9,375	9,375
Retained earnings		
Appropriated	21,172	21,172
Unappropriated	8,901	7,520
Other reserves	(411)	(412)
Stockholders' Equity Attributable to Equity Holders of the Parent	<u>39,037</u>	<u>37,655</u>
<b>Minority Interest</b>		
Total Stockholders' Equity	<u>137</u>	<u>133</u>
	<u>39,174</u>	<u>37,788</u>
	<u>118,212</u>	<u>104,474</u>



**PETRON CORPORATION AND SUBSIDIARIES**  
**STATEMENT OF INCOME**  
**For the Six Month Periods Ended June 30, 2008 and 2007**  
**(Amounts in Millions of Pesos, Except Per Share Amounts)**

	<b>January to June</b>	
	<b>2008</b>	<b>2007</b>
SALES	131,323	98,789
COST OF GOODS SOLD	<u>(122,650)</u>	<u>(91,742)</u>
GROSS PROFIT	8,673	7,047
SELLING AND ADMINISTRATIVE EXPENSES	(3,005)	(2,537)
INTEREST INCOME	153	186
INTEREST EXPENSE	(1,493)	(1,215)
OTHERS	<u>(890)</u>	<u>462</u>
INCOME BEFORE INCOME TAX	3,438	3,943
PROVISION FOR INCOME TAX	<u>(1,116)</u>	<u>(1,241)</u>
NET INCOME	<u>2,322</u>	<u>2,702</u>
	1.77%	2.74%
Attributable to:		
Equity holders of the parent	2,318	2,699
Minority interest	<u>4</u>	<u>3</u>
	<u>2,322</u>	<u>2,702</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT - BASIC & DILUTED	<u>0.25</u>	<u>0.29</u>



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

	<u>June 2008</u>	<u>June 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	3,439	3,943
Adjustments for:		
Depreciation and amortization	1,511	1,244
Interest expense	1,493	994
Interest income	(154)	(186)
Net unrealized foreign exchange loss (gain)	396	(136)
Others	49	(66)
Operating income before working capital changes	6,734	5,793
Changes in operating assets and liabilities		
Decrease (increase) in assets:		
Receivables	(2,126)	(2,896)
Inventories	(10,997)	(5,010)
Other current assets	3,463	2,174
Increase (decrease) in liabilities:		
Liabilities for crude oil and petroleum product importation	10,555	7,318
Accounts payable and accrued expenses	2,356	1,075
Provisions for doubtful accounts, inventory obsolescence and others	146	93
Interest paid	(1,327)	(984)
Income taxes paid	(888)	(1,147)
Interest received	159	186
<b>Net cash provided by (used in) operating activities</b>	<b>8,075</b>	<b>6,602</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property, plant and equipment	(3,489)	(5,394)
Investment properties		-
Decrease (increase) in:		
Other receivables	2,000	(64)
Other noncurrent assets	(76)	(15)
Reductions from (additions to):		
Financial assets at fair value through profit or loss	-	-
Available-for-sale investments	(23)	10
Investments	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>(1,588)</b>	<b>(5,463)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of loans	40,244	26,366
Payments of:		
Loans	(41,789)	(32,064)
Cash dividends	(885)	(891)
Others	38	37
<b>Net cash provided by (used in) financing activities</b>	<b>(2,392)</b>	<b>(6,552)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	53	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,148</b>	<b>(5,413)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
	<b>9,732</b>	<b>11,735</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	<b>13,880</b>	<b>6,322</b>