



ANNEX "B"

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REPORT ON INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Petron Corporation and Subsidiaries
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation (the "Group") and Subsidiaries as at and for the year ended December 31, 2011, and have issued our report thereon dated March 7, 2012.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration, Tabular Schedule of Philippine Financial Reporting Standards, Supplementary Schedules (A-H) and Map of the Conglomerate within which the Group belongs as at December 31, 2011, presented as attachments to the audited consolidated financial statements of the Group, are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008, *Guidelines on the Determination of Retained Earnings Available for Dividend Declaration* and Securities Regulation Code Rule 68, *As Amended*, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the financial statements data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

JORGE MA. S. SANAGUSTIN

Partner

CPA License No. 0030399

SEC Accreditation No. 0026-AR-3, Group A, valid until January 4, 2015

Tax Identification No. 124-282-616

BIR Accreditation No. 08-001987-7-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3174027MA

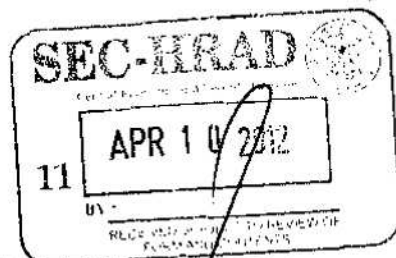
Issued January 2, 2012 at Makati City

March 7, 2012

Makati City, Metro Manila

Manabat Sanagustin & Co., certified public accountants, a professional partnership established under Philippine law, is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

CERTIFICATION




The undersigned, **EFREN P. GABRILLO**, in his capacity as the Controller of PETRON CORPORATION (hereinafter referred to as the "Corporation"), a corporation duly organized and existing under Philippine laws with principal office address at San Miguel Corp. Head Office Complex, 40 San Miguel Ave., Mandaluyong City, 1550.

HEREBY CERTIFIES AND STATES THAT:

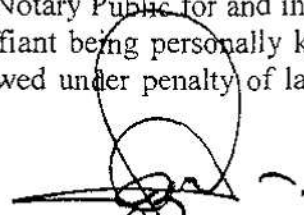
1. Pursuant to SEC Memorandum Circular 06 Series of 2006, a computer CD is submitted herewith.
2. The said computer CD contains the basic and material data in the Corporation's Audited Financial Statements for 2011.
3. This Certification is hereby submitted conformably to SEC's reportorial requirements and for whatever legal purpose it may serve.

DONE this 7th day of March 2012 at Ortigas, Mandaluyong City, Metro Manila, Philippines.


EFREN P. GABRILLO
Asst. Vice President - Controllers

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this APR 10 2012, affiant being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

Doc. No. 63 ;
Page No. 14 ;
Book No. I ;
Series of 2012


EMMANUEL L. BAWALAN
Notary Public for Mandaluyong City
Notary Commission No. 0333-12
Until December 31, 2013
PTR No. 1966432 1.20.12 Mandaluyong City
JSP LRN 07098 1.7.08 Pasig City
Roll of Attorney No. 42921
SMC Head Office Complex,
40 San Miguel Avenue, 1550 Mandaluyong City
NICLE Compliance No. III - 0010822 3.30.10

PETRON CORPORATION AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2011

Statement of Management's Responsibility for the Consolidated Financial Statements

**Independent Auditor's Report on the SEC Supplementary Schedules
Filed Separately from the Basic Consolidated Financial Statements**

Supplementary Schedules to Consolidated Financial Statements

	<u>Page No.</u>
A. Financial Assets	1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders	NA*
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D. Intangible Assets – Other Assets	3
E. Long-term Debt	4
F. Indebtedness to Related Parties	NA**
G. Guarantees of Securities of Other Issuers	NA
H. Capital Stock	5
Map of the Conglomerate within which the Group belongs	6
Tabular Schedule of Philippine Financial Reporting Standards	7

**Balance of account is less than 1% of the total assets of the Company and no individually significant advances over P100,000.*

***Balance of account is less than 5% of the total assets of the Company*

Supplementary Schedule to Parent Financial Statements

Reconciliation of Parent Company's Retained Earnings for Dividend Declaration	8
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PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2011
 (Amounts in Millions, except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2011	Income Received and Accrued
Cash and cash equivalents	P -	23,823 P	23,823 P	342
Trade and other receivables - net	-	26,605	26,605	76
Noncurrent receivables and deposits - net	-	23,787	23,787	927
	P -	74,215 P	74,215 P	1,345

PETRON CORPORATION AND SUBSIDIARIES
 SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
 DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
 DECEMBER 31, 2011
 (Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
PMC	P 58	P 393	(369)	-	82 P	82 P	-	82
PFC	48	590	(576)	-	62	62	-	62
PSTPL	2,578	201,319	(193,432)	-	10,465	10,465	-	10,465
PETROGEN	45	-	(31)	-	14	14	-	14
NVRC	1,594	1,621	(931)	-	2,284	-	2,284	2,284
TOTAL	P 4,324	P 203,923	(195,339)	-	12,907 P	10,623 P	2,284 P	12,907

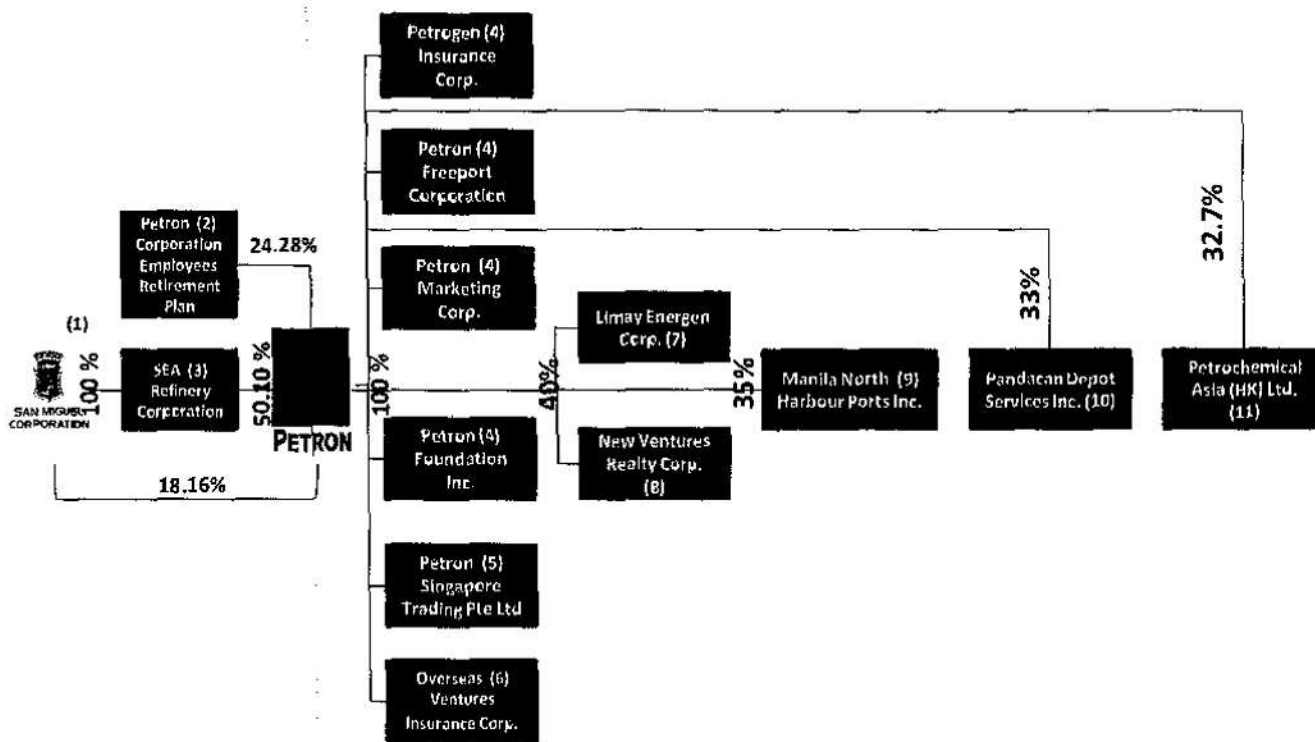
PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2011
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Amount Shown as Current	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Final Maturity
Unsecured term notes: <i>Peso denominated:</i>							
Fixed	MBTC/Maybank/Insular Life/Mega II P	154	154	154	6.73%	Amortized	January-12
Fixed	RCBC	3,600	33	3,563	6.3212% and 7.1827% p.a. (i)	Amortized	October-21
Fixed	BPI Asset Management and Trust Group	5,200	(11)	5,171	8.14%	Bullet	June-14
Fixed	BPI Asset Management and Trust Group	4,704	41	4,669	9.33%	Amortized	June-16
Fixed	Deutsche Bank AG, Hongkong Branch	20,000	(27)	19,803	7.00%	Bullet	November-17
		33,658	190	33,360			
Floating	Development Bank of the Philippines	1,200	600	1,200	net 1M SDA plus margin	Amortized	December-13
<i>Foreign currency - denominated</i>							
<i>Domestic Subsidiary</i>							
Floating	Norddeutsche Landesbank Girozentrale	12,105	3,359	11,889	LIBOR plus agreed margin	Amortized	June-15
Floating	Standard Chartered Bank (Hong Kong) L	3,507	(25)	3,419	LIBOR plus agreed margin	Semi-annual	November-12
		15,612	3,334	15,308			
Total Long-term Debt		50,470	4,124	49,868			

PETRON CORPORATION AND SUBSIDIARIES

SCHEDULE H. CAPITAL STOCK
DECEMBER 31, 2011

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors and officers	Others
Preferred stock	624,895,503	100,000,000	Not applicable	-	438,500	99,561,500
Common stock	9,375,104,497	9,375,104,497	Not applicable	8,676,212,221	31,785	698,860,491



PETRON, SUBSIDIARIES & AFFILIATES GROUP STRUCTURE (as of Dec. 31, 2011)

1. San Miguel Corporation (SMC) directly and indirectly owns 68.26% common shares of Petron
2. The Petron Corporation Employees Retirement Plan (PCERP) owns 24.28% shares of Petron
3. SEA Refinery Corporation (SRC) controls 50.10% of Petron and is 100% owned by SMC
4. Petrogen, Petron Freeport, Petron Marketing and Petron Foundation are domestic corporations wholly-owned by Petron
5. Petron Singapore Trading Pte. Ltd. (PSTPL) is a corporation established under the laws of Singapore
6. Overseas Ventures Insurance Corporation (OVINCOR) is a corporation established under the laws of Bermuda
7. Limay Energen Corporation (LEC) is 40% owned by Petron
8. New Ventures Realty Corporation (NVRC) is 40% owned by Petron; the company controls Las Lucas Construction & Development Corporation

9. Manila North Harbor Ports Inc. (MNHPI) is 35% owned by Petron
10. Pandacan Depot Services Inc. (PDSI) is a joint venture of Petron, Shell and Chevron
11. Petrochemical Asia (HK) Ltd. (PAHL) is 32.7% controlled by Petron; PAHL wholly controls Robinsons International Holdings Inc. (RIHL) and indirectly controls Philippine Polypropylene Inc. (PPI) and Mariveles Landco Corporation (MLC)

Petron Corporation and Subsidiaries
TABULAR SCHEDULE OF PFRS
AS AT DECEMBER 31, 2011

Standards	"Adopted", "Not adopted" or "Not applicable"
<i>Philippine Financial Reporting Standards (PFRSs)</i>	
<i>PFRS 1</i> First-time Adoption of Philippine Financial Reporting Standards	Adopted
<i>PFRS 2</i> Share-based Payment	Adopted
<i>PFRS 3</i> Business Combinations	Adopted
<i>PFRS 4</i> Insurance Contracts	Adopted
<i>PFRS 5</i> Non-current Assets Held for Sale and Discontinued Operations	Adopted
<i>PFRS 6</i> Exploration for and Evaluation of Mineral Resources	Not applicable
<i>PFRS 7</i> Financial Instruments: Disclosures	Adopted
<i>PFRS 8</i> Operating Segments	Adopted
<i>Philippine Accounting Standards (PASs)</i>	
<i>PAS 1</i> Presentation of Financial Statements	Adopted
<i>PAS 2</i> Inventories	Adopted
<i>PAS 7</i> Statement of Cash Flows	Adopted
<i>PAS 8</i> Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
<i>PAS 10</i> Events after the Reporting Period	Adopted
<i>PAS 11</i> Construction Contracts	Not applicable
<i>PAS 12</i> Income Taxes	Adopted
<i>PAS 16</i> Property, Plant and Equipment	Adopted
<i>PAS 17</i> Leases	Adopted
<i>PAS 18</i> Revenue	Adopted
<i>PAS 19</i> Employee Benefits	Adopted
<i>PAS 20</i> Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
<i>PAS 21</i> The Effects of Changes in Foreign Exchange Rates	Adopted
<i>PAS 23</i> Borrowing Costs	Adopted
<i>PAS 24</i> Related Party Disclosures	Adopted
<i>PAS 26</i> Accounting and Reporting by Retirement Benefit Plans	Adopted
<i>PAS 27</i> Consolidated and Separate Financial Statements	Adopted
<i>PAS 28</i> Investments in Associates	Adopted
<i>PAS 29</i> Financial Reporting in Hyperinflationary Economies	Not applicable
<i>PAS 31</i> Interests in Joint Venture	Adopted
<i>PAS 32</i> Financial Instruments: Presentation	Adopted
<i>PAS 33</i> Earnings per Share	Adopted
<i>PAS 34</i> Interim Financial Reporting	Adopted
<i>PAS 36</i> Impairment of Assets	Adopted
<i>PAS 37</i> Provisions, Contingent Liabilities and Contingent Assets	Adopted
<i>PAS 38</i> Intangible Assets	Adopted
<i>PAS 39</i> Financial Instruments: Recognition and Measurement	Adopted
<i>PAS 40</i> Investment Property	Adopted
<i>PAS 41</i> Agriculture	Not applicable

PETRON CORPORATION
SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
(Amounts in Thousand Pesos)

*(Figures based on audited
financial statements)*

Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>		P12,970,287
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	P7,956,930	
Less: Non-actual/unrealized income		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Recognized deferred tax assets	-	
Fair value adjustment on FVPL financial assets	617	
Fair value adjustments on derivatives	-	
Fair value adjustments on Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP – gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	7,956,313	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP – loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period	7,956,313	7,956,313
Add (Less):		
Dividend declarations during the period	(2,128,510)	
Appropriations of Retained Earnings during the period	(9,628,000)	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
	(11,756,510)	(11,756,510)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		P9,170,090