

ANNEX "B"

Manabat Sanagustin & Co.
Certified Public Accountants
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone Fax Internet E-Mail +63 (2) 894 1985 www.kpmg.com.ph manila@kpmg.com.ph

Branches - Subic - Cebu - Bacolod - Iloilo

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.



SEC-RELAD

11 APR 1 V 2/12

SECRETARIAN APR 1 V 2/12

The undersigned, EFREN P. GABRILLO, in his capacity as the Controller of PE/TRON 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. 1;

Series of 2012

Notary Public for Mandaluyong City
Notary Commission No. 0333-12
Until December 31, 2013
PTR No. 1966432 1.20.12 Mandaluyong City
ISP 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

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A.	Financial Assets	1
В,	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
D. 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
	ace of account is less than 1% of the total assets of the Company and no individually significa • P100,000.	ant advances

Supplementary Schedule to Parent Financial Statements

Reconciliation of Parent Company's Retained Earnings for Dividend Declaration

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

PETRON CORPORATION AND SUBSIDIARIES SCHEDULE A - FINANCIAL ASSETS DECEMBER 31, 2011 (Amounts in Millions, except No. of Shares Data)

Cash and cash equivalents Trade and other receivables - net Noncurrent receivables and deposits - net	Name of Issuing Entity / Description of Each Issue
ַ טל ַ טל	1
	Number of shares or Principal Amount of Bonds and Notes
ָּמוֹ סֹר	36
23,823 P 26,605 23,787 74,215 P	Amount Shown in the Statements of Financial Position
	1 -
23,823 P 26,605 23,787 74,215 P	Value Based on Market Quotations at Dec. 31, 2011
342 76 927 1,345	Income Received and Accrued

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 PART	 3	BEGINNING	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
PMC	סר	58 P	393	P (369)		82 P	82 P	י סר	82
PFC		48	590	(576)	2.002	62	62		62
PSTPL		2,578	201,319	(193,432)	3.	10,465	10,465		10,465
PETROGEN		45	1	(31)	€	14	-		14
NVRC		1,594	1,621	(931)		2,284		2,284	2,284
TOTAL	סי	4,324 P	203,923	P (195,339)	•	12,907 P	10,623 F	2,284 P	12,907

PETRON CORPORATION AND SUBSIDIARIES SCHEDULE D. INTANGIBLE ASSETS -- OTHER ASSETS DECEMBER 31, 2011 (Amounts in Millions)

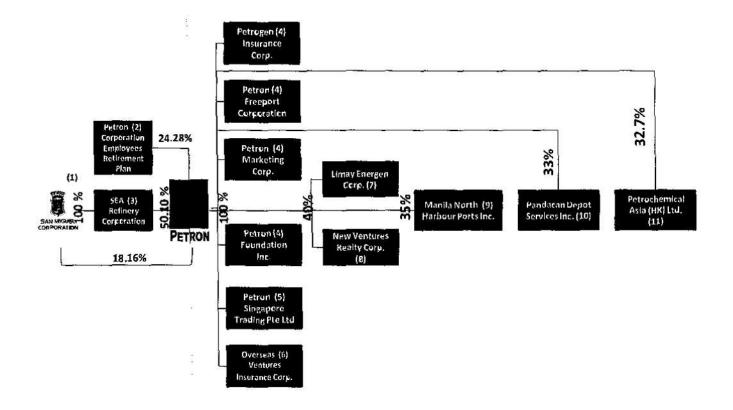
	Less amortization for the year	Franchise Fee: Cost	Description
P		שי	
10 P	7	17 P	Beginning balance
	r	<u></u>	Additions at cost
1 P 2	2	ب	Charged to cost and expenses
2 P 0	1	P ·	Charged to other accounts
0 P 0 P	1	÷₩	Other changes additions (deductions)
P 9	9	P 18	Ending balance

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

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

PETRON CORPORATION AND SUBSIDIARIES SCHEDULE H. CAPITAL STOCK DECEMBER 31, 2011

Common stock	Preferred stock	Title of Issue Numb
9,375,104,497	624,895,503	Number of Shares Authorized
9,375,104,497 Not applicable	100,000,000	Number of shares issued and outstanding at shown under related balance sheet caption
Not applicable	100,000,000 Not applicable	Number of shares reserved for options, warrants, conversion and other rights
8,676,212,221	1	Number of shares held by related parties
31,785	438,500	Directors and officers
698,860,491	99,561,500	Others



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

- 1. San Miguel Corporation (SMC) directly and indirectly ownes 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

Philippine Financial Reporting Standards (PFRSs) PFRS 1 First-time Adoption of Philippine Financial Reporting Standards PFRS 2 Standards PFRS 3 Business Combinations PFRS 3 Business Combinations Adopted PFRS 3 Business Combinations Adopted PFRS 4 Insurance Contracts Adopted PFRS 5 Non-current Assest Held for Sale and Discontinued Operations PFRS 6 Exploration for and Evaluation of Mineral Resources Resources PFRS 7 Financial Instruments: Disclosures Adopted PFRS 8 Operating Standards (PASs) PFRS 7 Financial Statements Adopted PFRS 8 Operating Standards (PASs) PAS 7 Presentation of Financial Statements Adopted PAS 7 Resentation of Financial Statements Adopted PAS 8 Accounting Policies, Changes in Adopted PAS 9 Accounting Policies, Changes in Adopted Accounting Estimates and Errors Adopted PAS 10 Construction Contracts Not applicable PAS 11 Construction Contracts Not applicable PAS 12 Income Taxes Adopted PAS 13 Exerces Adopted PAS 19 Employee Benefits Adopted PAS 19 Employee Benefits Adopted PAS 19 Employee Benefits Adopted PAS 20 Accounting for Government Grants and Disclosure of Government Assistance PAS 23 Related Party Disclosures PAS 24 Related Party Disclosures PAS 25 Investments in Associates PAS 28 Investments in Associates PAS 29 Financial Reporting in Hyperinflationary Conomies PAS 39 Financial Instruments: Presentation Adopted PAS 39 Financial Instruments: Presentation Adopted PAS 39 Financial Instruments: Recognition and	AS AT DECEMBER 31, 2011					
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Reporting Standards PFRS 2 Share-based Payment PFRS 3 Business Combinations PFRS 4 Insurance Contracts PFRS 5 Non-current Assets Held for Sale and Discontinued Operations PFRS 6 Exploration for and Evaluation of Mineral Resources PFRS 7 Financial Instruments: Disclosures PFRS 8 Operating Standards (PASs) PFRS 7 Financial Instruments: Disclosures PFRS 8 Operating Standards (PASs) PAS 1 Presentation of Financial Statements Adopted PFRS 9 Operating Standards (PASs) PAS 1 Presentation of Financial Statements Adopted PAS 1 Inventories Adopted PAS 2 Inventories Adopted PAS 1 Statement of Cash Flows PAS 10 Events after the Reporting Period Adopted Adopted Adopted PAS 11 Construction Contracts Not applicable PAS 12 Income Taxes Adopted PAS 12 Income Taxes Adopted PAS 17 Events after the Reporting Period Adopted PAS 18 Revenue PAS 19 Employee Benefits PAS 19 Employee Benefits PAS 20 Adopted PAS 20 Adopted PAS 20 Adopted PAS 20 Adopted PAS 21 Revenue PAS 21 The Effects of Changes in Foreign Exchange Rates PAS 28 Accounting for Government Grants and Disclosure of Government Assistance PAS 28 Revenue PAS 29 Enfect of Changes in Foreign Exchange Rates PAS 28 Accounting and Reporting by Retirement Benefit Plans Benefit Plans PAS 29 Encondidated and Separate Financial Statements PAS 29 Encondidated and Separate Financial Statements PAS 29 Envestments in Associates PAS 29 Financial Reporting in Hyperinflationary Economies PAS 31 Enriestments in Associates PAS 32 Financial Instruments: Presentation PAS 33 Enriestment of Assets PAS 36 Impairment of Assets PAS 38 Integration Adopted PAS 39 Financial Reporting PAS 39 Financial Instruments: Recognition and Measurement Adopted PAS 39 Financial Instruments: Recognition and Measurement						
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PAS 38 Intangible Assets Adopted PAS 39 Financial Instruments: Recognition and Measurement Adopted	PAS 37 Provisions, Contingent Liabilities and					
PAS 39 Financial Instruments: Recognition and Adopted Measurement		Adopted				
	PAS 39 Financial Instruments: Recognition and					
LPAS 40 Investment Property I Adopted	PAS 40 Investment Property	Adopted				
PAS 41 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)

	1	ised on audited cial statements)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		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	元 4	
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 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	(2,120,510)	
period	(9,628,000)	
Reversals of appropriations	(-,-=0,000)	
Effects of prior period adjustments		
Treasury shares	2	
	(11,756,510)	(11,756,510)
TOTAL RETAINED EARNINGS, END		
AVAILABLE FOR DIVIDEND		P9,170,090
TATELONG TON DATABLE		I >, X / U, U >