



CERTIFICATION

I, **Virginia A. Ruivivar**, Public Affairs Manager of PETRON CORPORATION with office address at 39th floor, Petron MegaPlaza, 358 Sen. Gil Puyat Ave. Makati City, hereby certify that the attached media release titled "**PETRON POSTS NET INCOME OF P953 MILLION FOR 1st Q 2007**" with related financial statement was read by me and that the contents are true and not intended to deceive or mislead the public.

(Sgd) **Virginia A. Ruivivar**
Public Affairs Manager



May 03, 2007
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 POSTS NET INCOME OF P953 MILLION FOR 1st Q 2007" with the 1st quarter 2007 financial statements.

Very truly yours,

(Sgd) Virginia A. Ruivivar
Public Affairs Manager

May 3, 2007

**MEDIA RELEASE
FOR PUBLICATION**

PETRON POSTS NET INCOME OF P953 MILLION FOR 1st Q 2007

Market leader Petron Corporation reported a first quarter net income of P953 million, slightly lower than its P1 billion income for the same period last year due to the expiration of the income tax holiday on the company's Mixed Xylene sales last December. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) actually grew by 9% to P2.43 billion compared to P2.23 billion for first quarter 2006.

The growth in operating income comes from the continuing efficiency programs of the company. Revenues declined 17%, reflecting lower average oil prices for the quarter as well as lower sales volumes. Domestic sales remained weak as local oil demand continued to contract, while the company's export sales also declined due to unfavorable international prices particularly in January. Total volumes fell by 13.3%.

"We managed to maintain our resilient performance because of the initiatives that we have implemented over the years, including the application of the latest technologies at various points of our supply chain and our ability to introduce innovative products," said Petron President Khalid D. Al-Faddagh.

Some of the said technologies include the Distribution Optimizer software which lowers transshipment costs and generates vessel schedules more efficiently, the Point of Sales system that automates processes at our service stations, and Offsites Automation at the Bataan refinery which allows for better inventory management.

Despite the slight dip in net income, Petron remains very optimistic about its prospects as the commissioning of its new refinery facilities approaches. The company's \$300 million petrochemical projects will begin coming on-stream in the first quarter of 2008, starting with the Petro Fluidized Catalytic Cracker (PetroFCC). Apart from producing the petrochemical propylene, the PetroFCC will enable the company to convert more black products into higher-value white products (LPG, gasoline, diesel, kerosene).

Petron continues to be the leader in a market that has become highly competitive -- with many players vying for volume even as demand continues to decline. In the retail trade, it has successfully maintained its hold on the top spot through strategic network expansion and continuing innovation in its product and service offerings.

To meet the growing demand for automotive LPG, for instance, the company has increased the number of stations with *Xtend* autogas refilling facilities to 16 from only 7 at the end of 2006.

Petron has also recently launched a new product that is friendly not only to the environment but also to the fuel budgets of motorists. The new, re-formulated *XCS Plus* is the first gasoline in the world powered by an organic combustion enhancer. This product is the result of an extensive two-year research and development process. In field tests, *XCS Plus* gives nearly 16% more fuel economy compared to the old formulation. Compared to competitors' fuels with similar octane rating, the new *XCS Plus* reduces CO (carbon monoxide) emissions by 45% and gives 23% more engine power. In just 2 days, *XCS Plus* removes more than 70% of engine deposits.

As Petron Chairman and CEO Nicasio I. Alcantara affirms, "The launch of *XCS Plus* is part of a larger strategy to continually introduce advanced fuel formulations to the market. This is essential in protecting our market leadership at a time when we are facing many challenges such as rising crude prices and stiffer competition."

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About Petron:

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. 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.



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

Unaudited

	As at	
	3/31/2007	12/31/2006
ASSETS		
Current Assets		
Cash and cash equivalents	6,586	11,735
Financial assets at fair value through profit or loss	204	180
Available-for-sale investments	124	103
Receivables	15,299	15,629
Inventories	27,955	26,289
Other current assets	5,215	7,054
Total Current Assets	55,383	60,990
Non-Current Assets		
Property, plant and equipment	27,052	25,153
Investment properties	218	237
Available-for-sale investments	507	529
Other noncurrent assets	655	607
Total Noncurrent Assets	28,431	26,526
	83,814	87,516
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	16,804	28,135
Liabilities for crude oil and petroleum product importation	12,315	7,541
Accounts payable and accrued expenses	3,680	3,731
Current portion of long-term debt	1,464	1,633
Income tax payable	456	452
	34,719	41,492
Non-Current Liabilities		
Long-term debt - net of current portion	13,235	11,279
Deferred income tax liabilities	1,553	1,443
Other noncurrent liabilities	1,062	1,049
Total Noncurrent Liabilities	15,850	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	7,213	6,232
Other reserves	(480)	(490)
Stockholders' Equity Attributable to Equity Holders of the Parent	33,129	32,138
Minority Interest		
Total Stockholders' Equity	116	115
	33,245	32,253
	83,814	87,516



PETRON CORPORATION AND SUBSIDIARIES
STATEMENT OF INCOME
For the Three-Month Periods Ended March 31, 2007 and 2006
(Amounts in Millions of Pesos, Except Per Share Amounts)

Unaudited

	<u>January to March</u>	
	<u>2007</u>	<u>2006</u>
SALES	43,346	52,187
COST OF GOODS SOLD	<u>(40,461)</u>	<u>(49,327)</u>
GROSS PROFIT	2,885	2,860
SELLING AND ADMINISTRATIVE EXPENSES	(1,096)	(1,238)
INTEREST INCOME	78	62
INTEREST EXPENSE	(634)	(599)
OTHERS	<u>149</u>	<u>216</u>
INCOME BEFORE INCOME TAX	1,382	1,301
PROVISION FOR INCOME TAX	<u>(429)</u>	<u>(293)</u>
NET INCOME	<u><u>953</u></u>	<u><u>1,008</u></u>
Attributable to:		
Equity holders of the parent	952	1,003
Minority interest	<u>1</u>	<u>5</u>
	<u><u>953</u></u>	<u><u>1,008</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	<u>0.10</u>	<u>0.11</u>



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

Unaudited

	March 2007	Mar 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,382	1,301
Adjustments for:		
Depreciation and amortization	641	607
Interest expense	625	581
Interest income	(78)	(62)
Net unrealized foreign exchange loss (gain)	(70)	(175)
Others	(78)	(5)
Operating income before working capital changes	2,422	2,247
Changes in operating assets and liabilities		
Decrease (increase) in assets:		
Receivables	229	(1,577)
Inventories	(1,666)	(6,611)
Other current assets	1,748	(2,081)
Increase (decrease) in liabilities:		
Liabilities for crude oil and petroleum product importation	4,777	10,375
Accounts payable and accrued expenses	150	1,408
Provisions for doubtful accounts, inventory obsolescence and others	93	29
Interest paid	(798)	(440)
Income taxes paid	(460)	(190)
Interest received	81	62
Net cash provided by (used in) operating activities	6,576	3,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	(2,534)	(323)
Investment properties	-	-
Decrease (increase) in:		
Other receivables	99	(738)
Other noncurrent assets	(35)	-
Reductions from (additions to):		
Financial assets at fair value through profit or loss	-	-
Available-for-sale investments	1	(1)
Investments	-	-
Net cash provided by (used in) investing activities	(2,469)	(1,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans	17,494	28,332
Payments of:		
Loans	(26,987)	(31,696)
Cash dividends	(3)	(2)
Others	241	7
Net cash provided by (used in) financing activities	(9,255)	(3,359)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1)	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,149)	(1,202)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,735	4,071
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,586	2,869