



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

	Unaudited	Audited
	As at	
	<u>6/30/2005</u>	<u>12/31/2004</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	7,360	4,104
Short-term investments	75	63
Receivables - net	12,931	11,828
Inventories - net	30,670	19,235
Other current assets	1,065	720
Total Current Assets	<u>52,101</u>	<u>35,950</u>
Property, Plant and Equipment	23,110	24,862
Investments	558	417
Other Assets	895	188
<b>TOTAL ASSETS</b>	<u><u>76,664</u></u>	<u><u>61,417</u></u>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans	20,909	18,477
Liabilities for crude oil and petroleum product importation	15,119	6,128
Accounts payable and accrued expenses	6,852	5,469
Current portion of long-term debt	1,615	1,615
Total Current Liabilities	<u>44,495</u>	<u>31,689</u>
<b>Non-current Liabilities and Deferred Credits</b>	<u>8,175</u>	<u>8,394</u>
Total Liabilities	<u>52,670</u>	<u>40,083</u>
<b>Minority Interest</b>	<u>114</u>	<u>110</u>
<b>Capital Stock</b>		
Authorized-10,000,000,000 shares		
Par value-P1 per share		
Issued and outstanding	9,375	9,375
<b>Retained Earnings</b>		
Appropriated	6,906	6,906
Unappropriated	7,514	4,858
Accumulated Translation Adjustment	85	85
Total Stockholders' Equity	<u>23,994</u>	<u>21,334</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>76,664</u></u>	<u><u>61,417</u></u>

Certified by:

Ma. CONCEPCION F. DE CLARO  
Controller

Unaudited



**PETRON CORPORATION & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
 For the Three-Month Periods Ended June 30, 2005 and 2004 and  
 For the Six-Month Periods Ended June 30, 2005 and 2004  
 (Amounts in Millions of Pesos, Except Per Share Amounts)

	<u>April to June</u>		<u>January to June</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
SALES	46,677	33,603	85,619	66,142
COST OF GOODS SOLD	<u>(42,771)</u>	<u>(31,460)</u>	<u>(79,112)</u>	<u>(61,198)</u>
GROSS PROFIT	3,906	2,143	6,507	4,944
OTHER INCOME	60	59	140	135
OPERATING EXPENSES	(1,584)	(809)	(2,847)	(2,202)
OTHER CHARGES	(30)	6	(46)	(100)
FINANCING CHARGES	(453)	(669)	(734)	(1,025)
SHARE IN EQUITY OF SUBSIDIARIES	<u>63</u>	<u>31</u>	<u>111</u>	<u>67</u>
INCOME BEFORE INCOME TAX	1,962	761	3,131	1,819
PROVISION FOR INCOME TAX	<u>(520)</u>	<u>(189)</u>	<u>(819)</u>	<u>(461)</u>
NET INCOME	<u>1,442</u>	<u>572</u>	<u>2,312</u>	<u>1,358</u>
Basic Earnings Per Share	<u>0.15</u>	<u>0.06</u>	<u>0.25</u>	<u>0.14</u>
Diluted Earnings Per Share	NOT APPLICABLE		NOT APPLICABLE	

Certified by:

Ma. CONCEPCION F. DE CLARO  
 Controller



Unaudited

PETRON CORPORATION & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES  
IN STOCKHOLDERS' EQUITY

For the Six-Month Periods Ended June 30, 2005 and 2004  
(Amounts in Millions of Pesos)

	January to June	
	2005	2004
<b>COMMON STOCK</b>	9,375	9,375
<b>APPROPRIATED RETAINED EARNINGS</b>		
Balance at beginning of year	6,906	5,551
Appropriated for capital projects	-	-
Balance at end of period	6,906	5,551
<b>UNAPPROPRIATED RETAINED EARNINGS</b>		
Balance at beginning of year	4,858	5,027
Net income	2,312	1,358
Cash dividends declared	(938)	(1,875)
Effect of change in accounting for:	-	-
Employee benefits	732	-
Changes in foreign exchange rates	(1,612)	-
Inventories	2,162	-
Balance at end of period	7,514	4,510
<b>ACCUMULATED TRANSLATION ADJUSTMENT</b>		
Balance at beginning of year	85	119
Foreign currency translation adjustments	-	5
Balance at end of period	85	124
<b>MINORITY INTEREST</b>	114	-
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>23,994</b>	<b>19,560</b>

Certified by:

Ma. CONCEPCION F. DE CLARO  
Controller



PETRON CORPORATION & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six-Month Periods Ended June 30, 2005 and 2004  
(Amounts in Millions of Pesos)

Unaudited

	<u>January to June</u>	
	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	3,131	1,819
Adjustments for:		
Depreciation and amortization	1,072	1,019
Interest expense	764	726
Interest income	(119)	(81)
Provision (reversal of allowance) for decline in value of investment	(14)	(2)
Unrealized foreign exchange (gain) loss	142	128
Reversal of allowance for market decline	4	-
<b>Operating income before working capital changes</b>	<b>4,980</b>	<b>3,609</b>
Changes in operating assets and liabilities	427	(1,564)
Interest paid	(739)	(708)
Interest received	119	81
Income tax paid	(612)	(40)
<b>Net cash provided by (used in) operating activities</b>	<b>4,175</b>	<b>1,378</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Property, plant and equipment	(1,491)	(2,236)
Increase in:		
Receivables - others	105	(104)
Other noncurrent assets	24	(204)
Reductions from (additions to):		
Short-term investments	2	-
Long-term investments	(148)	(129)
<b>Net cash used in investing activities</b>	<b>(1,508)</b>	<b>(2,673)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of loans	31,876	28,693
Payment of loans	(30,433)	(23,100)
Payment of cash dividends	(927)	(330)
Cylinder deposits and others	60	27
<b>Net cash used in financing activities</b>	<b>576</b>	<b>5,290</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>13</b>	<b>(31)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,256</b>	<b>3,964</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>4,104</b>	<b>2,803</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>7,360</b>	<b>6,767</b>

Certified by:

Ma. CONCEPCION F. DE CLARO  
Controller