

COVER SHEET

PETRON CORPORATION
(Company's Full Name)

20070417 - 175

Petron Mega Plaza, 358 Sen. Gil Puyat Ave., Makati City, Philippines
(Company's Address)

886-3888
(Company's Telephone Number)

December 31, 2006
(Fiscal Year Ending)
(Month & Day)

July 27, 2007
(Annual Meeting)

SEC FORM 17-A
(FORM TYPE)

(Amendment Designation if Applicable)

(Secondary License Type, if any)

Cashier

LCU

DTU

31171
S.E.C. Reg. No.

Central Receiving Unit

File Number

Document I.D.

REPUBLIC OF THE PHILIPPINES
OFFICE OF THE PRESIDENT

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A



ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2006
2. SEC Identification Number 31171
3. BIR Tax Identification No. 000-168-801
4. Exact name of registrant as specified in its charter PETRON CORPORATION
5. Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 358 Senator Gil Puyat Avenue, Makati City
Address of principal office 1200
Postal Code
8. (0632) 886-3888
Registrant's telephone number, including area code
9. N/A
(Former name, former address, and former fiscal year, if changed since last report.)
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Stock</u>	<u>9,375,104,497 Shares</u>

11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common Stocks

12. Check whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes ☒ No ☐

- (b) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

13. The aggregate market value of the voting stock held by non-affiliates of the Registrant is P38.4 billion based on the PSE price of P4.10 as of December 29, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

N o n e

Exhibit 1

SEC Registration Number

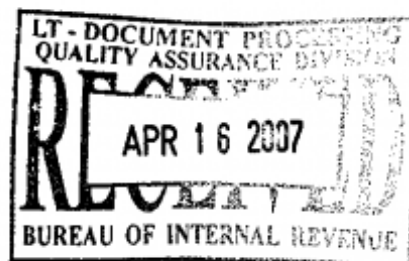
(Company's Full Name)

(Business Address: No. Street City/Town/Province)

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Petron Corporation
Petron MegaPlaza
358 Sen. Gil Puyat Avenue
Makati City



We have audited the accompanying financial statements of Petron Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2006 and 2005, and the consolidated statements of income, consolidated statements of recognized income and expense and consolidated statements of cash flows for each of the three years in the period ended December 31, 2006, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Petron Corporation and Subsidiaries as of December 31, 2006 and 2005, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2006 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Wilson P. Tan

Wilson P. Tan

Partner

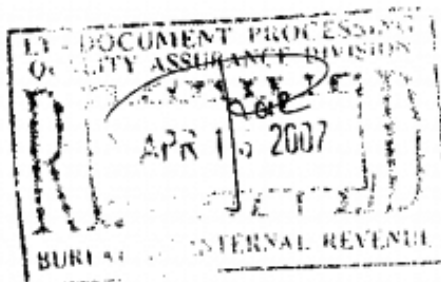
CPA Certificate No. 76737

SEC Accreditation No. 0100-AR-1

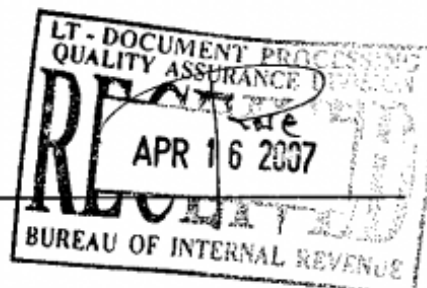
Tax Identification No. 102-098-469

PTR No. 0267394, January 2, 2007, Makati City

April 3, 2007



PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Millions)

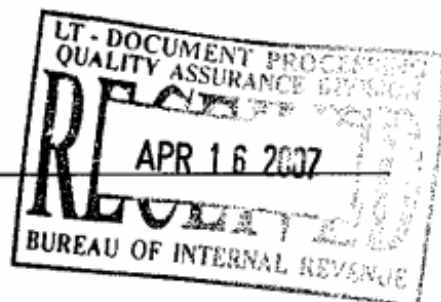


	December 31	
	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P11,735	P3,940
Financial assets at fair value through profit or loss (Note 5)	180	116
Available-for-sale investments (Note 6)	103	259
Receivables - net (Note 7)	15,629	11,863
Inventories - net (Notes 8, 23 and 26)	26,289	27,018
Other current assets - net (Note 30)	7,054	1,297
Total Current Assets	60,990	44,493
Noncurrent Assets		
Available-for-sale investments (Note 6)	529	327
Property, plant and equipment - net (Note 9)	25,153	22,570
Investment properties - net (Note 10)	222	235
Other noncurrent assets - net (Notes 11, 22 and 25)	622	1,261
Total Noncurrent Assets	26,526	24,393
	P87,516	P68,886
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 12)	P28,135	P21,407
Liabilities for crude oil and petroleum product importation (Note 23)	7,541	7,911
Accounts payable and accrued expenses (Notes 13 and 30)	3,731	2,626
Income tax payable	452	183
Current portion of long-term debt - net (Note 14)	1,633	1,906
Total Current Liabilities	41,492	34,033
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 14)	11,279	5,025
Deferred income tax liabilities - net (Note 22)	1,443	1,516
Other noncurrent liabilities (Note 15)	1,049	697
Total Noncurrent Liabilities	13,771	7,238
Equity Attributable to Equity Holders of the Parent (Note 16)		
Capital stock	9,375	9,375
Retained earnings:		
Appropriated	17,021	11,652
Unappropriated	6,232	6,352
Other reserves	(490)	128
Equity Attributable to Equity Holders of the Parent	32,138	27,507
Minority Interest (Note 16)	115	108
Total Equity	32,253	27,615
	P87,516	P68,886

See accompanying Notes to Consolidated Financial Statements.



PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Millions, Except Per Share Amounts)



	Years Ended December 31		
	2006	2005	2004
SALES (Notes 26 and 32)	₱211,726	₱191,489	₱147,425
COST OF GOODS SOLD (Notes 8, 17, 19, 20, 23, 25 and 26)	197,514	177,210	135,398
GROSS PROFIT	14,212	14,279	12,027
SELLING AND ADMINISTRATIVE EXPENSES (Notes 18, 19, 20, 23, 25 and 33)	(4,485)	(4,527)	(4,877)
INTEREST EXPENSE (Notes 12, 14, 15 and 21)	(2,684)	(2,091)	(1,675)
INTEREST INCOME (Note 21)	362	317	344
OTHERS - Net (Notes 5, 15, 21, 23 and 30)	499	164	(395)
INCOME BEFORE INCOME TAX	7,904	8,142	5,424
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 22 and 31)			
Current	1,723	2,057	1,339
Deferred	163	34	(16)
	1,886	2,091	1,323
NET INCOME (Note 16)	6,018	₱6,051	₱4,101
Attributable to:			
Equity holders of the parent (Note 27)	₱6,011	₱6,044	₱4,094
Minority interest	7	7	7
	₱6,018	₱6,051	₱4,101
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 27)	₱0.64	₱0.64	₱0.44

See accompanying Notes to Consolidated Financial Statements.



PETRON CORPORATION AND SUBSIDIARIES**Mixed Xylene Operation****STATEMENTS OF INCOME****(Amounts in Millions, Except Sales Volume)**

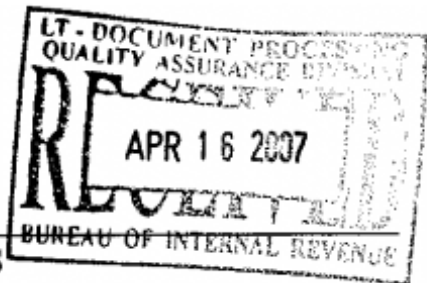
	December 31		
	2006	2005	2004
SALES	₱6,607	₱4,693	₱3,572
COST OF GOODS SOLD	4,742	3,721	2,259
NET INCOME	₱1,865	₱972	₱1,313
SALES VOLUME (in barrels)	1,137,853	1,019,300	786,731

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS
OF RECOGNIZED INCOME AND EXPENSE
(Amounts in Millions)

	Years Ended December 31		
	2006	2005	2004
Actuarial gain (loss) on defined pension plan (Note 25)	(P699)	P356	P286
Tax effect	242	(133)	(92)
Net actuarial gain (loss) on defined pension plan	(457)	223	194
Actuarial loss (gain) due to limit on recognized plan assets [net of tax effects of P93, P212 and P53 in 2006, 2005 and 2004, respectively (Notes 16 and 25)]	(176)	(408)	115
	(633)	(185)	309
Unrealized fair value gain on available-for-sale investments [net of tax effects of P8 and P4 in 2006 and 2005, respectively (Note 6)]	15	4	—
NET INCOME (LOSS) RECOGNIZED DIRECTLY IN EQUITY	(618)	(181)	309
NET INCOME FOR THE YEAR (Note 16)	6,018	6,051	4,101
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE YEAR	P5,400	P5,870	P4,410
Attributable to:			
Equity holders of the parent	P5,393	P5,863	P4,403
Minority interest	7	7	7
	P5,400	P5,870	P4,410

See accompanying Notes to Consolidated Financial Statements.





PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Millions)

	Years Ended December 31		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P7,904	P8,142	P5,424
Adjustments for:			
Interest expense (Note 21)	2,684	2,091	1,675
Depreciation and amortization (Notes 9, 10 and 20)	2,482	2,335	1,856
Unrealized foreign exchange loss (gain) - net	(382)	(270)	48
Interest income (Note 21)	(362)	(317)	(344)
Others	(131)	(111)	-
Operating income before working capital changes	12,195	11,870	8,659
Changes in operating assets and liabilities (Note 28)	(4,282)	(6,326)	(6,093)
Interest paid	(2,383)	(2,047)	(1,643)
Income taxes paid	(1,454)	(1,850)	(1,075)
Interest received	352	316	343
Net cash provided by operating activities	4,428	1,963	191
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 9)	(5,052)	(2,313)	(5,463)
Investment properties (Note 10)	-	(16)	-
Decrease (increase) in:			
Other receivables	(3,943)	9	209
Other noncurrent assets	(61)	(67)	(182)
Reductions from (additions to):			
Financial assets at fair value through profit or loss	1	2	-
Available-for-sale investments	(24)	(249)	-
Short-term investments	-	-	19
Net cash used in investing activities	(9,079)	(2,634)	(5,417)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of loans	157,460	78,246	80,854
Payments of:			
Loans	(144,433)	(76,879)	(72,949)
Cash dividends	(928)	(925)	(1,846)
Others	378	78	101
Net cash provided by financing activities	12,477	520	6,160
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(31)	(13)	(28)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,795	(164)	906
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,940	4,104	3,198
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P11,735	P3,940	P4,104

See accompanying Notes to Consolidated Financial Statements.

