



Investor Relations Bulletin

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PetroFCC/PRU Projects: 30% Complete

The construction of Petron refinery's Petro Fluidized Catalytic Cracker (PetroFCC) and Propylene Recovery Unit (PRU) are well underway. As of December 2006, the EPC is more

than 30% complete. Over P5.5 billion out of the total project cost of P13 billion has so far been spent.

"We expect to hit the target commissioning date of 1Q 2008 for PetroFCC." Petron Public Affairs Manager Virginia Ruivivar said.

"As soon as the PetronFCC is on-stream, we will improve our refinery's operating efficiencies. This upgrade will enable us to produce more high-value white products", Ruivivar added.

The \$300-million Petron Refinery Masterplan calls for the revamp of the existing Thermoform Catalytic Cracker Unit (TCCU) and installation of the PRU as well as the Benzene, Toluene & Mixed Xylene (BTX) extraction unit.

The PetroFCC is expected to be commissioned by the 1st quarter of 2008. Alongside this project is the propylene recovery unit, which will allow for the production of high-value petrochemical feedstock propylene.



Existing Thermoform Catalytic Cracking Unit (TCU) at the Bataan Refiner

Petron will also construct an additional unit for the extraction of other petrochemical feedstocks-- benzene and toluene, and expand its mixed xylene production capacity. The unit, which is expected to significantly contribute to the company's bottom line, will be commissioned by the 3rd quarter of 2008.

Petron expands strategic alliance with Innospec

In line with its strategy of developing non-traditional revenue sources and taking advantage of overseas market opportunities, industry leader Petron Corporation recently signed two new agreements with Innospec, Inc., the company's fuel additive and technology partner since 1995.

Innospec is a leading global fuel additives supplier whose products are used in Petron's world-class fuels, namely Blaze, XCS Plus, Xtra Unleaded and DieselMax. These products have been widely acclaimed for their efficiency, power and environmental benefits.

Under the Fuel Additives Blending Agreement, Petron will construct and operate, by the end of 2007, a \$2.5 million blending plant in Subic Bay Freeport that will serve the fuel additives requirements of Innospec's customers in the Asia-Pacific region, including Petron.

The ten-year contract guarantees that Petron will be Innospec's exclusive toll blender in the region.

The blending plant will serve as Innospec's supply hub in the Asia-Pacific region, as it positions itself to tap the fast growing regional market and bring its products and services closer to Asian customers. Traditionally, Innospec products used in the region have been sourced from Europe.

The other agreement between the two companies is for Technology Services and Marketing of Fuel Additives. Petron will be providing technology support services to Innospec and its customers in the region, including customer technical programs, laboratory services, product development, field tests and consultancy services.

Petron lubes now in Cambodia

A year after the pilot test of lubricant products in Cambodia, Petron has formally announced its exclusive distributorship agreement with MKCSS Holdings Co., Ltd. Introduced in the Cambodian market were the following Petron-branded lubricants: RevX and Ultron for automotive use; Sprint 4T for motorcycle and marine lubricant Petromar XC.

Petron's partnership with MKCSS likewise includes a technical support agreement whereby Petron will set up a laboratory in Cambodia for testing lube quality.



Petron's state-of-the-art lube oil blending plant in Pandacan has a rated capacity of over 7,400 kl per month. As of October 2006, Petron is the second largest player in the lubes sector with over 32% of the total market.

Towards the end of 2006, Petron has also shipped initial export of lubricants to Indonesia. Moving forward, Petron is exploring an expansion program to include export ventures in China and Papua New Guinea.

Oil spill updates:

Siphoning

It's final, the siphoning operation will push through for the still undetermined amount of bunker oil in the sunken Solar 1.

P&I, the insurer of M/T Solar 1 has engaged the services of Sonsub International Pty., Ltd. to undertake the siphoning operation.

It is estimated to cost \$6-8 million, which will be fully assumed by the insurer. Engineering works are currently on-going. Due to the complexity of the procedure, Sonsub is estimating a 20-day actual siphoning operation.



Solar 1's Main Deck photo courtesy of Shinsei Maru's underwater inspection

Petron Shipping Alliance

Petron has started a Shipping Alliance program which aims to procure newer and more modern vessels. The vessels chartered through our Shipping Alliance will have double hulls and double bottoms.

Even prior to this Alliance, Petron has been using double-hulled vessels, M/T Daniella Natividad. The 2nd one, M/T MMM Ashton, arrived last August 31.

This program anticipates the International Maritime Organization's (IMO) requirement to use double-hull, double-bottom vessels by 2008.

