



May 22, 2007

ATTY. PETE M. MALABANAN
Head, Disclosure Department
Philippine Stock Exchange, Inc. (PSE)
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Dear Atty. Malabanan:

We refer to your letter requesting for clarification on the article that came out in today's internet edition of the Philippine Daily Inquirer which partly reported that:

"Oil Industry and retailer Petron Corp. has lost its second tax credit case against the Bureau of Internal Revenue (BIR), with the Court of Tax Appeals ordering it to pay ₱600.77 million in excise taxes. The case involved Petron's use of tax credit certificates (TCCs) to pay excise tax liabilities from 1995 to 1998 . . ."

We confirm that we have received a copy of the subject CTA decision dated 04 May 2007. In the said decision, the CTA 2nd division ordered Petron to pay the total amount of P600,769,353.95 as deficiency excise taxes for 1995 to 1998, inclusive of surcharges and interests.

We will file a motion for reconsideration of the decision. Petron remains confident of its position in the subject case and that the Company will continue to pursue all legal remedies available, including an appeal to the Supreme Court, should the same be warranted.

We reiterate that Petron had complied with the requirements of the law for the transfer of the tax credit certificates and had even secured all necessary government approvals to effect the transfer and the use of the tax credit certificates (TCCs) to pay for its own tax liabilities. Petron had no part in the issuance of the questionable TCCs.

With the foregoing, we hope we have complied with your disclosure requirements.

Very truly yours,

(Original Signed)
Virginia A. Ruivivar
Public Affairs Manager