



September 03, 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 the 01 September 2007 issue of The Daily Tribune titled "*Petron Taps S. Korean Firm to Build Petrochem Depot*". The article partly reported that:

"x x x The project is expected to give Petron revenue stream from the petrochemical business which is fastly growing. Petron has earlier projected a 5-percent growth of petrochemical demand from 2005 to 2015 x x x"

We wish to clarify that the above news report refers to the ongoing refinery investments of Petron of around \$300-million which would allow us to expand our petrochemical production. This venture is expected to provide a steady source of revenue for the company starting 2008.

We also wish to clarify that Petron has not released any projections on demand growth. However, a supply-demand study conducted by a third party, concluded that regional demand particularly for benzene, toluene, mixed xylene and propylene is projected to continue to outpace supply until 2015.

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

Thank you.

Very truly yours,

A handwritten signature in black ink that reads "V. A. Ruivivar".

Virginia A. Ruivivar
Public Affairs Manager

Petron taps S. Korean firm to build petrochem depot

By Ernest P. Gomez

Semi-government-owned Petron Corp. (Petron) has selected S. Korean firm Daelim Industrial Co. Ltd to construct its petrochemical storage facility at its Bataan refinery.

In a report to the Philippine Stock Exchange (PSE), Petron said its board has approved the awarding of the engineering, procurement and construction (EPC) contract to Daelim Industrial for its BTX Storage and Loading facilities.

Petron said the new facilities will allow for the safe storage and handling of high-value petrochemical products such as benzene and toluene.

"(The new storage facilities) are part of Petron's strategic thrust toward petrochemical

production," Petron said.

The awarding of the EPC contract to Daelim however, is still subject to the formal ratification on Nov. 9.

In 2006, Petron also awarded to Daelim the contract to construct the fuel firm's Petro Fluidized Catalytic Cracker (FCC) project.

The project costs \$178.4 million or P9.27 billion at P52 to a dollar.

Once operational, the PetroFCC, will increase the company's operating efficiencies at its Bataan refinery, "enabling it to produce more white products and high value petrochemical propylene which it can export to regional markets."

Propylene is the feedstock used in the manufacture of plastic resins that is, in turn,

used in the production of home electrical appliances, automobile parts and detergent additives.

The units are expected to be commissioned in early 2008, Petron said.

The project is expected to give Petron revenue stream from the petrochemical business which is fastly growing. Petron has earlier projected a 5-percent growth of petrochemical demand from 2005 to 2015.