

PHILIPPINE NATIONAL OIL COMPANY

Table 1.3.a

PHILIPPINE NATIONAL OIL COMPANY
CORPORATE OBJECTIVES AND PRIORITIES FOR FY 2017

I. CORPORATE OBJECTIVES

1. To enhance the country's energy self-sufficiency by undertaking the exploration, development and utilization of energy resources both oil and non-oil based with due regard for the environment;
2. To provide and maintain a stable supply of coal, oil and petroleum products for domestic requirements by engaging in their production and refining, transportation, importation, marketing and distribution;
3. To contribute to the country's economic growth by fostering activities relating to oil and petroleum and other energy operations;
4. To manage, operate and develop a parcel of land, consisting approximately of 530 hectares in Limay and Mariveles in Bataan, as a petrochemical industrial zone; and
5. To maintain and strengthen the company's financial health and operating efficiency.

II. CORPORATE PRIORITIES

1. Implement PNOC's restructuring plan, per GCG mandate, transitioning from a mere holding to also an operating company.
2. Formulate and implement strategic and business directions for PNOC such as but not limited to the following:
 - a. Continue right-of-way activities for the Batangas-to-Manila (BatMan1) Natural Gas Pipeline Project
 - b. Continue implementation of the sale/monetization of the Banked Gas
 - c. Conduct detailed feasibility study on Waste-to-Energy Project and Wind Vortex Project
 - d. Invest in Energy Savings Project
3. Formulate policy directions for PNOC subsidiaries.
4. Review and monitor programs and projects of PNOC and its subsidiaries.
5. Ensure adequate and timely compliance with government oversight agencies' reportorial requirements.

III. MAJOR PROGRAMS AND PROJECTS

1. PROGRAMS

- a. Provision of human resource management, legal, finance, corporate planning, budgeting, MIS, project monitoring and evaluation, research, internal control, corporate communications, and contracted personnel services.
- b. Investment of cash in low-risk securities that will provide the company with maximum yields; and provision of short-term funding requirements for PNOC and Subsidiaries' projects.
- c. Administration/management of existing properties through payment of taxes, registration, titling, survey and appraisal, and protection of properties; and disposition/utilization of properties thru sale, lease, joint venture and/or other appropriate schemes.
- d. Repainting, repair and rehabilitation works in properties vacated by EDC: Buildings 2, 3, 4, and 5, Motor Pool, Computer Center, Laboratory and Library Building.
- e. Repair and rehabilitation works in PNOC Building 6.
- f. Site and structures development in the PNOC Compound, particularly for fencing activities, and improvements of parking areas, roadways, and open spaces.

2. PROJECTS

- a. Batangas to Manila (BatMan1) Natural Gas Pipeline Project
- b. Sale/Monetization of the Banked Gas
- c. Detailed Feasibility Study on Waste-to-Energy Project
- d. Detailed Feasibility Study on Wind Vortex Project
- e. Energy Savings Project

Table 1.3.b
 PHILIPPINE NATIONAL OIL COMPANY
 COMPARATIVE BALANCE SHEET, FY 2015 - 2017
 (In Thousand Pesos)

PARTICULARS	2015 UNAUDITED	2016 ESTIMATE	2017 PROPOSED
ASSETS			
Current Assets	2,215,922	2,713,724	4,185,237
Cash and Cash Equivalent	251,766	749,568	1,690,125
Accounts Receivable	121,694	121,694	652,650
Intercompany Receivables	1,318,419	1,318,419	1,318,419
Other Current Assets	524,043	524,043	524,043
Long-Term Receivables	37,253	37,253	37,253
Investments	12,047,222	10,818,659	10,058,276
Fixed Assets	200,607	348,719	341,913
Investment Property	11,584,914	11,584,914	11,584,914
Other Assets	14,116,106	14,116,106	13,552,105
TOTAL ASSETS	40,202,024	39,619,375	39,759,698
LIABILITIES			
Current Liabilities	538,033	298,410	363,515
Accounts Payable to Suppliers or Trade Creditors	538,033	298,410	363,515
Other Liabilities	3,062,006	3,062,006	3,062,006
TOTAL LIABILITIES	3,600,039	3,360,416	3,425,521
STOCKHOLDERS' EQUITY			
Paid-in Capital	3,114,596	3,114,596	3,114,596
Retained Earnings	33,487,389	33,144,363	33,219,581
TOTAL STOCKHOLDERS' EQUITY	36,601,985	36,258,959	36,334,177
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	40,202,024	39,619,375	39,759,698

Table 1.3.c
 PHILIPPINE NATIONAL OIL COMPANY
 COMPARATIVE PROFIT AND LOSS STATEMENT, FY 2015 - 2017
 (In Thousand Pesos)

PARTICULARS	2015 UNAUDITED	2016 ESTIMATE	2017 PROPOSED
I. REVENUES			
Operating Revenues	2,036,866	1,249,937	513,261
Interest Earnings a/	247,413	241,737	221,252
Rent Income	281,563	285,317	292,009
Dividend Income	1,507,890	722,883	
Others b/	864		736,416
TOTAL REVENUES	2,037,730	1,249,937	1,249,677
II. EXPENSES			
Personal Services	86,642	112,739	244,299
Maintenance and Other Operating Expenses	120,602	1,058,094	534,230
Other Expenses c/	1,154	3,000	2,000
Non-Cash Expenses			
Depreciation of Fixed Assets	27,609	38,847	56,660
NET EXPENSES	236,007	1,212,680	837,189
NET PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS AND INCOME TAX	1,801,723	37,257	412,488
PRIOR PERIOD ADJUSTMENTS	23,459		
INCOME TAX	(20,964)	(4,105)	(13,095)
III. NET PROFIT	1,804,218	33,152	399,393

a/ Net of tax

b/ From sale/monetization of Banked Gas (2017)

c/ For payment of bank charges

Table 1.3.d
 PHILIPPINE NATIONAL OIL COMPANY
 STAFFING SUMMARY, FY 2015 - 2017
 (In Thousand Pesos, Except No. of Positions)

POSITION	2015 UNAUDITED		2016 ESTIMATE		2017 PROPOSED	
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
A. Itemized Positions						
Top Three Positions						
President	1	968	1	968	1	947
Exec. Vice-President						
Sr. Vice-President	2	1,670	2	1,670	2	1,698
Managerial/Executive Group	12	6,218	16	11,228	17	11,642
Supervisory Group	14	8,326	14	8,613	17	10,478
Technical Group	21	8,382	31	12,705	27	11,518
Technical Support Group	12	4,870	27	13,006	27	13,155
Administrative Group/Others	53	16,193	59	20,820	59	21,690
Sub Total	115	46,627	150	69,010	150	71,128
B. Non-Itemized Positions						
Contractuals						
Basic	N	0	N		E	
Other Benefits	N	0	N		E	
Sub Total						
TOTAL	115	46,627	150	69,010	150	71,128

Table 1.3.e
 PHILIPPINE NATIONAL OIL COMPANY
 OTHER COMPENSATION, FY 2015 - 2017
 (In Thousand Pesos)

PARTICULARS	2015 UNAUDITED	2016 ESTIMATE	2017 PROPOSED
MANDATORIES	10,228	14,139	20,452
Representation & Transportation Allowance	3,281	4,038	4,248
Personnel Economic Relief Allowance	2,481	3,600	3,600
Mid-year Bonus			5,927
Year-end Bonus and Cash Gift	4,466	6,501	6,677
FIXED EXPENDITURES	6,287	9,286	9,436
PAG-IBIG Contributions	122	234	180
Retirement and Life Insurance Premium	5,577	8,281	8,535
Health Insurance Premium	465	537	541
Employees' Compensation Insurance Premium	123	234	180
OTHER COMPENSATION	23,500	20,304	22,149
Per Diem of Members of the Board	1,424	5,376	5,376
Terminal Leave	3,161	3,278	4,217
Loyalty Pay	70		
Uniform Allowance	515	750	750
Overtime	1,383		
Performance-Based Bonus	4,882	7,000	7,000
Performance-Based Incentive	429	3,456	3,456
Productivity Enhancement Incentive	3,922		750
Performance Incentive Bonus	216		
Retirement Benefits	309	444	600
CNA Incentive	2,595		
PRAISE Incentive	6		
Honoraria	4,588		
COMPENSATION ADJUSTMENT			121,134
GRAND TOTAL	40,015	43,729	173,171

Table 1.3.f
PHILIPPINE NATIONAL OIL COMPANY
DETAILS OF MAINTENANCE AND OTHER OPERATING EXPENSES, FY 2015 - 2017
(In Thousand Pesos)

PARTICULARS	2015 UNAUDITED	2016 ESTIMATE	2017 PROPOSED
Travelling Expenses	3,652	6,025	3,982
Communication Expenses	4,983	5,209	5,140
Repair & Maintenance of Gov't. Facilities	2,721	3,425	2,803
Repair & Maintenance of Gov't. Vehicles	416	1,038	608
Transportation Services		25	25
Supplies and Materials	2,750	4,803	3,029
Rents	787	552	52
Grants, Subsidies & Contributions	156	500	273
Awards and Indemnities		62,149	20,000
Depreciation a/	27,609	38,847	56,660
Water, Illumination and Power Service	12,265	14,641	13,996
Auditing Services	3,495	6,925	6,925
Training & Seminar Expenses	1,755	4,935	2,834
Contribution and Membership Fees	524	485	473
Meetings and Conferences	2,571	2,488	2,532
Representation and Meetings	6,482	6,781	4,885
Extraordinary & Miscellaneous Expenses		415	415
Contingency/Emergency Expenses		10,151	
Taxes, Duties and Fees	11,629	247,635	15,590
Gasoline, Oil and Lubricants	2,097	3,191	2,981
Fidelity Bonds & Insurance Premiums	3,972	8,187	7,775
Other Services	69,013	671,533	456,087
TOTAL MOOE	156,877	1,099,940	607,065

a/ This is a non-cash expense account, therefore, not included in the Sources and Uses of Funds by Expense Class

Table 1.3.g
 PHILIPPINE NATIONAL OIL COMPANY
 DETAILS OF CAPITAL OUTLAYS, FY 2015 - 2017
 (In Thousand Pesos)

PARTICULARS	2015 UNAUDITED	2016 ESTIMATE	2017 PROPOSED
Investments Outlay		228,980	120,451
Loans Outlay	15,845		.
Land and Land Improvements Outlay	5,144	21,013	5,000
Buildings and Structures Outlay	10,379	24,300	42,600
Furniture, Fixtures, Equipment and Books Outlay	2,283	5,328	2,254
TOTAL CAPITAL OUTLAYS	33,651	279,621	170,305

Table 1.3.h
 PHILIPPINE NATIONAL OIL COMPANY
 COMPARATIVE CASH FLOW STATEMENT, FY 2015 - 2017
 (In Thousand Pesos)

PARTICULARS	2015 UNAUDITED	2016 ESTIMATE	2017 PROPOSED
Cash flows from operating activities			
Cash generated from operations	2,047,690	1,249,937	513,261
Maturity of Purchase Price Adjustment from Petron's privatization			530,960
Proceeds from the sale of Banked Gas Collection of receivables	450		
Payment for salaries/PS	(86,642)	(109,461)	(240,082)
Payment to suppliers/MOOE	(106,043)	(809,350)	(282,140)
Payment of taxes	(14,559)	(251,743)	(26,437)
Other inflows/outflows	87,060	(4,108)	
Net cash flow from operating activities	<u>1,927,956</u>	<u>75,275</u>	<u>495,562</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(17,806)	(186,959)	(49,854)
Loan drawdown to subsidiaries	(15,845)		
Equity Infusion/Intercompany advances		(112,100)	
Investment in BatMan1 Pipeline Project		(228,980)	(110,451)
Other investments			(10,000)
Investment in treasury bonds - net	319,000	1,569,643	880,834
Net cash flow from investing activities	<u>285,349</u>	<u>1,041,604</u>	<u>710,529</u>
Cash flows from financing activities			
Dividend payment	(3,825,067)	(619,077)	(265,534)
Net cash flow from financing activities	<u>(3,825,067)</u>	<u>(619,077)</u>	<u>(265,534)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(1,611,762)</u>	<u>497,802</u>	<u>940,557</u>
Cash and cash equivalents, beginning of the year	1,863,528	251,766	749,568
Cash and cash equivalents, end of the year	<u>251,766</u>	<u>749,568</u>	<u>1,690,125</u>

Table 1.3.i
 PHILIPPINE NATIONAL OIL COMPANY
 SOURCES AND USES OF FUNDS By Expense Class, FY 2015
 (In Thousand Pesos)

PROGRAM/ACTIVITY/PROJECT	CORPORATE FUNDS			GRAND TOTAL				
	PS	MOOE	CO	TOTAL	PS	MOOE	CO	TOTAL
I. General Administration and Support	72,003	108,402	17,806	198,211	72,003	108,402	17,806	198,211
II. Support to Operations	12,797	1,508		14,305	12,797	1,508	0	14,305
III. Operations	1,842	11,846	15,845	29,533	1,842	11,846	15,845	29,533
TOTAL	86,642	121,756 a/	33,651	242,049	86,642	121,756	33,651	242,049

a/ MOOE, net of allowance for depreciation at P27.609 Million and VAT Input at P7.512 Million

Table 1.3.j
 PHILIPPINE NATIONAL OIL COMPANY
 SOURCES AND USES OF FUNDS By Expense Class, FY 2016
 (In Thousand Pesos)

PROGRAM/ACTIVITY/PROJECT	CORPORATE FUNDS			GRAND TOTAL				
	PS	MOOE	CO	TOTAL	PS	MOOE	CO	TOTAL
I. General Administration and Support	87,364	247,172	50,291	384,827	87,364	247,172	50,291	384,827
II. Support to Operations	17,755	8,430	350	26,535	17,755	8,430	350	26,535
III. Operations	7,620	805,491	228,980	1,042,091	7,620	805,491	228,980	1,042,091
TOTAL	112,739	1,061,093	279,621	1,453,453	112,739	1,061,093	279,621	1,453,453

a/ MOOE, net of allowance for depreciation at P38.847 Million

Table 1.3.k
 PHILIPPINE NATIONAL OIL COMPANY
 SOURCES AND USES OF FUNDS By Expense Class, FY 2017
 (In Thousand Pesos)

PROGRAM/ACTIVITY/PROJECT	CORPORATE FUNDS			GRAND TOTAL				
	PS	MOOE	CO	TOTAL	PS	MOOE	CO	TOTAL
I. General Administration and Support	215,978	158,096	49,844	423,918	215,978	158,096	49,844	423,918
II. Support to Operations	19,906	4,794	10	24,710	19,906	4,794	10	24,710
III. Operations	8,415	387,515	120,451	516,381	8,415	387,515	120,451	516,381
TOTAL	244,299	550,405	170,305	965,009	244,299	550,405	170,305	965,009

a/ MOOE, net of allowance for depreciation at P56.660 Million

PHILIPPINE NATIONAL OIL COMPANY

SPECIAL PROVISIONS, FY 2017

1. Approval of the FY 2017 Corporate Operating Budget of the Philippine National Oil Company under R.A. No. 7638. The FY 2017 Corporate Operating Budget (COB) of the PNOC is hereby approved by the Congress of the Philippines pursuant to Section 13, Chapter III of R.A. No. 7638.

2. Acquisition of Equipment. The acquisition of equipment, included in the approved COB shall be subject to the provisions of Corporate Budget Circular No. 17 dated February 9, 1996, N.B.C. No. 446 dated November 24, 1995, as amended by N.B.C. No. 446-A dated January 30, 1998, Budget Circular No. 2010-2 dated March 1, 2010, and other guidelines issued thereon.

3. Payment of Compensation and Benefits. Payment of salaries, allowances and other benefits shall be made in accordance with applicable provisions of laws, rules and regulations such as, but not limited to P.D. No. 985, as amended, R.A. No. 6758, as amended, R.A. No. 10149, E.O. No. 203, s. 2016, Corporate Compensation Circular No. 10 dated February 15, 1999, and Memorandum Order No. 20, s. 2001.

In addition, the amount of One Hundred Twenty One Million One Hundred Thirty Four Thousand Pesos (P121,134,000) shall be used exclusively for the implementation of the Compensation and Position Classification System and other salary adjustment as may be approved by the President.

4. Payment of Terminal Leave, Separation and/or Retirement Benefits. Payment of terminal leave, separation and/or retirement benefits shall be computed in accordance with the rates, conditions and procedure prescribed under applicable laws and guidelines issued thereon.

The amounts of Four Million Two Hundred Seventeen Thousand Pesos (P4,217,000) and Six Hundred Thousand Pesos (P600,000) shall be used exclusively for the payment of terminal leave and separation benefits, respectively, to the affected PNOC personnel based on the list submitted by the PNOC to the DBM. In no case shall said amount be used to pay affected personnel who are eligible to receive separation and/or retirement benefits under applicable laws.

5. Budget Flexibility and Report. The PNOC Board of Directors is authorized to realign programs and projects, reallocate the corresponding budgetary requirements approved herein, as well as augment the requirements which may arise from factors beyond the PNOC's control such as, but not limited to: (i) currency depreciation; (ii) inflation; (iii) change in interest rates; (iv) changes in programs and/or projects; (v) increase in taxes; (vi) increase in costs associated with the privatization of subsidiaries; and (vii) payment of obligations as a result of final judgment of the court.

In the exercise of said authority, the PNOC shall observe and/or comply with the following:

(a) Realigned funds shall not be used for the acquisition of motor vehicles and payment of travelling, representation, discretionary, or extraordinary and miscellaneous expenses; and

(b) PS allocation in the approved COB shall not be augmented by new funding sources.

The PNOC shall submit, within thirty (30) days after such adjustments are made, to the DBM, the House Committee on Appropriations and Senate Committee on Finance, either in printed form or by way of electronic document, a comprehensive financial and narrative report on the aforesaid budgetary adjustments. The President of PNOC and the Corporation's web administrator or his/her equivalent shall be responsible for ensuring that said report is likewise posted on the PNOC website.

6. Funds for Batangas-Manila Natural Gas Pipeline Project and Banked Gas Project. The amounts of One Hundred Fifteen Million Fifty Thousand Pesos (P115,050,000) and Two Hundred Thirty Eight Million Five Hundred Thousand Pesos (P238,500,000) shall be used exclusively for the transaction advisory fee and land appraisal fee allotted to Batangas-Manila Natural Gas Pipeline Project and tie in Cost/Delivery Fee for Banked Gas Project, respectively. In no case shall said amount be used for any other purpose.

7. Funds for Capital Outlays. Notwithstanding the provisions of Special Provision No. 5, the PNOC and its subsidiaries shall utilize Capital Outlays provided herein for the primary purposes of exploration, exploitation and development of energy resources as well as the production, refining, tankerage and/or shipping, storage, and transport of oil or petroleum operations.

An amount not exceeding One Billion Pesos (P1,000,000,000) in the aggregate and with equity investment not to exceed thirty-six percent (36%) of the outstanding capital stock may be invested in entities not engaged in the above primary purposes.

In no case shall Capital Outlays be used as loans or advances to entities not engaged in the above primary purposes.

8. Augmentation Beyond Approved Corporate Operating Budget. The PNOC is hereby authorized to augment and disburse funds beyond the total amount approved in this Act, using corporate funds, for payment of monetary claims, tax deficiency assessments, and damages pursuant to any final and executory decision that may be rendered during the year.

In no case shall PS allocation be augmented beyond the total amount approved in this Act.

9. Remittance of Cash Dividends. Cash dividends equivalent to at least fifty percent (50%) of the annual net earnings of the PNOC shall be deposited with the National Treasury as income of the General Fund pursuant to R.A. No. 7656.

10. Audit of Government Funds. Government funds authorized herein to be invested as equity by the corporation to its subsidiaries, as well as the grant of subsidy, loan contribution or any kind of financial assistance to end-user entities both in private or public sector, shall be subject to audit by the COA pursuant to the provisions of P.D. No. 1445, as amended.

11. Transparency Seal. To enhance transparency and enforce accountability, the PNOC shall maintain a Transparency Seal to be posted on its website. The Transparency Seal shall contain the following: (i) corporation's mandates and functions, names of its officials with their position and designation, and its contact information; (ii) approved COB and corresponding targets including any amount of budgetary support from the National Government; (iii) realignments made in its COB; (iv) annual procurement plan/s and contracts awarded with the winning suppliers, contractors or consultant; (v) major programs and projects categorized in accordance with the five key result areas under E.O. No. 43, s. 2011 and their target beneficiaries; (vi) status of implementation, evaluation and/or assessment reports of said programs or project; (vii) Budget and Financial Accountability Reports, pursuant to COA and DBM J.C. No. 2014-1 dated July 1, 2014; and (viii) year-end financial reports and trial balances for the last three (3) fiscal years.

The President of PNOC and the Corporation's web administrator or his/her equivalent shall be responsible for ensuring compliance with this requirement.

The DBM shall post on its website the status of compliance of the PNOC.