

Table 1.3.a
PHILIPPINE NATIONAL OIL COMPANY
CORPORATE OBJECTIVES AND PRIORITIES FOR FY 2018

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. Establish the PNOC Batangas Liquefied Natural Gas (LNG) Hub Project regasification, liquefaction, storage, power station and distribution infrastructure;
2. Optimize the value of the Banked Gas either through direct equity to the LNG Project or sale/monetization;
3. Optimize the value of PNOC's real estate assets to fund PNOC's programs and projects;
4. Formulate strategic and business directions for PNOC Exploration Corporation (PNOC-EC) and PNOC Renewables Corporation (PNOC-RC);
5. Approve and monitor PNOC-EC and PNOC-RC's plans and programs as well as budget in compliance with their mandates;
6. Continue implementation of the Reorganization Plan;
7. Ensure adequate and timely compliance with government oversight agencies' reportorial requirements; and
8. Develop the Energy Compound as site of the future iconic Energy Center.

III. MAJOR PROGRAMS AND PROJECTS

1. PROGRAMS

- a. Provision of business research and development, project management, asset management, park management, finance, administrative, legal, planning, budgeting, management of information systems, internal audit, corporate relations, compliance and contracted 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's 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. Repairs and maintenance and rehabilitation works for Buildings 2, 3, 4, 5, and 6.
- e. Site and structures development in the PNOC Compound, particularly for fencing activities, and improvements of parking areas, roadways, and open spaces.

2. PROJECTS

- a. PNOC Batangas LNG Hub Project
- b. Optimizing the Value of the Banked Gas
- c. Optimizing the Value of Real Estate Assets
- d. Energy Savings Project

Table 1.3.b
PHILIPPINE NATIONAL OIL COMPANY
COMPARATIVE BALANCE SHEET, FY 2016 - 2018
(In Thousand Pesos)

PARTICULARS	2016 UNAUDITED	2017 ESTIMATE	2018 PROPOSED
ASSETS			
Current Assets	3,026,131	2,324,479	2,562,654
Cash and Cash Equivalent	1,129,029	427,377	536,682
Accounts Receivable	124,101	124,101	252,971
Intercompany Receivables	1,263,237	1,263,237	1,263,237
Other Current Assets	509,764	509,764	509,764
Long-Term Receivables	62,379	65,919	69,459
Investments	11,544,573	12,102,423	11,721,588
Fixed Assets	376,905	468,331	740,575
Investment Property	11,389,321	11,389,259	11,387,717
Other Assets	14,135,169	14,135,169	14,041,089
TOTAL ASSETS	40,534,478	40,485,580	40,523,082
LIABILITIES			
Current Liabilities	422,302	328,715	329,556
Accounts Payable to Suppliers or Trade Creditors	422,302	328,715	329,556
Other Liabilities	3,064,657	3,064,657	3,064,657
TOTAL LIABILITIES	3,486,959	3,393,372	3,394,213
STOCKHOLDERS' EQUITY			
Paid-in Capital	3,114,596	3,114,596	3,114,596
Retained Earnings	33,932,923	33,977,612	34,014,273
TOTAL STOCKHOLDERS' EQUITY	37,047,519	37,092,208	37,128,869
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	40,534,478	40,485,580	40,523,082

Table 1.3.c
 PHILIPPINE NATIONAL OIL COMPANY
 COMPARATIVE PROFIT AND LOSS STATEMENT, FY 2016 - 2018
 (In Thousand Pesos)

PARTICULARS	2016 UNAUDITED	2017 ESTIMATE	2018 PROPOSED
I. REVENUES			
Operating Revenues	1,253,180	583,657	720,709
Interest Earnings a/	212,661	218,267	197,805
Rent Income	306,823	365,390	522,904
Dividend Income	733,696		
Others b/	8,208	3,082	266,176
TOTAL REVENUES	1,261,388	586,739	986,885
II. EXPENSES			
Personnel Services	94,297	123,165	339,488
Maintenance and Other Operating Expenses	121,417	311,905	530,771
Other Expenses c/	1,673		
Non-Cash Expenses			
Depreciation of Fixed Assets	26,905	56,660	30,042
Bad Debts	41,742		
Unrealized loss on revaluation	(48)		
NET EXPENSES	285,986	491,730	900,301
III. NET PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS AND INCOME TAX	975,402	95,009	86,584
IV. PRIOR PERIOD ADJUSTMENTS	1,427		
INCOME TAX	(7,521)	(5,631)	(13,261)
V. NET PROFIT	969,308	89,378	73,323

a/ Net of tax

b/ From sale/monetization of Banked Gas, income from ESB operations, and gain on sale of properties (2018); and from gain on sale of properties and other income (2016-2017)

c/ For payment of bank charges and penalty on amended 2015 income tax

Table 1.3.d
PHILIPPINE NATIONAL OIL COMPANY
STAFFING SUMMARY, FY 2016 - 2018
(In Thousand Pesos, Except No. of Positions)

POSITION	2016 UNAUDITED		2017 ESTIMATE		2018 PROPOSED	
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT

A. Itemized Positions

Top Three Positions

President	3	1,149	1	947	1	947
Exec. Vice-President					1	877
Sr. Vice-President	2	2,009	2	1,698	2	1,698
Managerial/Executive Group	9	5,023	17	11,642	17	11,634
Supervisory Group	14	9,632	17	10,478	17	10,401
Technical Group	20	8,097	27	11,518	38	14,651
Technical Support Group	10	5,317	27	13,155	31	14,197
Administrative Group/Others	57	18,842	59	21,690	103	32,251
Sub Total	115	50,069	150	71,128	210	86,656

B. Non-Itemized Positions

Contractuals

Basic	N	0	N	E
Other Benefits	N	0	N	E

Sub Total

TOTAL	115	50,069	150	71,128	210	86,656
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Table 1.3.e
PHILIPPINE NATIONAL OIL COMPANY
OTHER COMPENSATION, FY 2016 - 2018
(In Thousand Pesos)

PARTICULARS	2016 UNAUDITED	2017 ESTIMATE	2018 PROPOSED
MANDATORIES	14,332	20,452	25,290
Representation & Transportation Allowance	3,102	4,248	4,758
Personnel Economic Relief Allowance	2,408	3,600	5,040
Mid-year Bonus	4,085	5,927	7,221
Year-end Bonus and Cash Gift	4,737	6,677	8,271
FIXED EXPENDITURES	6,678	9,436	11,719
PAG-IBIG Contributions	120	180	252
Retirement and Life Insurance Premium	5,980	8,535	10,399
Health Insurance Premium	457	541	816
Employees' Compensation Insurance Premium	121	180	252
OTHER COMPENSATION	23,218	22,149	109,067
Per Diem of Members of the Board	1,952	5,376	5,376
Terminal Leave	5,877	4,217	6,960
Loyalty Pay	40		
Uniform Allowance	510	750	1,050
Overtime	1,364		
Performance-Based Bonus	5,018	7,000	3,854
Performance-Based Incentive	1,000	3,456	411
Productivity Enhancement Incentive	488	750	1,050
Anniversary Bonus			630
Retirement Benefits		600	915
PRAISE Incentive	35		
Honoraria	6,934		780
Early Retirement Incentive Plan			88,041
COMPENSATION ADJUSTMENT			106,756
GRAND TOTAL	44,228	52,037	252,832

Table 1.3.f
PHILIPPINE NATIONAL OIL COMPANY
DETAILS OF MAINTENANCE AND OTHER OPERATING EXPENSES, FY 2016 - 2018
(In Thousand Pesos)

PARTICULARS	2016 UNAUDITED	2017 ESTIMATE	2018 PROPOSED
Travelling Expenses	2,455	3,982	11,704
Communication Expenses	4,415	5,140	6,915
Repair & Maintenance of Gov't. Facilities	2,156	2,803	5,561
Repair & Maintenance of Gov't. Vehicles	925	608	3,740
Transportation Services		25	25
Supplies and Materials	2,721	3,029	3,972
Rents	27	52	73
Grants, Subsidies & Contributions		273	161
Awards and Indemnities		20,000	14,936
Depreciation a/	26,905	56,660	30,042
Water, Illumination and Power Services	12,164	13,996	17,032
Auditing Services	2,046	6,925	7,490
Training & Seminar Expenses	2,520	2,834	3,952
Contribution and Membership Fees	335	473	540
Meetings and Conferences	2,150	2,532	2,675
Representation and Meetings	4,993	4,885	6,470
Extraordinary & Miscellaneous Expenses		415	415
Taxes, Duties and Fees	11,078	15,590	34,353
Gasoline, Oil and Lubricants	1,951	2,981	2,160
Fidelity Bonds & Insurance Premiums	5,664	7,775	13,109
Other Services	74,642	217,587	395,488
TOTAL MOOE	157,147	368,565	560,813

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 2016 - 2018
 (In Thousand Pesos)

PARTICULARS	2016 UNAUDITED	2017 ESTIMATE	2018 PROPOSED
Investments Outlay		120,451	500,000
Land and Land Improvements Outlay	2,310	5,000	284,879
Buildings and Structures Outlay	6,594	42,600	15,750
Furniture, Fixtures, Equipment and Books Outlay	2,433	2,254	1,657
TOTAL CAPITAL OUTLAYS	11,337	170,305	802,286

Table 1.3.h
PHILIPPINE NATIONAL OIL COMPANY
COMPARATIVE CASH FLOW STATEMENT, FY 2016 - 2018
(In Thousand Pesos)

PARTICULARS	2016 UNAUDITED	2017 ESTIMATE	2018 PROPOSED
Cash flows from operating activities			
Cash generated from operations	1,262,090	580,117	717,169
Maturity of Purchase Price Adjustment from Petron's privatization			128,870
Proceeds from the sale of Banked Gas			70,000
Collection from ESB operations	745		
Collection of receivables	(94,297)	(118,948)	(332,528)
Payment for salaries/PS	(121,417)	(311,905)	(530,771)
Payment to suppliers/MOOE	(23,171)	(4,224)	(11,353)
Other inflows/outflows			
Net cash flow from operating activities	<u>1,023,950</u>	<u>145,040</u>	<u>41,387</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(11,337)	(148,087)	(302,286)
Net proceeds from disposal of assets	10,000	3,144	34,058
Investment in PNOC Batangas LNG Hub Project		(288,118)	(500,000)
Other investments		(10,000)	
Investment in treasury bonds - net	488,050	(259,731)	880,834
Net cash flow from investing activities	<u>486,713</u>	<u>(702,792)</u>	<u>112,606</u>
Cash flows from financing activities			
Dividend payment	(633,400)	(143,900)	(44,688)
Net cash flow from financing activities	<u>(633,400)</u>	<u>(143,900)</u>	<u>(44,688)</u>
Net increase/(decrease) in cash and cash equivalents	877,263	(701,652)	109,305
Cash and cash equivalents, beginning of the year	251,766	1,129,029	427,377
Cash and cash equivalents, end of the year	<u><u>1,129,029</u></u>	<u><u>427,377</u></u>	<u><u>536,682</u></u>

Table 1.3.i
 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	M00E	CO	TOTAL	PS	M00E	CO	TOTAL
I. General Administration and Support	78,448	106,011	11,186	195,645	78,448	106,011	11,186	195,645
II. Support to Operations	12,201	1,841	72	14,114	12,201	1,841	72	14,114
III. Operations	3,648	15,238	79	18,965	3,648	15,238	79	18,965
TOTAL	94,297	123,090	11,337	228,724	94,297	123,090	11,337	228,724

a/ M00E, net of allowance for depreciation at P26.905 Million and VAT Input at P7.152 Million

Table 1.3.J
 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	94,844	158,096	49,844	302,784	94,844	158,096	49,844	302,784
II. Support to Operations	19,906	4,794	10	24,710	19,906	4,794	10	24,710
III. Operations	8,415	149,015	120,451	277,881	8,415	149,015	120,451	277,881
TOTAL	123,165	311,905	170,305	605,375	123,165	311,905	170,305	605,375

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

Table 1.3.k
 PHILIPPINE NATIONAL OIL COMPANY
 SOURCES AND USES OF FUNDS By Expense Class, FY 2018
 (In Thousand Pesos)

PROGRAM/ACTIVITY/PROJECT	CORPORATE FUNDS				GRAND TOTAL			
	PS	MOOE	CO	TOTAL	PS	MOOE	CO	TOTAL
I. General Administration and Support	173,566	182,257	302,111	657,934	173,566	182,257	302,111	657,934
II. Support to Operations	45,609	39,918	175	85,702	45,609	39,918	175	85,702
III. Operations	13,557	308,596	500,000	822,153	13,557	308,596	500,000	822,153
IV. Compensation Adjustment	106,756			106,756	106,756			106,756
TOTAL	339,488	530,771	802,286	1,672,545	339,488	530,771	802,286	1,672,545

a/ MOOE, net of allowance for depreciation at P30.042 Million

Table 1.3.I PHILIPPINE NATIONAL OIL COMPANY

1. Approval of the FY 2018 Corporate Operating Budget of the Philippine National Oil Company under R.A. No. 7638. The FY 2018 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, Budget Circular No. 2016-5 dated August 22, 2016, as amended by Budget Circular No. 2017-1 dated April 26, 2017, 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 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 Ninety Four Million Seven Hundred Ninety Seven Thousand Pesos (P194,797,000) 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 Six Million Nine Hundred Sixty Thousand Pesos (P6,960,000) and Nine Hundred Fifteen Thousand Pesos (P915,000) 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 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 modify programs and projects, reallocate the corresponding budgetary requirements approved herein, as well as augment the deficiencies 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) change 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) Said funds shall not be used for the acquisition of motor vehicles and payment of travelling, representation, discretionary, or extraordinary and miscellaneous expenses; and

(b) Personnel Services 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 Speaker of the House of Representatives, the President of the Senate of the Philippines, the House Committee on Appropriations and the Senate Committee on Finance, either in printed form or by way of electronic document, a comprehensive financial and narrative report on the 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 PNOC Energy-Related Projects. The amount of One Billion Forty Four Million Eight Hundred Seventy Nine Thousand Pesos (P1,044,879,000) shall be used exclusively for the following:

(a) Land acquisition allotted to the PNOC Batangas Liquefied Natural Gas Hub Project - P500,000,000

(b) Land Acquisition for Energy Supply Base Project - P279,879,000

(c) Tie in Cost for the Banked Gas Project - P265,000,000

In no case shall said amounts 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 the payment of monetary claims, tax deficiency assessments, damages, and all other judgment obligations pursuant to any final and executory decision that may be rendered during the year.

In no case shall Personnel Services 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 official website. The Transparency Seal shall contain the following information: (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; and (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 the 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.