REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 3 - PUBLIC UTILITIES

July 24, 2026

RECEIVED BY:
PNOC OFFICE OF THE PRESIDENT
ON: JUL 24 2026
Time: 4:49 Name: Daren

Mr. FRANZ JOSEF GEORGE E. ALVAREZ
President and Chief Executive Officer (CEO)
Philippine National Oil Company
PNOC Building 6, Energy Center, Rizal Drive
Bonifacio Global City, Taguig City

Dear President and CEO Alvarez:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of **Philippine National Oil Company (PNOC), the Parent and Subsidiaries (the Group)** for the years ended December 31, 2025 and 2024.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Audit Observations and Recommendations and Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Group and of the Parent for the years ended December 31, 2025 and 2024 due to the following:

1. The balances of the Parent's Investment Property and Property, Plant and Equipment accounts with carrying amounts of P10.999 billion and P793.615 million, respectively, and P11.009 billion and P739.920 million as at December 31, 2025 and 2024, respectively, include land properties amounting to P8.441 billion under Investment Property and P478.346 million under Property, Plant and Equipment accounts which were the subject of the litigation case between the PNOC and Petron Corporation (Petron). PNOC did not derecognize from its books these land properties despite the Supreme Court final ruling, cancelling the deed of conveyance of the land properties from Petron to PNOC, and the discontinuance of income recognition under the Lease Agreements with Petron on the said properties. This did not conform with the pertinent provision of the *Conceptual Framework for Financial Reporting*. Further, it did not recognize the receivables from Petron amounting to P587.797 million inclusive of interest of P444.797 million from October 1993 to December 31, 2025, which did not conform with the pertinent provision of Philippine Accounting Standard (PAS) 37 – *Provisions, Contingent Liabilities and Contingent Assets*. Had the land properties been derecognized from the books of PNOC, the Investment Property, Property, Plant and Equipment and Retained Earnings/Deficit accounts would have been decreased by P8.441 billion, P478.346 million, and P8.919 billion, respectively, as at end of reporting date. Likewise, had the Receivables from Petron been recognized in the books of PNOC, the Receivables, Retained Earnings and Income accounts would have been increased by P587.797 million, P410 million, and P177.797 million, respectively, as at end of reporting date.

2. The physical inventory to determine the existence and valuation of the above Investment Property with carrying amounts of P64.108 million and P83.513 million, as at December 31, 2025 and 2024, respectively, and PPE accounts with carrying amounts of P165.729 million and P162.134 million, as at end of reporting dates, respectively, was not conducted, which did not conform with the pertinent provisions of *Conceptual Framework for Financial Reporting* and PAS 1 – *Presentation of Financial Statements*. Due to absence of physical inventory, we were unable to obtain sufficient appropriate evidence nor apply alternative procedures to determine the existence and valuation of the said properties and whether any adjustment to the balances of the Investment Property and PPE accounts is necessary, as at end of reporting dates.

For the above audit observations which caused the issuance of a qualified opinion, the Auditor recommended that Management:

1. Require the Accounting Department to derecognize from the books of PNOC the Land Properties subject in PNOC versus Petron case and recognize in the books the Receivables from Petron on the monetary judgment.

2. Direct the Inventory Committee to conduct complete physical inventory of Investment Property and PPE accounts including the amount of P64.108 million and P165.729 million, respectively.

The other significant audit observation together with the recommended course of action, which were discussed by the Audit Team with the concerned Management officials during the exit conference conducted on May 13, 2026, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and submitting the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

GLORINA B. SUSON
OIC-Director IV

Copy Furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Governance Commission for Government-Owned or Controlled Corporations
The Secretary of the Department of Budget and Management
The National Library
The UP Law Center

PHILIPPINE NATIONAL OIL COMPANY AND SUBSIDIARIES
AGENCY ACTION PLAN and STATUS of IMPLEMENTATION
Audit Observations and Recommendations
For Calendar Year 2025
As of __________

Ref.	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/Non-Implementation, if Applicable	Action Taken/Actions to be Taken
			Action Plan	Person/ Department Responsible	Target Implementation Date		Status of Implementation[1]		
					From	To			

Prepared by: ________________________

Reviewed by: ________________________

Noted by: ________________________

[1]Status of implementation may either be (a) Fully Implemented (b) Not Implemented

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE NATIONAL OIL COMPANY

For the Years Ended December 31, 2025 and 2024

EXECUTIVE SUMMARY

A. Introduction

Background Information

1. The Philippine National Oil Company (PNOC) or the Parent was created through Presidential Decree No. 334 on November 9, 1973 to provide and maintain an adequate and stable supply of oil. Focusing its efforts and resources in learning the ropes of the petroleum industry, the Parent rose, together with its Subsidiaries, to occupy market leadership in an industry thought to be the domain of multinationals.

2. Its charter was amended in December 1992 to include energy exploration and development. It initiated the exploration of the country's indigenous oil and non-oil energy resources. Its purpose is to build an energy sector that will bring energy independence to the country. Eventually, PNOC expanded its operations to include total energy development, including indigenous energy sources like oil and gas, coal, and geothermal.

3. The Parent and Subsidiaries (The Group) are engaged with ensuring an adequate energy supply through oil, petroleum, and other energy resource operations. Their mandate includes energy exploration, development, and commercialization, as well as promoting research, manufacture, distributions, and utilization of renewable and environmentally friendly energy systems. These cover solar, wind, water, geothermal, ocean, tidal, biomass, biogas, and other fossil on non-fossil sources, applying new and efficient technologies for sustainable energy conversion and use.

4. In September 2014, the Governance Commission for Government-Owned or Controlled Corporations (GCG) mandated the Parent to transform from a mere holding company to an operating company. Accordingly, GCG recommended the abolition of some subsidiaries.

5. Presently, the membership of the governing Board of Directors of PNOC, which is attached to Department of Energy (DOE), consists of nine (9) directors including the Secretary of DOE as Chairman. PNOC is headed by its President and Chief Executive Officer.

B. Financial Highlights

The financial position and results of operations of the Group and of the Parent are summarized as follows:

I. Financial Position

	Group			Parent		
	2025	**2024**	**Increase/ (Decrease)**	**2025**	**2024**	**Increase/ (Decrease)**
Assets	56,257,805,401	56,235,490,112	22,315,289	41,548,483,993	42,233,203,277	(684,719,284)
Liabilities	7,304,231,059	7,768,980,647	(464,749,588)	4,151,954,635	4,966,523,198	(814,568,563)
Equity	48,953,574,342	48,466,509,465	487,064,877	37,396,529,358	37,266,680,079	129,849,279

II. Results of Operations

	Group			Parent		
	2025	2024	Increase/ (Decrease)	2025	2024	Increase/ (Decrease)
Service and Business Income	7,722,410,987	10,159,700,923	(2,437,289,936)	3,344,675,378	5,723,416,872	(2,378,741,494)
Shares, Grants and Donations	0	0	0	0	2,012,928	(2,012,928)
Gains	167,178,936	234,567,829	(67,388,893)	90,883,307	149,903,139	(59,019,832)
Other Non-Operating Income	7,798,693	37,706,233	(29,907,540)	3,739,007	1,293,574	2,445,433
Total Income	**7,897,388,616**	**10,431,974,985**	**(2,534,586,369)**	**3,439,297,692**	**5,876,626,513**	**(2,437,328,821)**
Personnel Services	545,216,626	492,842,869	52,373,757	226,218,008	155,982,054	70,235,954
Maintenance and Other Operating Expenses	525,560,696	1,504,794,659	(979,233,963)	286,729,276	310,059,996	(23,330,720)
Financial Expenses	9,940,346	14,509,613	(4,569,267)	6,906,514	7,551,743	(645,229)
Direct Costs	2,980,691,407	2,931,910,213	48,781,194	623,758,406	1,187,471,066	(563,712,660)
Non-Cash Expenses	815,100,313	174,083,276	641,017,037	159,429,074	139,580,085	19,848,989
Total Expense	**4,876,509,388**	**5,118,140,630**	**(241,631,242)**	**1,303,041,278**	**1,800,644,944**	**(497,603,666)**
Profit Before Tax	**3,020,879,228**	**5,313,834,355**	**(2,292,955,127)**	**2,136,256,414**	**4,075,981,569**	**(1,939,725,155)**
Income Tax Expense	533,769,922	915,266,189	(381,496,267)	381,230,347	901,219,430	(519,989,083)
Profit After Tax	**2,487,109,306**	**4,398,568,166**	**(1,911,458,860)**	**1,755,026,067**	**3,174,762,139**	**(1,419,736,072)**
Other Comprehensive Income (Loss) for the Period	(14,324,615)	70,228,122	(84,552,737)	(255,000)	510,000	(765,000)
Comprehensive Income	**2,472,784,691**	**4,468,796,288**	**(1,996,011,597)**	**1,754,771,067**	**3,175,272,139**	**(1,420,501,072)**

C. Scope and Objectives of Audit

The audit covered the examination, on a test basis, of the Group and of the Parent transactions and accounts for the period January 1 to December 31, 2025 to enable us to express an opinion on the fairness of presentation of the financial statements of the Group and of the Parent for the years ended December 31, 2025 and 2024 in accordance with the International Standards of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures

D. Auditor's Opinion

The Auditor rendered qualified opinion on the fairness of presentation of the financial statements of the Group and of the Parent for the years ended December 31, 2025 and 2024 due to the following:

The balances of the Parent's Investment Property and Property, Plant and Equipment accounts with carrying amounts of P10.999 billion and P793.615 million, respectively, and P11.009 billion and P739.920 million as at December 31, 2025 and 2024, respectively, include land properties amounting to P8.441 billion under Investment Property and P478.346 million under Property, Plant and Equipment accounts which were the subject of the litigation case between the PNOC and Petron Corporation (Petron). PNOC did not derecognize from its books these land properties despite the Supreme Court final ruling, cancelling the deed of conveyance of the land properties from Petron to PNOC, and the discontinuance of income recognition under the Lease Agreements with Petron on the said properties. This did not conform with the pertinent provision of the *Conceptual Framework for Financial Reporting*. Further, it did not recognize the receivables from Petron amounting to P587.797 million inclusive of interest of P444.797 million from October 1993 to December 31, 2025, which did not conform with the pertinent provision of Philippine Accounting Standard (PAS) 37 – *Provisions, Contingent Liabilities and Contingent Assets*. Had the land properties been derecognized from the books of PNOC, the Investment Property, Property, Plant and Equipment and Retained Earnings/Deficit accounts would have been decreased by P8.441 billion, P478.346 million, and P8.919 billion, respectively, as at end of reporting date. Likewise, had the Receivables from Petron been recognized in the books of PNOC, the Receivables, Retained Earnings and Income accounts would have been increased by P587.797 million, P410 million, and P177.797 million, respectively, as at end of reporting date.

Moreover, the physical inventory to determine the existence and valuation of the above Investment Property with carrying amounts of P64.108 million and P83.513 million, as at December 31, 2025 and 2024, respectively, and PPE accounts with carrying amounts of P165.729 million and P162.134 million, as at end of reporting dates, respectively, was not conducted, which did not conform with the pertinent provisions of *Conceptual Framework for Financial Reporting* and PAS 1 – *Presentation of Financial Statements*. Due to absence of physical inventory, we were unable to obtain sufficient appropriate evidence nor apply alternative procedures to determine the existence and valuation of the said properties and whether any adjustment to the balances of the Investment Property and PPE accounts is necessary, as at end of reporting dates.

For the above audit observations which caused the issuance of a qualified opinion, the Auditor recommended that Management:

a. Require the Accounting Department to derecognize from the books of PNOC the Land Properties subject in PNOC versus Petron case and recognize in the books the Receivables from Petron on the monetary judgment; and

b. Direct the Inventory Committee to conduct complete physical inventory of Investment Property and PPE accounts including the amount of P64.108 million and P165.729 million, respectively.

E. Significant Audit Observation and Recommendation

In addition to the above audit observations, presented below are other significant audit observation and recommendation, which are discussed in detail in Part II of this Report:

1. The faithful representation of the Group’s Inter-Agency Receivables and Inter-Agency Payables accounts with a balance of P10.351 million and P223.531 million, respectively, net of allowance for impairment as of December 31, 2025, was doubtful due to non-elimination of the balances of Due from Subsidiaries/Joint

Venture/Associates/Affiliates and Due to Subsidiaries/Joint Venture/Associates/Affiliates accounts amounting to P10.795 million and P103.110 million, respectively, in the consolidated financial statements, contrary to Appendix B86.c of Philippine Financial Reporting Standard 10, resulting in the overstatement of Inter-Agency Receivables and Inter-Agency Payables accounts by P10.795 million and P103.110 million, respectively.

Recommendation:

Require the Accounting Department to reconcile the noted variances of Inter-Agency Receivables and Inter-Agency Payables particularly the Due from/to Subsidiaries accounts in the consolidated financial statements in coordination with the subsidiaries and prepare the necessary adjusting and eliminating entries to ensure the accuracy of consolidated account balances.

F. Summary of Audit Suspensions, Disallowances and Charges

As at December 31, 2025, there were no outstanding audit suspensions and charges. Audit disallowances totaling P2.397 million remained unsettled, to wit:

	Beginning Balance January 1, 2025	Issued	Settled	Ending Balance December 31, 2025
Suspensions	0	0	0	0
Disallowances	P1,258,067	P1,139,000	0	P2,397,067
Charges	0	0	0	0
Total	**P1,258,067**	**P1,139,000**	**0**	**P2,397,067**

G. Status of Implementation of Prior Year's Audit Recommendations

Out of the 29 audit recommendations embodied in the previous year's Annual Audit Report, 26 were implemented, and three were not implemented. Details are shown in Part III of this Report.

TABLE OF CONTENTS

PART I

AUDITED FINANCIAL STATEMENTS

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine National Oil Company
Building 6, Energy Center, Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of **Philippine National Oil Company (PNOC) (the Parent) and Subsidiaries (the Group**), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Bases for Qualified Opinion

The balances of the Parent's Investment Property and Property, Plant and Equipment accounts with carrying amounts of P10.999 billion and P793.615 million, respectively, and P11.009 billion and P739.920 million as at December 31, 2025 and 2024, respectively, include land properties amounting to P8.441 billion under Investment Property and P478.346 million under Property, Plant and Equipment accounts which were the subject of the litigation case between the PNOC and Petron Corporation (Petron). PNOC did not derecognize from its books these land properties despite the Supreme Court final ruling, cancelling the deed of conveyance of the land properties from Petron to PNOC, and the discontinuance of income recognition under the Lease Agreements with Petron on the said properties. This did not conform with the pertinent provision of the *Conceptual Framework for Financial Reporting*. Further, it did not recognize the receivables from Petron amounting to P587.797 million inclusive of interest of P444.797 million from October 1993 to December 31, 2025, which did not conform with the pertinent provision of Philippine Accounting Standard (PAS) 37 – *Provisions, Contingent Liabilities and Contingent Assets.* Had the land properties been derecognized from the books of PNOC, the Investment Property, Property, Plant and Equipment and Retained Earnings/Deficit accounts would have been decreased by P8.441 billion, P478.346 million, and P8.919 billion, respectively, as at end of reporting date. Likewise, had the Receivables from Petron been recognized in the books of PNOC, the Receivables, Retained Earnings and Income accounts would have been increased by P587.797 million, P410 million, and P177.797 million, respectively, as at end of reporting date.

Moreover, the physical inventory to determine the existence and valuation of the above Investment Property with carrying amounts of P64.108 million and P83.513 million, as at December 31, 2025 and 2024, respectively, and PPE accounts with carrying amounts of P165.729 million and P162.134 million, as at end of reporting dates, respectively, was not conducted, which did not conform with the pertinent provisions of *Conceptual Framework for Financial Reporting* and PAS 1 – *Presentation of Financial Statements*. Due to absence of physical inventory, we were unable to obtain sufficient appropriate evidence nor apply alternative procedures to determine the existence and valuation of the said properties and whether any adjustment to the balances of the Investment Property and PPE accounts is necessary, as at end of reporting dates.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Parent in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 5 to the financial statements which describes, among others, the emergency importation of petroleum products by the Parent and its subsidiary, PNOC Exploration Corporation (PNOC EC), pursuant to Executive Order No. 110 dated March 24, 2026 of the President of the Philippines and the directives of the Department of Energy (DOE) for the implementation of the DOE Emergency Energy Security Program (EESP), as a strategic response to the global escalation of oil prices driven by the ongoing geopolitical conflicts and heightened tensions in the Middle East.

On March 27, 2026, the DOE transferred funds from the Malampaya Gas Fund the amount of P5 billion and P15 billion to the Parent and PNOC EC, respectively, as implementing agencies. On April 22, 2026, the Parent transferred P2 billion from the P5 billion fund to PNOC EC, as the implementing agency for the joint procurement of gasoil (diesel) pursuant to a MOA entered into by both parties on even date. In June 2026, the DOE transferred additional P9.864 billion to PNOC EC for the continued implementation of the DOE EESP.

The Parent undertook the importation of 21,000 metric tons (MT) of liquefied petroleum gas, consisting of 10,500 MT of fully refrigerated propane and 10,500 MT of fully refrigerated butane, and PNOC EC, imported 1.687 million barrels of petroleum products, consisting of 1.390 million barrels of gasoil and 297,000 barrels of mogas (gasoline), to ensure the uninterrupted supply of petroleum products in the country. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group and the Parent or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 38 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, except for the effects and possible effects of the matter described in the *Bases for Qualified Opinion* paragraph, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

JONATHAN B. JAVIER
Supervising Auditor

July 23, 2026

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **Philippine National Oil Company and Subsidiaries (the Group)** and the **Philippine National Oil Company (the Parent)** is responsible for the preparation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and Parent's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and the Parent's financial reporting process. Likewise, the Board of Directors approves the financial statements including the schedule attached therein.

The Commission on Audit, the independent auditor, has audited the financial statements of the Group and of the Parent in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit.

ALESSANDRO O. SALES
PNOC Alternate Chairman of the Board

07-09-2026
Date Signed

JOSEPHINE CASSANDRA J. CUI
PNOC SVP for Finance and Administrative Services

7/6/26
Date Signed

FRANZ JOSEF GEORGE E. ALVAREZ
PNOC President and CEO

Date Signed

SUBSCRIBED AND SWORN TO BEFORE ME this 09 of JUL 2026 2026 at Taguig City, affiants exhibited to me their respective identification cards with the details shown below as follows:

Name	TIN
Alessandro O. Sales	106-208-128
Franz Josef George E. Alvarez	950-416-907
Josephine Cassandra J. Cui	134-409-680

NOTARY PUBLIC

Doc. No. 329
Page No. 67
Book No. VIII
Series of 2026

CARL PHILIP N. BATUCAN
Appointment No. 4 (2026-2027)
Notary Public for Taguig City
Until 31 December 2027
PNOC Bldg. VI, Energy Center, Rizal Drive
Bonifacio Global City, Taguig
Roll No. 67061
PTR No. 6043073/01-06-2026/Mandaluyong
IBP No. 581950/01-01-2026
MCLE Compliance No. VIII-BEP000168

PHILIPPINE NATIONAL OIL COMPANY AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025 AND 2024

	Notes	Group 2025	Group 2024	Parent 2025	Parent 2024
ASSETS					
Current Assets					
Cash and Cash Equivalents	6	3,350,464,202	4,115,130,348	1,539,633,292	2,240,854,340
Financial Assets	7.1a	8,691,792,448	8,219,336,796	5,630,454,405	5,519,854,304
Receivables	8	1,595,542,662	1,662,834,271	360,657,864	455,520,105
Inventories	9	366,246,044	208,416,386	0	0
Other Current Assets	15	879,778,400	783,928,832	288,767,081	249,194,708
Total Current Assets		**14,883,823,756**	**14,989,646,633**	**7,819,512,642**	**8,465,423,457**
Non-Current Assets					
Financial Assets	7.1b	8,357,195,582	7,890,844,784	7,449,395,863	6,976,759,991
Investment in Associates/Affiliates	7.2	115,869,564	107,429,139	115,869,564	107,429,139
Investment in Subsidiaries	7.3	0	0	4,859,775,056	4,859,775,056
Other Investments	7.4	7,648,010,715	8,659,683,361	141,549,450	141,549,450
Receivables	8	541,089	956,167	0	0
Investment Property	10	11,507,335,087	11,516,370,338	10,999,299,026	11,008,866,976
Property, Plant and Equipment	11	3,093,255,523	1,854,656,879	793,614,562	739,920,137
Intangible Assets	12	814,316	814,316	814,316	814,316
Banked Gas Inventory	13	8,604,458,435	9,228,216,841	8,604,458,435	9,228,216,841
Deferred Tax Assets	14	1,916,113,254	1,834,569,982	708,107,769	704,199,304
Other Non-Current Assets	15	130,388,080	152,301,672	56,087,310	248,610
Total Non-Current Assets		**41,373,981,645**	**41,245,843,479**	**33,728,971,351**	**33,767,779,820**
TOTAL ASSETS		**56,257,805,401**	**56,235,490,112**	**41,548,483,993**	**42,233,203,277**
LIABILITIES					
Current Liabilities					
Financial Liabilities	16	1,157,288,183	698,894,418	162,022,340	218,184,157
Inter-Agency Payables	17	223,531,366	263,109,908	226,785,607	245,784,857
Trust Liabilities	18	393,277,609	303,823,068	373,420,112	284,892,174
Deferred Credits/Unearned Income	19	2,401,634	4,397,153	0	0
Other Payables	22	922,338,475	1,656,059,913	889,907,183	1,621,283,906
Total Current Liabilities		**2,698,837,267**	**2,926,284,460**	**1,652,135,242**	**2,370,145,094**
Non-Current Liabilities					
Deferred Credits/Unearned Income	19	1,675,519,512	1,894,211,662	95,917,113	222,491,940
Provisions	20	513,461,426	528,159,042	72,973,899	42,912,783
Deferred Tax Liabilities	21	2,359,335,307	2,360,080,308	2,330,928,381	2,330,973,381
Other Payables	22	57,077,547	60,245,175	0	0
Total Current Liabilities		**4,605,393,792**	**4,842,696,187**	**2,499,819,393**	**2,596,378,104**
TOTAL LIABILITIES		**7,304,231,059**	**7,768,980,647**	**4,151,954,635**	**4,966,523,198**
EQUITY					
Equity Attributable to Equity Holder					
Government Equity	23	3,114,595,519	3,114,595,519	3,114,595,519	3,114,595,519
Retained Earnings	24	45,493,831,623	44,994,574,427	34,278,482,589	34,148,378,310
Other Equity Instruments	25	89,308,406	89,308,406	0	0
Cumulative Translation Adjustment		112,883,832	122,703,447	0	0
Cumulative Changes in Fair Value		68,561,250	73,066,250	3,451,250	3,706,250
Total Equity Attributable to Equity Holder		**48,879,180,630**	**48,394,248,049**	**37,396,529,358**	**37,266,680,079**
Minority Interest	26	**74,393,712**	**72,261,416**	**0**	**0**
TOTAL EQUITY		**48,953,574,342**	**48,466,509,465**	**37,396,529,358**	**37,266,680,079**
TOTAL LIABILITIES AND EQUITY		**56,257,805,401**	**56,235,490,112**	**41,548,483,993**	**42,233,203,277**

The notes on pages 11 to 122 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes	Group 2025	Group 2024	Parent 2025	Parent 2024
Income					
Service and Business Income	27	7,722,410,987	10,159,700,923	3,344,675,378	5,723,416,872
Shares, Grants and Donations		0	0	0	2,012,928
Gains	28	167,178,936	234,567,829	90,883,307	149,903,139
Other Non-Operating Income	29	7,798,693	37,706,233	3,739,007	1,293,574
Total Income		**7,897,388,616**	**10,431,974,985**	**3,439,297,692**	**5,876,626,513**
Expenses					
Personnel Services	30	545,216,626	492,842,869	226,218,008	155,982,054
Maintenance and Other Operating Expenses	31	525,560,696	1,504,794,659	286,729,276	310,059,996
Financial Expenses	32	9,940,346	14,509,613	6,906,514	7,551,743
Direct Costs	33	2,980,691,407	2,931,910,213	623,758,406	1,187,471,066
Non-Cash Expenses	34	815,100,313	174,083,276	159,429,074	139,580,085
Total Expenses		**4,876,509,388**	**5,118,140,630**	**1,303,041,278**	**1,800,644,944**
Profit Before Tax		**3,020,879,228**	**5,313,834,355**	**2,136,256,414**	**4,075,981,569**
Income Tax Expense	35	**533,769,922**	**915,266,189**	**381,230,347**	**901,219,430**
Profit After Tax		**2,487,109,306**	**4,398,568,166**	**1,755,026,067**	**3,174,762,139**
Other Comprehensive Income/(Loss) for the Period		**(14,324,615)**	**70,228,122**	**(255,000)**	**510,000**
Total Comprehensive Income		**2,472,784,691**	**4,468,796,288**	**1,754,771,067**	**3,175,272,139**
Attributable to:					
Equity holders of the Parent Company		2,470,652,395	4,465,255,844		
Non-controling interests		2,132,296	3,540,444		
Total Comprehensive Income		2,472,784,691	4,468,796,288		
EARNINGS PER SHARE					
Attributable to equity holders of the Parent Company	36	307.71	556.13		

The notes on pages 11 to 122 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Group							
	Attributable to Equity Holder of Parent							
	Cumulative Translation Adjustment	Cumulative Changes in Fair Value of Investments	Retained Earnings/ (Deficit)	Government Equity	Other Equity Instruments	Total	Minority Interest	Total Equity
BALANCE AT JANUARY 1, 2024	**61,485,325**	**64,056,250**	**44,995,428,186**	**3,114,595,519**	**89,308,406**	**48,324,873,686**	**68,720,972**	**48,393,594,658**
CHANGES IN EQUITY FOR 2024								
Add/(Deduct):								
Comprehensive Income for 2024	61,218,122	9,010,000	4,395,027,722			4,465,255,844	3,540,444	4,468,796,288
Dividends			(4,492,464,906)			(4,492,464,906)	0	(4,492,464,906)
Prior Period Adjustments			96,583,425			96,583,425		96,583,425
BALANCE AT DECEMBER 31, 2024	**122,703,447**	**73,066,250**	**44,994,574,427**	**3,114,595,519**	**89,308,406**	**48,394,248,049**	**72,261,416**	**48,466,509,465**
BALANCE AT JANUARY 1, 2025	**122,703,447**	**73,066,250**	**44,994,574,427**	**3,114,595,519**	**89,308,406**	**48,394,248,049**	**72,261,416**	**48,466,509,465**
CHANGES IN EQUITY FOR 2025								
Add/(Deduct):								
Comprehensive Income for 2025	(9,819,615)	(4,505,000)	2,484,977,010			2,470,652,395	2,132,296	2,472,784,691
Dividends			(2,040,447,329)			(2,040,447,329)	0	(2,040,447,329)
Prior Period Adjustments		0	54,727,515			54,727,515		54,727,515
BALANCE AT DECEMBER 31, 2025	**112,883,832**	**68,561,250**	**45,493,831,623**	**3,114,595,519**	**89,308,406**	**48,879,180,630**	**74,393,712**	**48,953,574,342**

	Parent							
BALANCE AT JANUARY 1, 2024	**0**	**3,196,250**	**33,424,887,679**	**3,114,595,519**	**0**	**36,542,679,448**	**0**	**36,542,679,448**
						-		
CHANGES IN EQUITY FOR 2024								
Add/(Deduct):								
Comprehensive Income for 2024	0	510,000	3,174,762,139			**3,175,272,139**	0	3,175,272,139
Dividends			(2,489,860,040)			**(2,489,860,040)**	0	(2,489,860,040)
Prior period adjustments			38,588,532			**38,588,532**		38,588,532
BALANCE AT DECEMBER 31, 2024	**0**	**3,706,250**	**34,148,378,310**	**3,114,595,519**	**0**	**37,266,680,079**	**0**	**37,266,680,079**
								-
BALANCE AT JANUARY 1, 2025	**0**	**3,706,250**	**34,148,378,310**	**3,114,595,519**	**0**	**37,266,680,079**	**0**	**37,266,680,079**
CHANGES IN EQUITY FOR 2025								
Add/(Deduct):								
Comprehensive Income for 2025	0	(255,000)	1,755,026,067			1,754,771,067	0	1,754,771,067
Dividends			(1,692,699,188)			(1,692,699,188)	0	(1,692,699,188)
Prior period adjustments		0	67,777,400			67,777,400		67,777,400
BALANCE AT DECEMBER 31, 2025	**0**	**3,451,250**	**34,278,482,589**	**3,114,595,519**	**0**	**37,396,529,358**	**0**	**37,396,529,358**

PHILIPPINE NATIONAL OIL COMPANY AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Group		Parent	
	2025	**2024**	**2025**	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Inflows				
Proceeds from Sale of Goods and Services	3,951,527,193	3,367,815,957	0	0
Collection of Income/Revenue	2,778,438,171	5,350,329,686	2,773,402,105	5,332,423,217
Collection of Receivables	320,610,103	560,370,993	295,015,738	545,719,991
Trust Receipts	126,909,110	27,199,311	39,722,535	11,471,865
Other Receipts	7,197,962	203,782,401	5,315,844	65,159,930
Total Cash Inflows	**7,184,682,539**	**9,509,498,348**	**3,113,456,222**	**5,954,775,003**
Cash Outflows				
Payment of Expenses	959,496,976	1,616,474,680	490,708,756	300,051,181
Purchase of Inventories	593,304,447	827,936,399	0	0
Grant of Cash Advances	213,548,278	224,315,511	9,035,390	3,934,818
Prepayments	39,090,370	27,376,550	0	0
Refund of Deposits	5,718,387	57,295,323	5,276,659	6,612,796
Payments of Accounts Payable	199,502,826	252,278,167	65,571,835	97,757,858
Remittance of Personnel Benefit Contributions and Mandatory Deductions	628,873,599	961,076,325	441,363,544	725,743,899
Release of Inter-Agency Fund Transfers	31,809,420	61,600,050	0	0
Other Disbursements	548,421,441	1,095,663,551	352,795,383	722,853,232
Total Cash Outflows	**3,219,765,744**	**5,124,016,556**	**1,364,751,567**	**1,856,953,784**
Adjustments	0	6,144,381	0	6,144,381
Adjusted Cash Outflows	**3,219,765,744**	**5,130,160,937**	**1,364,751,567**	**1,863,098,165**
Net Cash Provided by Operating Activities	**3,964,916,795**	**4,379,337,411**	**1,748,704,655**	**4,091,676,838**
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Inflows				
Proceeds from Sale/ Disposal of Investment Property	0	4,557,000	0	4,557,000
Proceeds from Sale/Disposal of Property, Plant and Equipment	205,000	0	205,000	0
Receipt of Interest Earned	1,125,914,374	889,575,368	625,708,281	493,362,203
Receipt of Cash Dividends	7,502,130	36,252,436	2,474,010	2,474,003
Proceeds from Matured Investments/Redemption of Long-Term Investments	15,231,205,244	12,433,538,810	9,761,618,759	6,052,202,265
Total Cash Inflows	16,364,826,748	13,363,923,614	10,390,006,050	6,552,595,471
Cash Outflows				
Purchase/Construction of Investment Property	0	51,829,240	0	51,829,240
Purchase/Construction of Property, Plant and Equipment	2,565,953,728	969,531,595	40,162,883	55,042,603
Purchase of Intangible Assets	0	125,000	0	125,000
Purchase of Investments	15,757,912,456	13,572,573,704	10,367,348,083	7,373,547,361
Total Cash Outflows	**18,323,866,184**	**14,594,059,539**	**10,407,510,966**	**7,480,544,204**
Net Cash Used In Investing Activities	**(1,959,039,436)**	**(1,230,135,925)**	**(17,504,916)**	**(927,948,733)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash Outflows				
Payment of Cash Dividends	2,774,117,193	4,648,038,800	2,426,369,052	2,645,433,934
Total Cash Outflows	**2,774,117,193**	**4,648,038,800**	**2,426,369,052**	**2,645,433,934**
Cash Used In Financing Activities	**(2,774,117,193)**	**(4,648,038,800)**	**(2,426,369,052)**	**(2,645,433,934)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(768,239,834)**	**(1,498,837,314)**	**(695,169,313)**	**518,294,171**
Effects of Exchange Rate Changes on Cash and Cash Equivalents	**3,573,688**	**233,276,144**	**(6,051,735)**	**47,182,857**
CASH AND CASH EQUIVALENTS, JANUARY 1	**4,115,130,348**	**5,380,691,518**	**2,240,854,340**	**1,675,377,312**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**3,350,464,202**	**4,115,130,348**	**1,539,633,292**	**2,240,854,340**

PHILIPPINE NATIONAL OIL COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2025 and 2024

1. GENERAL INFORMATION

The Philippine National Oil Company (“PNOC” or “Parent”) is a corporation established on November 9, 1973 and operates under the authority of Presidential Decree No. 334, as amended.

PNOC shall undertake and transact the corporate business relative primarily to oil or petroleum operations and other energy resources exploitation.

The Parent and its subsidiaries (“Group”) are engaged with ensuring an adequate energy supply through oil, petroleum, and other energy resource operations. Their mandate includes energy exploration, development, and commercialization, as well as promoting research, manufacture, distributions, and utilization of renewable and environmentally friendly energy systems. These cover solar, wind, water, geothermal, ocean, tidal, biomass, biogas, and other fossil on non-fossil sources, applying new and efficient technologies for sustainable energy conversion and use.

The Parent through its subsidiaries expanded its operations into renewable energy development, utilization and commercialization of alternative fuels, real estate properties management, and oil shipping and transport services.

Vision

By 2028, PNOC is recognized as a strategic niche player in the Philippine energy industry.

Mission

To complement the efforts of the private sector in developing energy sources and in broadening the adoption of renewable energy technologies in the most cost-effective manner.

The Governance Commission for Government-Owned or Controlled Corporations (GCG) mandated PNOC to transform from a mere holding to also an operating company in September 2014. Thus, GCG recommended the abolition of PNOC Alternative Fuels Corporation (PAFC) and PNOC Development and Management Corporation (PDMC), which was duly approved by the Office of the President on that same month, pursuant to GCG Memorandum Order Nos. 2014-25 and 2014-26.

The Parent will continue to act as a holding company in relation to PNOC Exploration Corporation (EC) and PNOC Renewables Corporation (RC) while it took over some of the assets, ongoing programs and assumed the functions of the abolished subsidiaries, PAFC and PDMC.

The Parent's registered office is located at PNOC Building 6, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.

The consolidated financial statements for the year ended December 31, 2025 were authorized for issue by the Board of Directors on July 9, 2026 as shown in the Statement of Management's Responsibility for Financial Statements.

Changes

Upon receipt of the approval of PNOC's Reorganization Plan from the GCG in August 2018, PNOC initiated the employee placement process in January 2019 in accordance with the approved PNOC Rules on Placement, through the Placement Committee. The placement process was completed in July 2019.

Pursuant to the guidelines under Republic Act (RA) No. 6656 and Executive Order (EO) No. 366, series of 1988, 89 or 44.95 percent out of the 198 personnel were placed in comparable positions. A total of 15 employees were classified as affected employees due to the abolition of their positions and the absence of comparable positions in the newly approved staffing pattern, based on their qualifications.

PNOC commenced the hiring process for vacant positions in October 2019 in accordance with the approved Reorganization Plan and the Competency-Based Human Resource System. The remaining 109 residual positions or 55.05 percent were filled through the Recruitment and Hiring Process, consistent with the Omnibus Rules on Appointment and Other Human Resource Actions (ORAOHRA).

By the end of 2025, 123 out of the 198 positions under the Reorganized Table of Organization had been filled using the PNOC Competency-Based Human Resource System.

PNOC is a holder of three International Organization for Standardization (ISO) Certifications, with its Head Office being ISO-certified for its Quality Management System (ISO 19001), while its two operating departments, the Energy Supply Base Department and the Park Management Department, each ISO Integrated Management Systems (IMS) Certified (ISO 19001, ISO 45001 and ISO 14001).

Projects

1.1 *Monetization of PNOC Banked Gas*

PNOC manages a strategic asset known as "banked gas," representing 108.60 Petajoules (PJ) of unutilized natural gas acquired under the take-or-pay provisions of the Ilijan Gas Sales and Purchase Agreement (GSPA). Purchased from the Department of Energy (DOE) in September 2009, the inventory has been monetized through several key agreements, including a 4.61 PJ sale to the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2013 and a 2016 GSPA with Pilipinas Shell Petroleum Corporation (PSPC) for 6.324 PJ. The PSPC agreement was terminated early on July 23, 2021, following the permanent shutdown of the Tabangao Refinery. Of the original 6.324 PJ contracted to PSPC, 2.716 PJ was sold and delivered, and the remaining unwithdrawn balance of 3.608 PJ was reverted to PNOC, bringing the inventory to 101.278 PJ.

To further optimize this national asset, PNOC executed new GSPAs in December 2021 with First Gen Corporation subsidiaries, First NatGas Power Corporation (FNPC) and Prime Meridian PowerGen Corporation (PMPC). These agreements were amended on February 23, 2024, to align with the extension of Service Contract (SC) No. 38, increasing the Total Contract Quantity to 101.28 PJ, with 87.01 PJ allocated to FNPC and 14.27 PJ to PMPC. From 2021 through the end of 2025, PNOC successfully delivered a cumulative total of 36.337 PJ to these buyers. As of December 31, 2025, the remaining banked gas inventory stands at 64.9 PJ.

1.2 *Rooftop Solar PV Systems for Government Buildings (RGB)*

In line with its new mission and vision statements, PNOC aims to be a strategic niche player in the Philippine energy industry by providing timely and responsive intervention in underserved segments of the energy sector. As part of this vision, PNOC has set six (6) high impact flagship initiatives which include the Onsite Rooftop Solar PV Systems for Government Entities.

Through this initiative, PNOC will help to overcome the barriers to energy efficiency in the public sector, such as the lack of financial resources and the lack of technical expertise. This initiative is also part of PNOC's efforts to contribute to the energy diversification efforts of the DOE, which is motivated by the need to address the risks associated with supply disruptions of fossil fuels, the need to reduce the carbon footprint, and the need to promote sustainable energy.

As of December 2025, PNOC successfully commenced the commercial operation of a total 410 kilowatt-peak (kWp) capacity across six facilities: PNOC Building 6 with 50 kWp, Angeles City Water District 1 (ACWD 1) with 150 kWp, NEDA with 50 kWp, Tanza Water District with 35 kWp, Carmona Water District with 25 kWp, and NFA with 100 kWp.

In December 2024, PNOC signed Memoranda of Agreement (MOAs) for a total aggregate capacity of 5,488 kilowatts (kW) or 5.488 megawatts (MW) with the National Food Authority (NFA)-5,100 kW, Angeles City Water District (ACWD)-198 kW, National Economic Development Authority (NEDA) Region 4A-50 kW, Tanza Water District (TWD)-35 kW, Carmona Water District (CWD)-25 kW, and Technical Education and Skills Development Authority (TESDA)-80 kW.

1.3 *Real Property Projects*

The Parent manages a strategic portfolio of 370 lots, covering approximately 573.44 hectares, with many situated in prime locations. A significant portion is leased to Petron Corporation, while key government agencies, including the DOE, Cybercrime Investigation Coordinating Center, and Land Bank of the Philippines (LBP), also occupy PNOC properties. The Asset Management Department oversees the administration and leasing of the remaining lots to private entities, ensuring their optimal utilization, value generation, and alignment with PNOC’s strategic objectives.

2. *Status of Operations*

a) PNOC Exploration Corporation

OIL AND GAS EXPLORATION AND PRODUCTION

Service Contract (SC) No. 38 – The Malampaya Project

PNOC EC owns 10 percent participating interest in the Malampaya Deepwater Gas-to-Power Project under Petroleum SC No. 38 together with Prime Energy Resources Development B.V. (40%), Prime Oil and Gas, Inc. (5%), and UC38 LLC (45%).

For the year 2025, Malampaya produced a total of 63.59 billion cubic feet (BCF) of natural gas and 1.586 million barrels (mmbbls) of condensate with a cumulative production of 2,849.27 BCF of gas and 98.26 mmbbls of condensate since inception in 2001. Malampaya has produced at an annual average rate of 118.34 BCF of natural gas and 4.056 mmbbls of condensate. A total of 58.9 BCF natural gas was delivered to First Gen power generation plants under the integrated GSPA with the wholly-owned subsidiaries of First Gen Corporation (First Gen) and Gas Aggregator Philippines, Inc. (GAPI). Additionally, a total of 1.62 million barrels of condensate was sold during the year.

Drilling activities under the Malampaya Phase-4 (MP4) Project commenced in June 2025, the project covers the drilling of three new wells, namely Camago 3, Malampaya East-1, and Bagong Pag-asa 1, to prolong the life of the Malampaya gas field, targeting to deliver new gas by 2026. In January 2026, the SC No. 38 Operator announced the discovery of a new natural gas field at Malampaya East-1 confirming the presence of additional natural gas volume and associated condensate.

Investment in Joint Ventures (JV)

A JV is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control.

Where a group of companies undertakes its activities under JV arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the venturers and classified according to their nature.

PNOC EC reports its 10 percent interest in SC No. 38 using JV proportionate consolidation. The PNOC EC's share of the assets, liabilities, income and expenses are combined with the equivalent items in the PNOC EC's financial statements on a line-by-line basis.

Coal Operations

The PNOC EC holds two Coal Operating Contracts (COCs) with the DOE to conduct activities for coal exploration or development and production of coal resources.

Coal Production and Sales

For 2025, total coal sales from COC 41 Mine 3 is 8,265 metric tons (MT), generating total gross revenues of P52 million.

b) PNOC Renewables Corporation

GEOTHERMAL PROJECTS

Maibarara Geothermal Power Project

The project is operated by Maibarara Geothermal, Inc., a JV with 65 per cent owned by Petro Green Energy Corporation, 25 per cent owned by PHINMA 11 Energy Corporation (formerly Trans-Asia Oil and Energy Development) and 10 per cent owned by PNOC RC. The project started its commercial operations on February 8, 2014 and April 30, 2018 for the 20MW and 12MW, respectively. This project is situated in Sto. Tomas, Batangas.

HYDROPOWER PROJECTS

The existing projects as of December 31, 2025 are as follows:

Name/ Service Contract No.	Location	Capacity	Status
Pampanga River Irrigation System Main Canal (PRIS MC) Hydroelectric Power Project HSC No. 2013-12-346	Rizal, Nueva Ecija	1.00 MW	The project was inaugurated last December 9, 2015. Testing and commissioning of the power plant were conducted from January to March 2016. The Energy Regulatory Commission released the Certificate of Compliance on June 30, 2016; thus, commercial operation began on July 1, 2016. The project is owned by PNOC RC and National Development Company with 50 percent share each. Beginning January 1, 2024, PRIS MC has been non-operational due to various issues and concerns.
Kabayan-2 Hydroelectric Power (HEP) Project (formerly Nalatang B Hydroelectric Power Project) HSC No. 2009-10-34	Kabayan, Benguet	52 MW	In February 2015, PNOC RC signed a JV Agreement with Aboitiz Power Corporation (APC) for the development of the project that is now estimated to be 52MW (previously 44MW) based on APC's latest study. The DOE has approved the

Name/ Service Contract No.	Location	Capacity	Status
			assignment of the service contract from PNOC RC to APC and later to Hedcor Cordillera, Inc., the Special Purpose Vehicle created by APC for the project. In June 2016, the DOE signed the amended service contract covering the increase in capacity to 52MW and the change in name to Kabayan 2 HEP. Further, the Project is now under Hedcor Kabayan, Inc., formerly Hedcor Cordillera, Inc. The project was put on hold due to issues with the Distribution Utility and Indigenous People (IPs). On September 2025, APC issued mutual termination agreement of the JV Agreement due to manifestation of no consent from IPs and Elders from Kabayan Ancestral Domain thru National Commission on Indigenous People.

SOLAR

In 2015, PNOC RC launched a program to install solar rooftop Photovoltaic systems in different government institutions. The primary objective of this program is to promote the use of renewable energy in the government.

The ongoing projects as of December 31, 2025 are as follows:

Name/ Service Contract No.	Location	Capacity	Status
Philippine International Convention Center Reception, Secretariat, and Delegation Hall	Manila	1.20 MW	Date of MOA: September 15, 2017 Ongoing Operation and Maintenance
LGU Naga City - Enan Chiong Activity Center	Cebu	100 KW	Date of MOA: September 19, 2017 Ongoing Operation and Maintenance
Bangko Sentral ng Pilipinas (BSP) - Security Plant Complex	Quezon City	400 KW	Date of MOA: February 9, 2017 Ongoing Operation and Maintenance

Name/ Service Contract No.	Location	Capacity	Status
BSP - Electronic Data Processing Center	Manila	200 KW	Date of MOA: December 29, 2016 Ongoing Operation and Maintenance
Commission on Audit (COA) - PIDS and Dormitory	Quezon City	200 KW	Date of MOA: May 30, 2016 Ongoing Operation and Maintenance
Philippine Coconut Authority - R&D Building	Quezon City	80 KW	Date of MOA: March 29, 2016 Ongoing Operation and Maintenance
University of the Philippines – Diliman - Palma, Melchor, and Quezon Hall	Quezon City	240 KW	Date of MOA: March 1, 2016 Ongoing Operation and Maintenance
Department of Environment and Natural Resources - Environmental Management Bureau	Quezon City	100 KW	Date of MOA: December 1, 2015 Ongoing Operation and Maintenance
Department of Science and Technology (DOST) - Science Heritage Building	Taguig City	100 KW	Date of MOA: June 2, 2015 Ongoing Operation and Maintenance
Philippine Heart Center - Medical Arts Building	Quezon City	100 KW	Date of MOA: May 11, 2015 Ongoing Operation and Maintenance
DOST Expansion Project	Taguig City	100 KW	Date of MOA: September 2023 Ongoing Operation and Maintenance
LGU Naga Expansion Project	Naga Cebu	190 KW	Date of MOA: September 2023 Ongoing Pre-development activities

c) PNOC Alternative Fuels Corporation

PAFC - Industrial Park Operations

PAFC, through PNOC, continuously provided basic services such as raw and fire water, power supply and jetty services to the locators within the Industrial Park and commercial area (Park). These services provide the bulk of revenues of the Park.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Group and of the Parent have been prepared in accordance with International Financial Reporting Standards (IFRSs), as prescribed by the Commission on Audit under COA Circular No. 2017-004 dated December 13, 2017. International Accounting Standards (IAS) and Interpretations (collectively IFRSs) issued by the Financial Reporting Standards Council (FRSC) and the applicable practices of the oil and gas industry not covered by the existing IFRSs.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The consolidated financial statements are presented in Philippine Peso (P), which is the Group and of the Parents functional currency.

Amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of consolidated financial statements in compliance with the adopted Philippine Financial Reporting Standards (PFRSs)/IFRSs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

The consolidated financial statements are prepared on an accrual basis in accordance with the PFRS/IFRSs.

3.2 *Consolidation*

The consolidated financial statements include the financial statements of the Parent and the following subsidiaries:

Name	Country of Incorporation	% of Ownership 2025	% of Ownership 2024	Functional Currency
PNOC Alternative Fuels Corporation	Philippines	100.00	100.00	Philippine peso
PNOC Renewables Corporation	Philippines	100.00	100.00	Philippine peso
PNOC Development and Management Corporation	Philippines	98.08	98.08	Philippine peso
PNOC Exploration Corporation	Philippines	99.79	99.79	Philippine peso
PNOC Shipping and Transport Corporation	Philippines	100.00	100.00	Philippine peso

Consolidated Entities/Controlee Entities

i. Consolidated entities

The consolidated financial statements reflect the assets, liabilities, equity, revenues, expenses and cash flows of the PNOC and all its controlled entities.

ii. Controlled entities

The controlled entities are those entities controlled by PNOC. PNOC controls an equity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The controlled entities are fully consolidated from the date on which control is transferred to the controlling entity. They are de-consolidated from the date that control ceases.

Inter-group transactions, balances and unrealized gains and losses on transactions between members of the group are eliminated in full.

3.3 *Financial Instruments*

Financial Assets

i. Classification and measurement

Financial assets within the scope of PFRS 9 – Financial Instruments: Recognition and Measurement are classified as Amortized Cost, Financial Assets at Fair Value through Profit or Loss (FVPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVOCI), as appropriate.

When an entity first recognize a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

a) Amortized cost – a financial asset is measured at amortized cost if both of the following conditions are met:
    - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
    - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Fair value through other comprehensive income – financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
c) Fair value through profit or loss – any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When and only when, an entity changes its business model for managing financial assets it must reclassify all affected financial assets.

The Group's financial assets include cash and cash equivalents, trade and other trade receivables and quoted and unquoted financial instruments.

ii. Subsequent measurement

The Group measures a financial asset at either fair value or amortized cost on the basis of both:

a) the entity's business model for managing the financial assets; and
b) the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets are measured at amortized cost, except for Financial Assets-Available for Sale which is measured at fair value.

iii. Derecognition

The Group derecognizes a financial asset or, where applicable, a part of a financial asset or part of the Group of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expire; and
2. The Group transfers contractual rights to receive cash flows of the financial assets and retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients that meets the following conditions.

- There is no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.

- The entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.

- The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in PAS 7) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and the interest earned on such investments is passed to the eventual recipients.

iv. Impairment of financial assets

The Group shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

At each reporting date, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

<u>Financial liabilities</u>

i. Initial recognition

The Group shall recognize a financial liability if the following conditions are met:

a) an entity becomes a party to a contractual obligation; and
b) it is likely that the outflow of economic resources will be required to settle the obligation.

Financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss.

ii. Subsequent measurement

Subsequent measurement for financial liabilities also depends on their classification under PFRS 9 Financial Instruments, as follows:

a) Financial liabilities at amortized cost

Financial liabilities at amortized cost are those that are held to pay contractual cash flows. Subsequent measurement of these liabilities is at amortized cost using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts that estimated future cash flows through the expected life of the financial asset or liability, or, when appropriate, a shorter period.

At each reporting date, the carrying amount of financial liabilities is adjusted for the amortization of the discount or premium to maturity. If there is objective evidence of impairment, such as significant financial difficulty of the debtor, the liability is increased by the amount of the expected credit losses.

b) Financial liabilities at fair value

Financial Liabilities at FVPL are those that an entity holds for trading or designated at fair value through profit or loss. Subsequent measurement of these liabilities is at their fair value, with changes recognized through profit or loss in the statement of comprehensive income in the period in which they arise.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.4 *Cash and Cash Equivalents*

Cash includes cash on hand and in banks. Cash equivalents are short-term money market placements that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of change in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.5 *Inventories*

The cost of banked gas inventory is based on acquisition cost or net realizable value, whichever is lower.

PDMC's real properties for sale are stated at the lower of cost or net realizable value. Cost is determined by using the cost method of the saleable properties.

PNOC EC's parts and supplies are stated at the lower of cost or net realizable value while coal inventories are measured using the moving average method of inventory costing. Cost includes invoice amount, net of trade and cash discounts. Cost is calculated using the moving average method. Net realizable value represents the estimated selling price less all estimated costs to sell. The condensate inventory is valued at prevailing market price.

Inventory is measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

a. Coal inventory: moving average method of inventory costing;
b. Condensate inventory: prevailing market price; and
c. Parts and supplies: lower of cost or net realizable value.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the PNOC EC.

3.6 *Investment Property*

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over their estimated useful life.

PNOC, PNOC RC and PSTC use the cost model for the measurement of its investment property after initial recognition while PAFC and PDMC use the fair value model for the measurement of investment property after initial recognition. Appropriate consolidation adjustments on the appraisal values of PAFC and PDMC were effected to align with the cost model for group consolidated financial statements.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

3.7 *Property, Plant and Equipment (PPE)*

a. Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

i. Tangible items;
ii. Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
iii. Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

i. It is probable that future economic benefits or service potential associated with the item will flow to the entity;
ii. The cost or fair value of the item can be measured reliably; and
iii. The cost is at least P50,000.

b. Measurement at Recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
ii. Expenditure that is directly attributable to the acquisition of the items; and
iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other expenses relating to an item of property, plant and equipment that is described as ‘repairs and maintenance’ are charged to profit or loss in the period these are incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate.

The cost of SC No. 38 project-related wells, platform and other facilities includes acquisition costs and capitalized exploration and development costs. The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount.

PNOC EC's depreciation, depletion, and amortization of wells, platform and other facilities are computed using the unit-of-production method based on the estimated proved reserves. Depreciation of other SC No. 38 Project-related facilities and equipment are computed using the straight-line method based on the estimated useful life of 21 years.

iii. Estimated useful life

The estimated useful life per assets class are as follows:

Asset Class	Useful Life (No. of Years)
Land and Land Improvements	
Ports, Harbors, Docks and Other Port Structures and Facilities	10,20
Infrastructure Assets	5 to 15
Power Supply System	25
Buildings	
Housing Facilities	30
Office Buildings	20, 30
Other Structures	5, 15, 30
Leasehold Improvements	
Leasehold Improvements, Building	30
Leasehold Improvements, Land	10
Tankers	10 to 25
Office Equipment, Furniture and Fixtures	
Office Equipment	5, 8
Other Office/Household Furniture and Equipment	5
Furniture and Fixtures	3,5, 8, 10
IT Equipment and Software	3
Machinery and Equipment	
Machinery	3,5,10
Generators, Field Alternators, Pumps	8
Communication Equipment	5,10
Construction and Heavy Equipment	8
Firefighting Equipment and Accessories	5
Fire Extinguisher, Fire Hose	10

Asset Class	Useful Life (No. of Years)
Medical Dental and Laboratory Equipment	15
Technical and Scientific Equipment	15
Drilling Rigs	10
Mine Development Equipment	10
Other Mining Equipment	15
Other Machinery and Equipment	10
Other Mechanical Shop Facilities	5
Electrical Facilities	15
Transportation Equipment	
Motor Vehicles	5
Other Transportation Equipment	5

iv. Residual Value

PNOC, PAFC and PNOC RC adopts a residual value equivalent to at least five percent of the cost of the PPE except for Infrastructure Assets of PNOC RC due to the contract provisions while PNOC EC and PDMC uses a residual value of P1.00 of the cost of the PPE. PSTC has not implemented the residual value to at least five percent of the cost of PPE since the said companies were on its dissolution process when the Policy was issued.

v. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

vi. Derecognition

The Group derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.

3.8 *Leases*

a. The Group as Lessee

i. Accounting for Leases (PFRS 16 - 2019)

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The Group assesses this definition whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available;
- has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- has the right to direct the use of the identified asset throughout the period of use.

The Group, at lease commencement date, recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

ii. Accounting for Leases (IAS 17 – 2018)

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to the Group. Operating lease payments are recognized as an operating expense in the profit or loss statement on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

b. The Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a systematic basis in accordance with the provision of the lease contracts. Contingent rents are recognized as revenue in the period in which they are earned.

3.9 *Provisions, Contingent Liabilities, and Contingent Assets*

a. Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent Liabilities

Contingent liabilities are not recognized in the consolidated financial statements but discloses the details in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent Assets

Contingent assets are not recognized in the consolidated financial statements but discloses the details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.10 *Changes in Accounting Policies and Estimates*

The effects of changes in accounting policy are recognized retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The effects of changes in accounting estimates are recognized prospectively through profit or loss.

The Group corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or

b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.11 *Foreign Currency Transactions*

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;
b. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising: (a) on the settlement of monetary items; or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in profit or loss in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

Foreign currency denominated transactions are converted into local currency using the average and actual foreign exchange rate prevailing during the month and date of transaction. Monetary assets and liabilities that are denominated in foreign currencies are restated using the closing exchange rate at reporting date. Non-monetary assets and liabilities are translated at historical exchange rates. Foreign exchange gains and losses arising from foreign currency fluctuations are recognized in profit or loss in the period in which they arise.

3.12 *Revenue from Non-Exchange Transactions*

a. Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. Recognition of Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As the Group satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Fees and Fines Not Related to Taxes

The Group recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenue are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

f. Gifts and Donations

The Group recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

g. Transfers

The Group recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

h. Services in-kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

i. Transfers from Other Government Entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably.

3.13 *Revenue from Exchange Transactions*

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, title has transferred, selling price is fixed or determinable, and collectability of the selling price is reasonably assured.

b. **Rendering of services**

Revenue is recognized from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Group.

Revenue from sale of gas, condensate and oil of the Malampaya Project is recognized upon delivery in accordance with the provisions of GSPA with customers and the Joint Operating Agreement entered into by and among the SC No. 38 partners. Delivery of natural gas is recognized when the gas arrives at the designated delivery points at the power plants and meets the required quality specifications set out in the relevant GSPA.

Billings for undelivered gas are credited to deferred income and recognized as revenue upon delivery. Under the take-or-pay provision of the GSPA, buyers shall pay the full contracted volume or quantity even if there is no delivery of the produced gas during the period. Annual reconciliation of volume actually taken and contracted volume is made to determine the deficiency or shortfall. The SC No. 38 consortium is bound to deliver the deficiency volumes in the future.

d. **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

e. **Dividends**

Dividends or similar distributions are recognized when the Group's right to receive payments is established.

f. **Rental income**

Rental income arising from operating leases on investment property is accounted for on a systematic basis in accordance with the provision of the lease contracts and included in revenue.

g. Royalties

Royalties are recognized as they are earned in accordance with the substance of the relevant agreement.

3.14 *Impairment of Non-Financial Assets*

a. Impairment of cash-generating assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

b. Impairment of non-cash-generating assets

The Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The Group classifies assets as cash-generating assets when those assets are held with the primary objective generating a commercial return. Therefore, non-cash-generating assets would be those assets from which the Group does not intend (as its primary objective) to realize a commercial return.

3.15 *Service Concession Arrangements*

The Group analyzes all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Group recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than whole-of-life assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Group also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

3.16 *Borrowing Costs*

For loans borrowed directly by the Group, the allowed alternative treatment is used in accordance with IAS 23.

3.17 *Employee Benefits*

The employees of PNOC are members of the Government Service Insurance System (GSIS) while its Subsidiaries are members of the Social Security System (SSS), which provides life and retirement insurance coverage.

PNOC EC provides retirement benefits to all regular fulltime employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of retirement plan remains with the PNOC EC, even if plan assets for funding the defined benefit plan have been acquired. The retirement plan is tax exempt, funded, non-contributory, and administered by a trustee.

The determination of the PNOC EC’s obligation and cost of retirement and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amount.

The PNOC EC normally makes an actuarial valuation every year to check the recommended funding scheme and to adjust contributions due to deviations from the actuarial assumptions arising from the investment yield, mortality gains and losses, employee turnover, and benefit forfeitures.

3.18 *Measurement Uncertainty*

The preparation of financial statements in conformity with PFRS requires management to make judgments, estimates, and assumptions that affect the amounts reported in the financial statements and accompanying notes.

The estimates and assumptions used in the accompanying financial statements are based on the best information available and upon management's evaluation of relevant facts and circumstances as of the date of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from such estimates.

3.19 *Assets Held for Sale*

Assets classified as held for sale are measured at the lower of the carrying amount and the fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale that should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3.20 *Exploration and Development Costs*

PNOC EC adopts the successful efforts method of accounting for its oil and gas operations. All exploration costs, except the cost of exploratory wells, are charged to expense as incurred. Costs of exploratory wells (including stratigraphic test wells) are initially capitalized and deferred pending the outcome of the drilling operation. If proved reserves are discovered, the associated costs are capitalized and amortized as the related proved developed reserves are produced. However, if the exploratory well or stratigraphic test well proves to be dry, the accumulated drilling costs are charged to expense.

Development costs, which include the costs of drilling development wells, are capitalized regardless of whether or not proved reserves are found, while production costs are expensed as incurred.

Capitalized cost is amortized using the unit-of-production method whereby property acquisition costs (net of accumulated depreciation, depletion, and amortization) are amortized over the estimated proved reserves.

For coal exploration and other projects, the PNOC EC uses the full-cost method of accounting. Under this method, all costs directly incurred in the acquisition, exploration and development of a project area, including directly-related overhead costs, are capitalized. All exploration cost, likewise, are tentatively deferred pending determination on whether the area contains coal reserves of commercial quantity.

When coal reserves of commercial quantity is proved, cost is amortized over proved reserves using the unit-of-production method.

3.21 *Payables*

Trade and other payables are stated at their nominal values.

3.22 *Income Taxes*

The income tax expense represents the sum of the tax currently payable and deferred.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are neither taxable or deductible. The Group's liability for current tax is calculated using the tax rates and tax laws applicable to the periods to which it relates.

Deferred income tax is accounted for using the balance sheet liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to: (a) temporary differences between the financial reporting bases of assets and liabilities and their related tax bases; (b) net operating loss carryover, (NOLCO); and (c) the carry forward benefit of the excess of the minimum corporate income tax, over the regular corporate income tax. Deferred tax assets and liabilities are measured using the tax rates applicable in the years in which those temporary differences are expected to be recovered or settled and NOLCO are expected to be applied provided such tax rates have been enacted or substantially enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

Current and deferred taxes are recognized as an expense or income in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.23 *Subsequent Events*

Post-year-end events that provide further evidence of existing conditions affecting Group's financial position at reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are indicative of conditions that arose subsequent to reporting date are disclosed in the notes to the financial statements when material.

3.24 *Earnings Per Share*

Earnings per share is computed based on the net profit for the year divided by the weighted average number of outstanding shares during the year. There are no dilutive potential common shares outstanding that would require disclosure of diluted earnings per share in the statement of comprehensive income.

3.25 *Segment Reporting*

For purposes of financial reporting, PNOC EC's reportable segments are SC No. 38 Malampaya Project, Coal Trading and Integrated Services, and all other segments.

3.26 *Pronouncements Issued But Not Yet Effective*

Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

a. Effective Subsequent to 2025 but Not Yet Adopted

PFRS 17, Insurance Contracts

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantee and financial instruments with discretionary participation features. A few exceptions will apply.

The main objective of this standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by: (a) specific adaptation for contracts with direct participation features (the variable fee approach); and (b) a simplified approach (the premium allocation approach) mainly for short duration contracts.

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2023.

PAS 1 (Amendments), Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

b. The following new standard and amendments issued by the Philippine Accounting Standards Board (PASB) has not yet been adopted by the Philippine Financial Reporting Standards Council (PFRSC).

Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or JV. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or JV involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the PFRSC deferred the original effective date of January 1, 2016 of the said amendments until the PASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

c. Effective beginning on or after January 1, 2026

Amendments to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments

The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduced an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

d. Effective for the annual reporting period beginning on January 1, 2027

PFRS 18 Presentation and Disclosure in Financial Statements

The Group is currently assessing the effect of these new accounting standards and amendments.

PFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to PFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though PFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

4. CHANGES IN ACCOUNTING POLICIES

4.1 *Adoption of the Revised Chart of Accounts (RCA)*

As at December 31, 2025, the Group adopted the conversion of accounts and account codes to the Revised Chart of Accounts in compliance with COA Circular No. 2020-002, "*Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019)"*, dated January 28, 2020

4.2 *Preparation of the Financial Statements and Other Financial Reports*

The 2025 Consolidated Financial Statements were prepared in compliance with COA Circular No. 2017-004, "*Guidelines on the Preparation of Financial Statements and Other Financial Reports and Implementation of the Philippine Financial Reporting Standards by Government Corporations Classified as Government Business Enterprises and Philippine Public Sector Accounting Standards by Non-Government Business Enterprises"*, dated December 13, 2017. This accounting change has an impact on the presentation of financial statements and related books of accounts.

5. EVENTS AFTER THE FINANCIAL REPORTING DATE

Dividend Declarations and Retained Earnings Appropriations

PNOC EC

On February 11, 2026, the PNOC EC Board of Directors (BOD) approved per Board Resolution No. 2-1, Series of 2026 the declaration of cash dividends for 2025 income of P0.0975 per share or a total of P195.195 million to its shareholders. The cash dividend to the government amounting to P194.784 million was remitted to the Bureau of the Treasury on February 27, 2026, while P411,332 will be remitted to the public shareholders on record as of February 26, 2026.

Also on the same date, the PNOC EC BOD approved, the appropriation of P8.840 billion retained earnings to meet the Corporation's cash requirements for capital expenditures and investment projects on oil and gas and coal exploration and development projects.

Emergency Importation of Petroleum Products

Pursuant to Executive Order No. 110 dated March 24, 2026, issued by the President of the Republic of the Philippines, and RA No. 7638 dated December 9, 1992, the DOE and the Parent, as well as the DOE and PNOC EC, entered into separate Memorandum of Agreement dated March 26, 2026 and March 27, 2026, respectively, for the implementation of the DOE Emergency Energy Security Program (EESP) to address the oil supply disruption of the country and serve as a strategic response to the global escalation of oil prices driven by ongoing geopolitical conflicts and heightened tensions in the Middle East.

On March 27, 2026, the DOE transferred from the Malampaya Gas Fund P5.000 billion and P15.000 billion to the Parent and PNOC EC, respectively, as the implementing agencies of the DOE EESP. On April 22, 2026, the Parent transferred P2.000 billion from the P5.000 billion fund to PNOC EC, as the implementing agency for the joint procurement of gasoil (diesel) pursuant to a MOA entered into by both parties on even date. In June 2026, the DOE transferred additional P9.864 billion to PNOC EC for the continued implementation of the DOE EESP.

The Parent and PNOC EC undertook emergency procurement measures pursuant to RA No. 12009 and directives of the DOE. The Parent imported 21,000 MT of liquefied petroleum gas (LPG), consisting of 10,500 MT of fully refrigerated propane and 10,500 MT of fully refrigerated butane. PNOC EC imported 1.687 million barrels of petroleum products, consisting of 1.390 million barrels of gasoil (diesel) and 297,000 barrels of mogas (gasoline).

The sale/distribution of the imported petroleum products is under ongoing negotiation and coordination with other government agencies and industry participants subject to the guidance of the DOE, where PNOC EC targets to roll out 1.000 million barrels of petroleum products within the third quarter of CY 2026.

Deactivation of the PNOC RC

On February 18, 2026, the Governance Commission for GOCCs (GCG), in its Memorandum Order No. 2026-02 approved the deactivation of PNOC RC, pending its formal abolition by the Office of the President. In accordance with GCG Memorandum Circular No. 2015-02 dated April 16, 2015, the deactivation of PNOC RC shall have the following effects: (a) the deactivated PNOC RC formally ceases to be a going concern and shall have no power or competence to enter into any contract or transaction which seeks to pursue its ordinary course of business; (b) the BOD shall undertake measures to wind-down the affairs of the PNOC RC and to preserve its assets to await the final disposition thereof; (c) PNOC RC shall maintain any personnel it may have to assist in the winding-down of the corporate affairs, and no further hiring of any personnel shall be allowed;

(d) PNOC RC ceases to be entitled to a Corporate Operating Budget (COB), or to avail of the benefits provided for in the GOCC Sector, such as Collective Negotiation Agreement, Performance-Based Bonus, and Performance-Based Incentives; and (e) PNOC RC is deemed under evaluation for formal abolition under the provisions of RA No. 10149.

PNOC, the parent company, shall take over the administration, operation and management of the hydro, solar rooftop and energy efficiency projects from PNOC RC, holding all PNOC RC assets in trust, to protect the interest of the government.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	Group		Parent	
	2025	2024	2025	2024
Cash on Hand	1,600,141	1,387,896	700,000	500,000
Cash Collecting Officers	893,702	3,304,957	893,702	3,304,957
Cash in Bank- Local Currency	65,518,588	296,976,095	27,096,770	70,839,150
Cash in Bank- Foreign Currency	102,850,051	413,250,246	88,612,100	407,447,892
Cash Equivalents- Local Currency	2,303,630,720	2,018,178,414	1,422,330,720	966,748,601
Cash Equivalents- Foreign Currency	875,971,000	1,382,032,740	0	792,013,740
Total Cash and Cash Equivalents	**3,350,464,202**	**4,115,130,348**	**1,539,633,292**	**2,240,854,340**

Cash on Hand pertains mainly to the dollar and peso petty cash fund of PNOC – EC's Head Office, Malangas Project Operations. The dollar petty cash fund amounts to US$10,000 for dollar-denominated operational requirements.

Cash in Banks (local and foreign currency) earn interest at the respective bank deposit rates. The Group's depository banks are LBP, Development Bank of the Philippines (DBP) and United Coconut Planters Bank (UCPB).

Cash equivalents consist of money market placements or short-term time deposits, which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates.

7. INVESTMENTS

7.1 Financial Assets

Particulars	Group		Parent	
	2025	2024	2025	2024
Total Current Financial Assets	8,691,792,448	8,219,336,796	5,630,454,405	5,519,854,304
Total Non-current Financial Assets	8,357,195,582	7,890,844,784	7,449,395,863	6,976,759,991
Total Financial Assets	**17,048,988,030**	**16,110,181,580**	**13,079,850,268**	**12,496,614,295**

a. Reconciliation of the Current Financial Assets

Group				
Particulars	**Financial Assets - Held-to-Maturity**	**Financial Assets at Amortized Cost**	**Investment in Time Deposit**	**Total**
Beginning Balance as at January 1, 2025	5,489,200,727	1,675,136,069	1,055,000,000	8,219,336,796
Additional investments made	7,105,705,014	1,857,762,414	0	8,963,467,428
Investments sold/collected	(5,760,875,707)	(1,675,136,069)	(1,055,000,000)	(8,491,011,776)
Balance as at December 31, 2025	**6,834,030,034**	**1,857,762,414**	**0**	**8,691,792,448**
Beginning Balance as at January 1, 2024	2,743,656,745	2,661,330,069	1,280,922,000	6,685,908,814
Additional investments made	5,391,636,458	1,675,136,069	1,055,000,000	8,121,772,527
Investments sold/collected	(2,646,092,476)	(2,661,330,069)	(1,280,922,000)	(6,588,344,545)
Balance as at December 31, 2024	**5,489,200,727**	**1,675,136,069**	**1,055,000,000**	**8,219,336,796**

Parent				
Particulars	**Financial Assets - Held-to- Maturity**	**Financial Assets at Amortized Cost**	**Investment in Time Deposit**	**Total**
Beginning Balance as at January 1, 2025	4,464,854,304	0	1,055,000,000	5,519,854,304
Additional investments made	5,796,131,418	0	0	5,796,131,418
Investments sold/collected	(4,630,531,317)	0	(1,055,000,000)	(5,685,531,317)
Balance as at December 31, 2025	**5,630,454,405**	**0**	**0**	**5,630,454,405**
Beginning Balance as at January 1, 2024	2,300,806,601	0	1,280,922,000	3,581,728,601
Additional investments made	4,373,001,168	0	1,055,000,000	5,428,001,168
Investments sold/collected	(2,208,953,465)	0	(1,280,922,000)	(3,489,875,465)
Balance as at December 31, 2024	**4,464,854,304**	**0**	**1,055,000,000**	**5,519,854,304**

Financial Assets - Held-to-Maturity refers to Investment in Treasury Bills which are made for varying periods of more than 90 days but less than one year.

Financial Assets at Amortized Cost refers to Investment in Treasury Bonds made with LBP and DBP.

b. Reconciliation of the Non-Current Financial Assets

Group				
Particulars	**Financial Assets - Held-to- Maturity**	**Financial Assets at FVOCI**	**Financial Assets - Others**	**Total**
Beginning Balance as at January 1, 2025	7,876,494,784	6,050,000	8,300,000	7,890,844,784
Additional investments made	4,018,084,074	0	0	4,018,084,074
Fair value increase	0	0	800,000	800,000
Premium on Purchase of Bonds	26,145	0	0	26,145
Less: *Fair value decrease*	0	(300,000)	0	(300,000)
Investments sold/collected	(3,552,259,421)	0	0	(3,552,259,421)
Balance as at December 31, 2025	**8,342,345,582**	**5,750,000**	**9,100,000**	**8,357,195,582**
Beginning Balance as at January 1, 2024	9,041,528,228	5,450,000	6,463,936	9,053,442,164
Additional investments made	1,817,663,848	0	0	1,817,663,848
Fair value increase	0	600,000	1,836,064	2,436,064
Premium on Purchase of Bonds	1,244,968	0	0	1,244,968
Investments sold or collected	(2,983,942,260)	0	0	(2,983,942,260)
Balance as at December 31, 2024	**7,876,494,784**	**6,050,000**	**8,300,000**	**7,890,844,784**

Parent				
Particulars	**Financial Assets - Held-to- Maturity**	**Financial Assets at FVOCI**	**Financial Assets - Others**	**Total**
Beginning Balance as at January 1, 2025	6,970,709,991	6,050,000	0	6,976,759,991
Additional investments made	3,517,609,936	0	0	3,517,609,936
Less: *Fair value decrease*	0	(300,000)	0	(300,000)
Investments sold/collected	(3,044,674,064)	0	0	(3,044,674,064)
Balance as at December 31, 2025	**7,443,645,863**	**5,750,000**	**0**	**7,449,395,863**
Beginning Balance as at January 1, 2024	7,585,320,843	5,450,000	0	7,590,770,843
Additional investments made	1,282,306,748	0	0	1,282,306,748
Fair value increase	0	600,000	0	600,000
Investments sold/collected	(1,896,917,600)	0	0	(1,896,917,600)
Balance as at December 31, 2024	**6,970,709,991**	**6,050,000**	**0**	**6,976,759,991**

Financial Assets - Held-to-Maturity consist of investment in Treasury bonds with more than one year to 25 years from value date.

Financial Assets at FVOCI consist of investment on quoted and unquoted equity shares. Investment in quoted equity shares is measured at fair value based on the latest quoted price, as at financial reporting date in active market.

Financial Assets – Others represent the cost of available-for-sale investments in proprietary club membership shares.

7.2 Investment in Associates/Affiliates

Investments in Associates/Affiliates represent PNOC's investment with Gulf Oil Philippines, Inc.

Particulars	Percentage of Ownership	Group/Parent 2025	Group/Parent 2024
Acquisition Cost:			
Gulf Oil Philippines, Inc	35	54,978,000	54,978,000
Equity in Net Earnings of Investees:			
Equity in Net earnings for the year		10,914,435	10,036,423
Net adjustment on prior years' earnings and dividends		52,451,139	44,888,719
Dividends received for the year	36	(2,474,010)	(2,474,003)
Total		**115,869,564**	**107,429,139**

7.3 Investment in Subsidiaries

Investment in Subsidiaries for the group is nil due to elimination upon consolidation.

Parent			
Particulars	**Percentage of Ownership**	**2025**	**2024**
Investment in operating subsidiaries			
PNOC Alternative Fuels Corporation (PAFC)	100.00	2,400,000,000	2,400,000,000
PNOC Exploration Corporation (PNOC EC)	99.79	2,019,188,332	2,019,188,332
PNOC Renewables Corporation (PNOC RC)	100.00	374,972,000	374,972,000
PNOC Development and Management Corporation (PDMC)	98.08	65,614,724	65,614,724
Total Investment in operating subsidiaries		**4,859,775,056**	**4,859,775,056**
Investment in non-operating subsidiaries			
PNOC Coal Corporation (PCC)	100.00	427,067,950	427,067,950
PNOC Shipping and Transport Corporation (PSTC)	100.00	190,000,000	190,000,000
PNOC Oil Carriers, Inc.	100.00	101,615,343	101,615,343
PNOC Tankers Corporation	100.00	50,000,000	50,000,000
Total Investment in non-operating subsidiaries		**768,683,293**	**768,683,293**
Less: *Allowance for impairment of non-operating subsidiaries*		**(768,683,293)**	**(768,683,293)**
Total Investment in non-operating subsidiaries		**0**	**0**
Total Investment in Subsidiaries		**4,859,775,056**	**4,859,775,056**

PAFC and PDMC

On September 8, 2014, a Memorandum from then Executive Secretary was issued stating that the Governance Commission for GOCCs' (GCG) recommendation to abolish PAFC and PDMC has been approved. The GCG issued Memorandum Order Nos. 2014-26 and 2014-25 on the implementation of the abolition of PAFC and PDMC, respectively. The transition and turnover plan (Plan) for PAFC and PDMC were submitted to the GCG in 2015 and the going concerns of PAFC and PDMC were continued and transitioned into PNOC in 2016 and have undergone integration in PNOC's operations starting 2017 in accordance with the Plan.

On November 10, 2022, the SEC, after thorough review and coordination with the GCG, revoked the Certificates of Registration as dissolution of the corporate existence of PAFC and PDMC. To date, the two, through PNOC, have been undertaking the corporate liquidation.

PSTC

On February 7, 2013, in the special PSTC stockholders' meeting joined by all the PNOC Board of Directors (Board), the PNOC Board passed Resolution No. 2111, Series of 2013, approving the recommendation to shorten the corporate life of the PSTC effective March 15, 2013. This is to protect the interest of PNOC, as the sole stockholder, from the continued deterioration of the financial condition of PSTC. On March 6, 2013, PSTC filed the cessation of registration with the Bureau of Internal Revenue (BIR) effective March 15, 2013 to be able to be given a tax clearance as requirement to the SEC dissolution. On July 5, 2013, the Office of the President approved the recommendation of GCG for abolition of PSTC. On December 26, 2013, a Deed of Assignment of Assets and Assumption of Liabilities (DAAAL) was executed between PSTC being the Assignor and PNOC as the Assignee.

On December 10, 2014, an Addendum to the DAAAL between PSTC and PNOC was executed to include the P10.587 million credited to PNOC from PSTC account in the assignment of assets to be used in the settlement of all liabilities and obligations of PSTC.

On June 25, 2024, the SEC, revoked the Certificate of Registration as dissolution of the corporate existence of PSTC for failure to submit its reportorial requirements for more than five (5) consecutive years. To date, PNOC, as Administrator, has been undertaking activities for corporate liquidation of PSTC.

PCC

The PCC ceased to operate effective May 31, 2002 due to continued losses. The PNOC Board under Board Resolution No. 1392, series of 2002 shortened the corporate life of the corporation by amending its Articles of Incorporation. Its coal trading activities was absorbed by PNOC EC effective June 1, 2002. The account of PCC is still retained in PNOC books pending the order of Revocation of Registration from SEC.

PNOC Oil Carriers, Inc. / PNOC Tankers Corporation

In 2003, SEC issued a certificate for the revocation of the PNOC Oil Carriers, Inc. and PNOC Tankers Corporation, but the accounts of these corporations are retained pending receipt of the clearances from the BIR. PNOC has provided 100 per cent allowance for impairment of its investment to the dissolved subsidiaries pursuant to Philippine Accounting Standards 36.

7.4 Other Investments

	Group	
Particulars	**2025**	**2024**
	Non-Current	**Non-Current**
Investment in Time Deposit- Local Currency	3,987,960,612	5,391,745,240
Investment in Time Deposit- Foreign Currency	2,322,676,668	1,342,391,743
Investment in Stocks		
PLDT Preferred Shares	469,060	479,420
Petron Corporation	984,315	984,315
Keppel Philippines Properties, Inc.	4,900,525	6,214,756
Other Investments		
Philippine Mining Development Corporation	45,000,000	45,000,000
Goodyear Philippines	96,453,350	96,453,350
Talisay Bioenergy Inc.	57,685,382	57,685,382
Jatropha Plantations	374,449,032	374,449,032
Maibarara Geothermal, Inc.	161,820,200	161,820,200
Wack-wack Golf and Country Club	80,000,000	85,000,000
Cagayan Basin	0	570,188,057
Cadlao Field Redevelopment Project	187,061,270	187,061,270
Mine 3 Coal Project	451,402,209	538,389,578
Malongan & Alegria Coal Project	90,246,024	90,246,024
Gotas North Limb Project	56,869,567	56,869,567
Mine 4 (Lower Butong) Coal Project	109,067,385	40,801,258
Malangas, Zamboanga Sibugay	53,035,500	45,975,953
Domestic Projects	64,030	62,630
Allowance for Impairment – Talisay Bioenergy Inc.	(57,685,382)	(57,685,382)
Allowance for Impairment – Jatropha	(374,449,032)	(374,449,032)
Total	**7,648,010,715**	**8,659,683,361**

Parent		
Particulars	2025	2024
	Non-Current	Non-Current
Investment in Stocks		
PLDT Preferred Shares	96,100	96,100
Philippine Mining Development Corporation	45,000,000	45,000,000
Goodyear Philippines	96,453,350	96,453,350
Talisay Bioenergy Inc.	57,685,382	57,685,382
Allowance for Impairment – Talisay Bioenergy Inc.	(57,685,382)	(57,685,382)
Total	**141,549,450**	**141,549,450**

No current investments were held and recognized in 2024 and 2025.

8. RECEIVABLES

Group						
Particulars	2025			2024		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans and Receivables	929,773,808	541,089	930,314,897	1,203,603,964	956,167	1,204,560,131
Lease Receivables	88,781,397	0	88,781,397	61,082,555	0	61,082,555
Inter-agency Receivables	(10,350,993)	0	(10,350,993)	(10,839,349)	0	(10,839,349)
Other Receivables	587,338,450	0	587,338,450	408,987,101	0	408,987,101
Total	**1,595,542,662**	**541,089**	**1,596,083,751**	**1,662,834,271**	**956,167**	**1,663,790,438**

Parent						
Accounts	2025			2024		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans and Receivables	204,335,859	0	204,335,859	305,209,869	0	305,209,869
Lease Receivables	64,082,016	0	64,082,016	36,383,174	0	36,383,174
Inter-agency Receivables	10,794,915	0	10,794,915	12,785,572	0	12,785,572
Other Receivables	81,445,074	0	81,445,074	101,141,490	0	101,141,490
Total	**360,657,864**	**0**	**360,657,864**	**455,520,105**	**0**	**455,520,105**

8.1 Loans and Receivables

Particulars	2025 Current	2025 Non-Current	2025 Total	2024 Current	2024 Non-Current	2024 Total
	Group					
Accounts Receivable	1,231,492,340	0	1,231,492,340	1,457,779,370	0	1,457,779,370
Allowance for Impairment	(343,977,187)	0	(343,977,187)	(343,942,604)	0	(343,942,604)
Carrying Amount-Accounts Receivable	**887,515,153**	**0**	**887,515,153**	**1,113,836,766**	**0**	**1,113,836,766**
Notes Receivable	68,867,595	0	68,867,595	67,067,595	0	67,067,595
Allowance for Impairment	(63,102,663)	0	(63,102,663)	(61,300,691)	0	(61,300,691)
Carrying Amount-Notes Receivable	**5,764,932**	**0**	**5,764,932**	**5,766,904**	**0**	**5,766,904**
Interests Receivable	68,287,896	0	68,287,896	114,860,025	0	114,860,025
Allowance for Impairment	(30,467,591)	0	(30,467,591)	(30,467,591)	0	(30,467,591)
Carrying Amount-Interests Receivable	**37,820,305**	**0**	**37,820,305**	**84,392,434**	**0**	**84,392,434**
Mortgage Contract Receivables	25,843,204	0	25,843,204	28,770,644	0	28,770,644
Allowance for Impairment	(27,169,786)	0	(27,169,786)	(29,162,784)	0	(29,162,784)
Carrying Amount-Mortgage Contract Receivables	**(1,326,582)**	**541,089**	**(785,493)**	**(392,140)**	**956,167**	**564,027**
Total	**929,773,808**	**541,089**	**930,314,897**	**1,203,603,964**	**956,167**	**1,204,560,131**

Particulars	2025 Current	2025 Non-Current	2025 Total	2024 Current	2024 Non-Current	2024 Total
	Parent					
Accounts Receivable	194,298,415	0	194,298,415	271,296,703	0	271,296,703
Allowance for Impairment	(51,748)	0	(51,748)	(19,279)	0	(19,279)
Carrying Amount-Accounts Receivable	**194,246,667**	**0**	**194,246,667**	**271,277,424**	**0**	**271,277,424**
Notes Receivable	68,867,595	0	68,867,595	67,067,595	0	67,067,595
Allowance for Impairment	(63,102,663)	0	(63,102,663)	(61,300,691)	0	(61,300,691)

Particulars	Parent					
	2025			2024		
	Current	Non-Current	Total	Current	Non-Current	Total
Carrying Amount-Notes Receivable	**5,764,932**	**0**	**5,764,932**	**5,766,904**	**0**	**5,766,904**
Interests Receivable	**4,324,260**	**0**	**4,324,260**	**28,165,541**	**0**	**28,165,541**
Total	**204,335,859**	**0**	**204,335,859**	**305,209,869**	**0**	**305,209,869**

Details of the Accounts Receivable account are as follows:

Particulars	Group	
	2025	2024
Accounts Receivable		
Gas and Oil Production	689,519,513	797,627,532
Banked Gas	158,469,912	241,179,140
Coal Operations	102,186,885	141,051,420
Energy Supply Base (ESB)	130,557,052	127,575,919
Industrial Park Locators	125,527,520	122,797,713
Head Office – PNOC EC	18,400,727	18,400,727
Power Supply System	2,924,105	5,240,293
Total Accounts Receivable	1,227,585,714	1,453,872,744
Allowance for Impairment	(340,070,561)	(340,035,978)
Carrying Amount -Accounts Receivable	**887,515,153**	**1,113,836,766**

Trade Receivables on SC No. 38 Malampaya Project consist mainly of the PNOC-EC’s 10 percent share in the SC No. 38 Consortium’s receivables on gas and condensate sales. The decrease in total accounts receivable amounting to P226.287 million was primarily due to the timing of collections from SC No. 38, Banked Gas, and coal sales during the period.

8.2 Lease Receivables

Particulars	Group	
	2025	2024
	Current	Current
Operating Lease Receivables	258,756,584	229,121,266
Allowance for Impairment	(169,975,187)	(168,038,711)
Carrying Amount-Operating Lease Receivables	**88,781,397**	**61,082,555**

Parent		
Particulars	2025	2024
	Current	Current
Operating Lease Receivables	233,760,203	204,124,885
Allowance for Impairment	(169,678,187)	(167,741,711)
Carrying Amount-Operating Lease Receivables	**64,082,016**	**36,383,174**

The Group did not hold any non-current lease receivables during the years ended December 31, 2024, and 2025.

8.3 Inter-Agency Receivables

Group		
Particulars	2025	2024
	Current	Current
Due from Government Corporations	112,543,142	112,892,466
Allowance for Impairment	(112,543,142)	(112,543,142)
Carrying Amount -Due from Government Corporations	**0**	**349,324**
Due from Subsidiaries/ Joint Ventures/ Associates/ Affiliates	1,657,367,123	1,655,099,391
Allowance for Impairment	(1,667,718,116)	(1,666,288,064)
Carrying Amount - Due from Subsidiaries/ Joint Ventures/ Associates/ Affiliates	**(10,350,993)**	**(11,188,673)**
Carrying Amount – Inter-Agency Receivables	**(10,350,993)**	**(10,839,349)**

Parent		
Particulars	2025	2024
	Current	Current
Due from Government Corporations	112,543,142	112,543,142
Allowance for Impairment	(112,543,142)	(112,543,142)
Carrying Amount – Due from Government Corporations	**0**	**0**
Due from Subsidiaries/Joint Ventures/Associates/Affiliates	1,613,299,754	1,613,860,359
Allowance for Impairment	(1,602,504,839)	(1,601,074,787)
Carrying Amount-Due from Subsidiaries/Joint Ventures/Associates/Affiliates	**10,794,915**	**12,785,572**
Carrying Amount – Inter-Agency Receivables	**10,794,915**	**12,785,572**

8.4 Other Receivables

Group		
Particulars	**2025 Current**	**2024 Current**
Receivables-Disallowance Charges	**2,099,885**	**2,099,885**
Due from Officers and Employees	11,047,309	8,070,203
Allowance for Impairment	(842,558)	(706,968)
Carrying Amount-Due from Officers and Employees	**10,204,751**	**7,363,235**
Other Receivables	631,527,811	429,292,810
Allowance for Impairment	(56,493,997)	(29,768,829)
Carrying Amount - Other Receivables	**575,033,814**	**399,523,981**
Carrying Amount – Other Receivables	**587,338,450**	**408,987,101**

Parent		
Particulars	**2025 Current**	**2024 Current**
Receivables-Disallowance Charges	**1,258,067**	**1,258,067**
Due from Officers and Employees	6,163,103	1,500,957
Allowance for Impairment	(842,558)	(706,968)
Carrying Amount-Due from Officers and Employees	**5,320,545**	**793,989**
Other Receivables	105,587,025	100,219,214
Allowance for Impairment	(30,720,563)	(1,129,780)
Carrying Amount-Other Receivables	**74,866,462**	**99,089,434**
Carrying Amount – Other Receivables	**81,445,074**	**101,141,490**

9. INVENTORIES

Group		
Particulars	**2025 Inventories carried at the LCNRV**	**2024 Inventories carried at the LCNRV**
Inventory Held for Sale		
Carrying Amount, January 1	69,891,197	48,662,235
Additions/Acquisitions during the year	234,925,212	116,888,738
Expensed during the year except write-down	(83,280,607)	(95,659,776)
Carrying Amount, December 31	**221,535,802**	**69,891,197**
Inventory Held for Consumption		
Carrying Amount, January 1	138,525,189	124,332,773
Additions/Acquisitions during the year	12,492,584	15,905,236
Expensed during the year except write-down	(6,307,531)	(1,712,820)
Carrying Amount, December 31	**144,710,242**	**138,525,189**
Total Carrying Amount, December 31	**366,246,044**	**208,416,386**

The Inventory Held for Sale account consists of the following:

Particulars	2025	2024
Inventory Held for Sale:		
Condensate	10,607,675	14,998,698
El Pueblo - Condormitel	14,888,655	14,236,848
Coal Inventory	196,039,472	40,655,651
Total	**221,535,802**	**69,891,197**

Condensate Inventory refers to the PNOC EC's 10 percent share in the undelivered stock of SC No. 38 Malampaya Project stored in its Concrete Gravity Structure in offshore Palawan with a volume of 2,914.87 barrels (bbls) in 2025 and 3,986.27 bbls in 2024.

El Pueblo Condormitel pertains to PDMC's 26 remaining units with a total floor area of 574.94 square meters (sqm.) located in Sta Mesa, Manila.

Coal Inventory on the other hand, refers to COC 41 Mine 3 coal production with a volume of 23,728 MT.

The Inventory Held for Consumption account consists of the following:

Particulars	2025	2024
Inventory Held for Consumption:		
Parts and supplies	144,710,242	138,525,189
Total	**144,710,242**	**138,525,189**

Parts and Supplies inventories pertain substantially to the 10 percent share of the Corporation in the aggregate parts and supplies inventory of SC No. 38 Consortium valued at P138.023 million and P131.816 million in 2025 and 2024, respectively.

10. INVESTMENT PROPERTY

Group				
	2025			
Particulars	**Investment Property-Land**	**Investment Property-Buildings**	**Investment Property-Land Improvements**	**Total**
Carrying Amount, January 1	**11,452,046,506**	**61,832,687**	**2,491,145**	**11,516,370,338**
Depreciation	0	(8,306,707)	(728,544)	(9,035,251)
Carrying Amount, December 31	**11,452,046,506**	**53,525,980**	**1,762,601**	**11,507,335,087**
Gross Cost	11,569,286,674	194,910,746	6,726,315	11,770,923,735
Accumulated Depreciation	0	(141,384,766)	(4,963,714)	(146,348,480)
Accumulated Impairment Loss	(117,240,168)	0	0	(117,240,168)
Carrying Amount, December 31	**11,452,046,506**	**53,525,980**	**1,762,601**	**11,507,335,087**

Group				
	2024			
Particulars	**Investment Property-Land**	**Investment Property-Buildings**	**Investment Property-Land Improvements**	**Total**
Carrying Amount, January 1	**11,453,674,024**	**48,844,841**	**2,937,676**	**11,505,456,541**
Additions/Acquisitions	0	21,428,918	0	21,428,918
Total	**11,453,674,024**	**70,273,759**	**2,937,676**	**11,526,885,459**
Disposals	(1,627,518)	(31,947)	0	(1,659,465)
Depreciation	0	(8,409,125)	(446,531)	(8,855,656)
Impairment Loss	(10,812,000)	0	0	(10,812,000)
Adjustment to Cost	10,812,000	0	0	10,812,000
Carrying Amount, December 31	**11,452,046,506**	**61,832,687**	**2,491,145**	**11,516,370,338**
Gross Cost	11,569,286,674	194,910,746	6,726,315	11,770,923,735
Accumulated Depreciation	0	(133,078,059)	(4,235,170)	(137,313,229)
Accumulated Impairment Loss	(117,240,168)	0	0	(117,240,168)
Carrying Amount, December 31	**11,452,046,506**	**61,832,687**	**2,491,145**	**11,516,370,338**

Parent				
	2025			
Particulars	**Investment Property-Land**	**Investment Property-Buildings**	**Investment Property-Land Improvements**	**Total**
Carrying Amount, January 1	10,925,354,346	81,021,485	2,491,145	11,008,866,976
Depreciation	0	(8,839,406)	(728,544)	(9,567,950)
Carrying Amount, December 31	**10,925,354,346**	**72,182,079**	**1,762,601**	**10,999,299,026**
Gross Cost	11,042,594,514	214,499,068	6,726,315	11,263,819,897
Accumulated Depreciation	0	(142,316,989)	(4,963,714)	(147,280,703)
Accumulated Impairment Loss	(117,240,168)	0	0	(117,240,168)
Carrying Amount, December 31	**10,925,354,346**	**72,182,079**	**1,762,601**	**10,999,299,026**

Parent				
	2024			
Particulars	**Investment Property-Land**	**Investment Property-Buildings**	**Investment Property-Land Improvements**	**Total**
Carrying Amount, January 1	**10,926,981,864**	**48,844,841**	**2,937,676**	**10,978,764,381**
Additions/Acquisitions	0	41,017,240	0	41,017,240
Total	**10,926,981,864**	**89,862,081**	**2,937,676**	**11,019,781,621**
Disposals	(1,627,518)	(31,947)	0	(1,659,465)
Depreciation	0	(8,808,649)	(446,531)	(9,255,180)
Impairment Loss	(10,812,000)	0	0	(10,812,000)
Adjustment to Cost	10,812,000	0	0	10,812,000
Carrying Amount, December 31	**10,925,354,346**	**81,021,485**	**2,491,145**	**11,008,866,976**
Gross Cost	11,042,594,514	214,499,068	6,726,315	11,263,819,897
Accumulated Depreciation	0	(133,477,583)	(4,235,170)	(137,712,753)
Accumulated Impairment Loss	(117,240,168)	0	0	(117,240,168)
Carrying Amount, December 31	**10,925,354,346**	**81,021,485**	**2,491,145**	**11,008,866,976**

The leases on these properties mostly contain a lease period of minimum of two (2) years and maximum of 25 years. Upon expiration of the contract, the lease may be renewed upon the mutual agreement of the parties under such terms and conditions as may be agreed upon by them.

Bulk of the PNOC properties was initially assessed by a third-party appraiser in 2007 and 2008 and the fair value was treated as deemed cost.

In 2024, PNOC has finalized a settlement agreement with PNOC EC regarding the transfer of the ESB assets which resulted to recognition of additional investment properties. Also, a portion of the land located in Zamboanga City with a total cost of P1.628 million was expropriated for a just compensation of P4.557 million resulting in a gain of P2.616 million. Further, the Company donated tennis court, exclusive of land, to DOE with a carrying amount of P31,947.

The fair value of PNOC's investment properties amounted to P45.115 billion in 2024 based on latest fair market value appraisal in 2023 and P34.605 billion in 2022 based on fair market value appraisal made in 2020.

Included also in the account is PAFC's parcels of land with a total area of 3.352 million sqm. located in Limay and Mariveles Bataan.

Of this area, properties located in Lamao, Limay and Batangas Dos, Mariveles, Bataan are occupied by residential structures of informal settlers. In the appraisal report commissioned by PAFC, two figures were asked from the appraiser; one is the market value if the area is free from informal dwellers and two, the market value reflective of the actual situation. This is to have data for purposes of negotiating with potential locators.

Based on the appraisal report by Cuervo Appraisers Inc. dated March 24, 2022, the market value of properties for Site 1 to Site 4 if without informal settlers is P10.731 billion and with informal settlers is P6.276 billion.

The properties were revalued in 2022 at current fair value resulting in the increase in value by P5.535 billion from the last revaluation of the properties in 2019.

Currently, PAFC has four (4) locators, a lessee and several sub-locators therein engaged in petrochemical and mining services operations.

This account includes also PDMC's parcels of land with a total area of 59,241 sqm. located in Rosario Cavite. In 2019, the properties were appraised by a third-party appraiser as of July 31, and August 5, 2019 which resulted in an increase in fair value totaling P392.889 million.

Included also in the Investment property is PNOC RC's 11 land holdings totaling 165,214 sqm. located in Brgy. Bolo, San Roque and Brgy. San Miguel in Bauan, Batangas. These properties were acquired from PNOC Dockyard and Engineering Corporation which was the predecessor company of PNOC RC.

Six of the properties in the above table are currently under litigation with LS Shipping Management Corporation which acquired the right/option of Keppel Philippines Holdings, Inc. per covering agreement, to purchase the properties owned by PNOC Marine Corporation, then to PNOC Dockyard and Engineering Corporation, which was later renamed to PNOC Renewables Corporation.

11. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2025

	Group											
Particulars	**Land**	**Land Improveme nts**	**Infra-structure Assets**	**Buildings and Other Struc-tures**	**Machinery and Equip-ment**	**Transpor-tation Equip-ment**	**Furniture, Fixtures and Books**	**Leased Asset Improve-ments**	**Exploration and Evaluation Assets**	**Other Property, Plant and Equipment**	**Construc-tion in Progress**	**Total**
Carrying Amount, Jan. 1, 2025	610,468,786	234,056	120,691,051	157,130,939	127,367,185	6,200,440	1,374,961	15,709,561	697,185,793	34,135,277	84,158,830	1,854,656,879
Transfers	0	0	0	0	0	0	0	0	0	0	0	0
Additions/ Acquisitions	0	4,942,516	27,832,673	27,920,116	230,858,627	18,448,486	2,450,841	0	2,319,291,136	0	568,639	2,632,313,034
Total	**610,468,786**	**5,176,572**	**148,523,724**	**185,051,055**	**358,225,812**	**24,648,926**	**3,825,802**	**15,709,561**	**3,016,476,929**	**34,135,277**	**84,727,469**	**4,486,969,913**
Depreciation	0	(216,420)	(2,621,734)	(5,953,866)	(26,716,381)	(1,197,981)	(228,960)	(503,574)	0	(3,055,322)	0	(40,494,238)
Adjustments	0	0	(10,492,110)	1,859,493	5,008,202	(447,529)	(28,444)	(1,690,573)	(1,253,806,525)	(17,081,693)	(76,540,973)	(1,353,220,152)
Carrying Amount, Dec. 31, 2025	**610,468,786**	**4,960,152**	**135,409,880**	**180,956,682**	**336,517,633**	**23,003,416**	**3,568,398**	**13,515,414**	**1,762,670,404**	**13,998,262**	**8,186,496**	**3,093,255,523**
Gross Cost	610,468,786	5,557,994	560,381,774	663,514,839	760,732,206	56,613,375	18,989,439	42,115,068	20,171,605,145	30,190,708	8,186,496	22,928,355,830
Accumulated Depreciation	0	(597,842)	(424,971,894)	(482,558,157)	(424,128,331)	(33,609,959)	(15,421,041)	(28,599,654)	(18,408,934,741)	(16,192,446)	(0)	(19,835,014,065)
Accumulated Impairment Losses/Adjust ment	0	0	0	0	(86,242)	0	0	0	0	0	0	(86,242)
Carrying Amount, Dec. 31, 2025	**610,468,786**	**4,960,152**	**135,409,880**	**180,956,682**	**336,517,633**	**23,003,416**	**3,568,398**	**13,515,414**	**1,762,670,404**	**13,998,262**	**8,186,496**	**3,093,255,523**

As at December 31, 2024

	Group											
Particulars	**Land**	**Land Improvements**	**Infra-structure Assets**	**Buildings and Other Structures**	**Machinery and Equip-ment**	**Transpor-tation Equip-ment**	**Furniture, Fixtures and Books**	**Leased Asset Improve-ments**	**Exploration and Evalua-tion Assets**	**Other Property, Plant and Equipment**	**Construc tion in Progress**	**Total**
Carrying Amount, Jan. 1, 2024	610,468,786	257,310	139,698,440	113,125,738	131,587,734	4,962,384	552,462	19,587,490	323,524,986	54,272,295	49,840,504	**1,447,878,129**
Additions/ Acquisition	0	0	496,196	49,495,343	29,652,966	0	1,062,817	0	839,132,192	0	43,621,729	**963,461,243**
Disposals	0	0	(439,895)	0	(4,470)	0	(7,915)	0	0	0	0	**(452,280)**
Depreciation	0	(23,254)	(2,574,153)	(4,941,780)	(30,021,533)	(875,851)	(232,403)	(370,086)	0	(3,055,324)	0	**(42,094,384)**
Adjustments	0	0	(16,489,537)	(548,362)	(3,847,512)	2,113,907	0	(3,507,843)	(465,471,385)	(17,081,694)	(9,303,403)	**(514,135,829)**
Carrying Amount, Dec. 31, 2024	**610,468,786**	**234,056**	**120,691,051**	**157,130,939**	**127,367,185**	**6,200,440**	**1,374,961**	**15,709,561**	**697,185,793**	**34,135,277**	**84,158,830**	**1,854,656,879**
Gross Cost	610,468,786	615,478	545,464,577	633,680,282	613,798,926	38,164,889	16,663,998	42,115,068	17,852,314,009	50,327,724	84,158,830	**20,487,772,567**
Accumulated Depreciation	0	(381,422)	(424,773,526)	(476,549,343)	(486,345,499)	(31,964,449)	(15,289,037)	(26,405,507)	(17,155,128,216)	(16,192,447)	(0)	**(18,633,029,446)**
Accumulated Impairment Losses/Adjust ment	0	0	0	0	(86,242)	0	0	0	0	0	0	**(86,242)**
Carrying Amount, Dec. 31, 2024	**610,468,786**	**234,056**	**120,691,051**	**157,130,939**	**127,367,185**	**6,200,440**	**1,374,961**	**15,709,561**	**697,185,793**	**34,135,277**	**84,158,830**	**1,854,656,879**

As at December 31, 2025

			Parent			
Particulars	**Land**	**Land Improve-ments**	**Buildings and Other Structures**	**Infrastructure**	**Machinery and Equipment**	**Total**
Carrying Amount, January 1, 2025	528,236,886	139,025	161,995,423	0	49,548,803	739,920,137
Additions/ Acquisitions	0	4,942,516	25,034,030	19,173,865	22,732,401	71,882,812
Total	**528,236,886**	**5,081,541**	**187,029,453**	**19,173,865**	**72,281,204**	**811,802,949**
Depreciation	0	(216,420)	(5,237,123)	(99,203)	(12,573,912)	(18,126,658)
Adjustments	0	0	0	0	(61,729)	(61,729)
Carrying Amount, December 31, 2025	**528,236,886**	**4,865,121**	**181,792,330**	**19,074,662**	**59,645,563**	**793,614,562**
Gross Cost	528,236,886	5,397,650	562,776,101	19,173,865	155,682,610	1,271,267,112
Accumulated Depreciation	0	(532,529)	(380,983,771)	(99,203)	(95,950,805)	(477,566,308)
Accumulated Impairment Losses	0	0	0	0	(86,242)	(86,242)
Carrying Amount, December 31, 2025	**528,236,886**	**4,865,121**	**181,792,330**	**19,074,662**	**59,645,563**	**793,614,562**

As at December 31, 2024

Parent					
Particulars	**Land**	**Land Improve-ments**	**Buildings and Other Structures**	**Machinery and Equipment**	**Total**
Carrying Amount, January 1, 2024	528,236,886	162,279	85,225,337	51,740,689	665,365,191
Additions/ Acquisitions	0	0	80,736,642	12,184,371	92,921,013
Total	**528,236,886**	**162,279**	**165,961,979**	**63,925,060**	**758,286,204**
Depreciation	0	(23,254)	(3,958,219)	(13,156,685)	(17,138,158)
Adjustments	0	0	(8,337)	(1,219,572)	(1,227,909)
Carrying Amount, December 31, 2024	**528,236,886**	**139,025**	**161,995,423**	**49,548,803**	**739,920,137**
Gross Cost	528,236,886	455,134	537,742,071	133,011,937	1,199,446,028
Accumulated Depreciation	0	(316,109)	(375,746,648)	(83,376,892)	(459,439,649)
Accumulated Impairment Losses	0	0	0	(86,242)	(86,242)
Carrying Amount, December 31, 2024	**528,236,886**	**139,025**	**161,995,423**	**49,548,803**	**739,920,137**

Exploration and Evaluation Assets pertain to the PNOC EC's 10 percent share in the aggregate assets of the SC No. 38 Malampaya Project. Provision for depreciation is reported as part of SC No. 38 direct cost.

The acquisition in 2025 pertains to assets under SC No. 38 used in the programmed well drilling activities for the Sinagtala project, including the drilling of two (2) commitment wells intended to provide additional gas supply by 2026 to augment production from the Malampaya main field. PNOC's recognition of additions to Building and Other Structures primarily pertains to the upgrading of Air Handling Units in Building 6, the installation of a Closed-Circuit Television (CCTV) system within the PNOC compound, and the renovation of a warehouse into a gym facility at PNOC EC. Additions to Machinery and Equipment includes the purchase of seven (7) units of Hybrid Motor Vehicles, 46 units of laptop computers, 50 units of laptop with anti-theft lock and the 60 percent payment of the PNOC computerized accounting system.

12. INTANGIBLE ASSETS

This pertains to the carrying amount of Adobe Create Cloud Software and Microsoft Office. This also includes the carrying cost of the software for time attendance purchased in 2024.

13. BANKED GAS INVENTORY

	Group/Parent	
Particulars	**2025**	**2024**
Inventory Held for Sale		
Carrying amount, January 1	9,228,216,841	10,415,687,907
Sold during the year	(623,758,406)	(1,187,471,066)
Carrying Amount, December 31	**8,604,458,435**	**9,228,216,841**

The banked gas inventory pertains solely to the Parent Company, PNOC. PNOC sold 4.70 PJ in 2025 and 8.95 PJ in 2024. The monetization of parent Company's banked gas remains a key initiative of the Company.

14. DEFERRED TAX ASSETS

Particulars	Group		Parent	
	2025	**2024**	**2025**	**2024**
Tax effect on temporary differences	1,017,345,315	1,023,877,755	708,282,769	704,374,304
Carry forward of unused tax losses	894,569,814	804,699,408	0	0
MCIT	4,373,125	6,167,819	0	0
Unrealized loss in Financial Assets at FVOCI	(175,000)	(175,000)	(175,000)	(175,000)
Total	**1,916,113,254**	**1,834,569,982**	**708,107,769**	**704,199,304**

15. OTHER ASSETS

15.1 Current and Non-Current Other Assets

Particulars	Group					
	2025			2024		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	493,681	0	493,681	178,824	0	178,824
Prepayments	617,654,920	0	617,654,920	544,588,291	0	544,588,291
Deposits	261,355,067	1,227,745	262,582,812	239,161,717	1,227,745	240,389,462
Foreclosed Property	0	55,838,700	55,838,700	0	0	0
Restricted Fund	0	64,436,304	64,436,304	0	61,849,412	61,849,412
Other Assets	274,732	8,885,331	9,160,063	0	89,224,515	89,224,515
Accumulated Impairment Loss	0	0	0	0	0	0
Total	**879,778,400**	**130,388,080**	**1,010,166,480**	**783,928,832**	**152,301,672**	**936,230,504**

Particulars	Parent					
	2025			2024		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	0	0	0	4,806	0	4,806
Prepayments	29,452,909	0	29,452,909	11,126,685	0	11,126,685
Deposits	259,039,440	0	259,039,440	238,063,217	0	238,063,217
Foreclosed Property	0	55,838,700	55,838,700	0	0	0
Other Assets	274,732	248,610	523,342	0	248,610	248,610
Accumulated Impairment loss	0	0	0	0	0	0
Total	**288,767,081**	**56,087,310**	**344,854,391**	**249,194,708**	**248,610**	**249,443,318**

Advances pertain to cash advances granted to officers and employees for official business that remain unliquidated as at the end of the period.

Prepayments consist mainly of PNOC EC's share in the aggregate prepaid assets of the SC No. 38 consortium.

Deposits account consists mainly of cash from Decentralized Energy Systems (DES) Fund Project. The fund was transferred by Energy Development Corporation (formerly PNOC EDC) to PNOC, in accordance with the provision in the Deed of Assignment dated May 28, 1993. The Deed of Assignment states that in the event of PNOC EDC's partial or full privatization, the project shall be transferred to another institution such as foundation under PNOC. On July 29, 2010, PNOC and PNOC EDC jointly executed a Turnover Certificate where the authorized representatives of each party certified the delivery and receipt of all the assets and instruments evidencing the same as well as the contracts and documents in connection with the DES Project.

Restricted Fund refers mainly to PNOC EC's balance of the Director and Officers Liability Fund held in trust with the LBP. This is intended to cover indemnity benefits of directors and officers who are involved in any action or suit filed against the Corporation.

Other Assets is mainly PNOC EC's special deposit and funds for future abandonment costs. The purpose of special deposit is to guarantee payment of an obligation and warranty security of contract for various Service Contracts and Coal Operating Contracts.

16. FINANCIAL LIABILITIES

Group		
Particulars	**2025**	**2024**
	Current	**Current**
Accounts Payable	991,009,772	680,163,889
Due to Officers and Employees	6,740,268	4,217,553
Service Concession Arrangements Payable	274,732	0
Finance Lease Payables	9,468,705	11,637,910
Other Financial Liabilities	149,794,706	2,875,066
Total	**1,157,288,183**	**698,894,418**

Parent		
Particulars	**2025**	**2024**
	Current	**Current**
Accounts Payable	12,004,282	216,642,755
Due to Officers and Employees	3,654,005	1,541,402
Service Concession Arrangements Payable	274,732	0
Other Financial Liabilities	146,089,321	0
Total	**162,022,340**	**218,184,157**

Accounts Payable pertains to purchases of goods and services for business operations. The account is inclusive of the PNOC EC's 10 percent share in the aggregate obligation of SC No. 38 Consortium in the amount of P761.989 million in 2025 and P317.397 million in 2024. This also include accounts payable to suppliers and contractors.

Due to Officers and Employees pertain to salaries payable that are accrued as at year-end.

Other Financial Liabilities pertain to amounts due to other funds. These include amounts due to Bank of the Philippine Islands – Savings, Land and Home Ownership Plan, Insular Life and United Coconut Planters Bank.

17. INTER-AGENCY PAYABLES

Group		
Particulars	**2025 Current**	**2024 Current**
Due to BIR	25,572,747	13,198,526
Due to GSIS	9,331,354	2,137,035
Due to Pag-IBIG	414,403	392,801
Due to PhilHealth	2,269,625	1,236,185
Due to National Government Agencies	3,281,612	12,364,973
Due to Subsidiaries/Joint Venture/ Associates/Affiliates	103,109,604	100,546,459
Due to Others	142,780	674,691
Due to SSS	1,783,780	1,587,495
Value Added Tax Payable	0	2,246,148
Income Tax Payable	77,625,461	128,725,595
Total	**223,531,366**	**263,109,908**

Parent		
Particulars	**2025 Current**	**2024 Current**
Due to BIR	16,463,168	6,109,952
Due to GSIS	9,331,354	2,137,035
Due to Pag-IBIG	96,791	84,490
Due to PhilHealth	1,545,873	484,999
Due to Subsidiaries/Joint Venture/ Associates/Affiliates	199,205,641	166,222,183
Due to SSS	142,780	674,691
Income Tax Payable	0	70,071,507
Total	**226,785,607**	**245,784,857**

18. TRUST LIABILITIES

Group		
Particulars	**2025 Current**	**2024 Current**
Trust Liabilities	329,886,024	244,738,496
Guaranty/Security Deposits Payable	63,391,585	59,084,572
Total	**393,277,609**	**303,823,068**

Particulars	Parent	
	2025 Current	2024 Current
Trust Liabilities	319,643,659	235,422,734
Guaranty/Security Deposits Payable	53,776,453	49,469,440
Total	**373,420,112**	**284,892,174**

Trust liabilities account pertains mainly of PNOC's fund held-in-trust for the Decentralized Energy System Project.

19. DEFERRED CREDITS/UNEARNED INCOME

Particulars	Group			
	2025		2024	
	Current	Non-Current	Current	Non-Current
Output Tax	0	81,552,627	0	148,600,741
Other Deferred Credits	0	153,580,417	0	193,420,931
Unearned Revenue/Income	0	1,440,386,468	0	1,552,189,990
Other Unearned Revenue/Income	2,401,634	0	4,397,153	0
Total	**2,401,634**	**1,675,519,512**	**4,397,153**	**1,894,211,662**

Particulars	Parent			
	2025		2024	
	Current	Non-Current	Current	Non-Current
Output Tax	0	60,154,644	0	126,970,011
Other Deferred Credits	0	27,272,084	0	67,607,634
Unearned Revenue/Income	0	8,490,385	0	27,914,295
Total	**0**	**95,917,113**	**0**	**222,491,940**

Unearned Revenue/Income represents mainly of PNOC EC's share in the balance of the prepaid but undelivered gas as of December 31, 2025, in relation to the take-or-pay transactions with the SC No. 38 gas buyer.

Other Unearned Revenue/Income refers to PNOC EC's deferred interest income from placements.

20. PROVISIONS

Particulars	Group			
	2025		2024	
	Current	Non-Current	Current	Non-Current
Leave Benefits Payable	0	105,056,215	0	85,155,692
Retirement Gratuity Payable	0	156,459,737	0	178,548,640
Other Provisions	0	251,945,474	0	264,454,710
Total	**0**	**513,461,426**	**0**	**528,159,042**

Particulars	Parent			
	2025		2024	
	Current	Non-Current	Current	Non-Current
Leave Benefits Payable	0	56,428,135	0	42,912,783
Other Provisions	0	16,545,764	0	0
Total	**0**	**72,973,899**	**0**	**42,912,783**

Leave Benefits Payable pertains mainly to liabilities for accumulated earned leave credits of PNOC employees.

Retirement Gratuity Payable pertains to PNOC EC's to the unfunded defined benefit obligation in relation to the retirement plan of the Corporation.

Other Provisions represent the 10 percent share of PNOC EC in the estimated future abandonment cost of SC No. 38 Malampaya project which is equivalent to US$4,300,000.

21. DEFERRED TAX LIABILITIES

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Revaluation increment on investment properties	2,282,519,939	2,282,519,939	2,293,077,050	2,293,077,050
Revaluation increment on property, plant and equipment	26,393,100	26,393,100	0	0
Unrealized gain on changes of AFS investments	13,045,937	13,790,938	475,000	520,000
Accrued rent income	37,376,233	37,376,233	37,376,233	37,376,233
Unrealized FOREX gain on foreign currency transactions	98	98	98	98
Total	**2,359,335,307**	**2,360,080,308**	**2,330,928,381**	**2,330,973,381**

22. OTHER PAYABLES

Particulars	Group			
	2025		2024	
	Current	Non-Current	Current	Non-Current
Undistributed Collections	0	15,989,370	0	10,709,333
Unclaimed Balances	0	25,919,599	0	25,637,878
Dividends Payable	884,098,935	0	1,617,768,800	0
Other Payables	38,239,540	15,168,578	38,291,113	23,897,964
Total	**922,338,475**	**57,077,547**	**1,656,059,913**	**60,245,175**

Particulars	Parent			
	2025		2024	
	Current	Non-Current	Current	Non-Current
Dividends Payable	884,098,935	0	1,617,768,800	0
Other Payables	5,808,248	0	3,515,106	0
Total	**889,907,183**	**0**	**1,621,283,906**	**0**

Undistributed Collections pertain to the performance/bidders/bail bonds received from suppliers and contractors by PNOC EC that will be returned by the company upon project completion.

Unclaimed Balances refer to the unclaimed dividend checks by public stockholders from various dividend payments.

Other Payables consist mainly of the PNOC EC's lease liabilities and contract retentions arising from various procurements.

23. GOVERNMENT EQUITY

The Parent Company's authorized capital stock is divided into 10 million no par value shares of which two million shares were initially subscribed and paid for by the Philippine Government at P50 per share. The remaining shares may be subscribed and paid for by the Republic of the Philippines or by government financial institutions at no less than P50 a share.

From 1975 to 1988 additional shares of 6,029,191 were subscribed by the Philippine Government at P500 per share.

24. RETAINED EARNINGS

In compliance with RA No. 7656, PNOC declared a total cash dividend of P884.099 million for 2025 net earnings due to the National Government.

The PNOC remitted to the Bureau of the Treasury the total amount of P2.426 billion for 2024 net earnings.

PNOC EC remitted total cash dividends amounting to P347.748 million consisting of cash dividends for CY 2024 net earnings amounting to P346.347 million and additional cash dividends for CY 2023 amounting to P1.401 million, based on the amended income tax returns, with payments date starting on May 15, 2025. Past cash dividends in the amount of P2.003 billion and P712.714 million were paid in 2024 and 2023, respectively.

25. OTHER EQUITY INSTRUMENTS

This account consists of the following:

Particulars	2025	2024
Drilling Rig (Kremco Model Trailer)	89,250,000	89,250,000
Others	58,4066	58,406
Total	**89,308,406**	**89,308,406**

Kremco 750 Drilling Rig and the Drilling Rig simulator that were donated to PNOC EC by Petro Canada under the Program Management Agreement between PNOC EC, Petro Canada and Office of Energy Affairs in 1992. The equipment was received by PNOC EC in 1993. The Drilling Rig was eventually used by the Corporation for the drilling operations in Mindanao in 1999.

26. NON-CONTROLLING INTERESTS

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Group and are presented and recognized separately in the consolidated statements of income and comprehensive income and within equity in the statements of financial position and changes in equity.

Movements in non-controlling interests during the year are as follows:

Particulars	2025	2024
Beginning Balance, January 1	72,261,416	68,720,972
Share in Comprehensive Income of Subsidiaries	2,132,296	3,540,444
Ending Balance, December 31	**74,393,712**	**72,261,416**

27. SERVICE AND BUSINESS INCOME

	Group		Parent	
Accounts	**2025**	**2024**	**2025**	**2024**
Business Income				
Sales Revenue	6,118,923,859	8,406,508,543	2,232,889,567	4,474,276,064
Rent/Lease Income	314,562,767	604,767,299	333,194,700	610,267,431
Interest Income	1,095,393,955	957,721,805	603,667,000	497,421,696
Waterworks System Fees	49,530,145	30,507,626	49,530,145	30,507,626
Power Supply System Fees	13,176,245	14,537,303	0	0
Seaport System Fees	19,731,531	17,934,101	19,731,531	17,934,101
Management Fees	18,371,576	3,585,928	18,371,576	3,585,928
Dividend Income	5,028,120	33,778,433	0	0

	Group		Parent	
Accounts	**2025**	**2024**	**2025**	**2024**
Share in Profit or Revenue of Affiliate or Associate	10,914,435	10,036,423	10,914,435	10,036,423
Other Business Income	74,963,088	77,512,917	74,561,158	76,577,058
Fines and Penalties	1,815,266	2,810,545	1,815,266	2,810,545
Total Business Income	**7,722,410,987**	**10,159,700,923**	**3,344,675,378**	**5,723,416,872**

Service Income pertains mainly to income generated from sale of gas and condensate (SC 38), and coal.

Breakdown of sales revenue is as follows:

Particulars	2025	2024
Gas and Oil Production	6,118,923,859	8,406,508,543
Total	**6,118,923,859**	**8,406,508,543**

Rent/Lease Income pertains to income from the investment property of the Group including the lease of ESB facilities such as warehouses, open yards, pipe racks, and office space.

Interest Income pertains mainly to interest earned from various placements in government securities, time deposits and bank deposits. It also includes interest charges from various customers.

Seaport System Fees, Waterworks System Fees, and Management Fees pertain to income from PNOC Industrial Park.

28. GAINS

This account consists of the following:

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Gain on Foreign Exchange	167,051,015	231,947,484	90,755,386	147,287,530
Gain on Sale of Property, Plant and Equipment	127,921	0	0	0
Gain on Sale of Investment Property	0	2,615,609	0	2,615,609
Gain from changes in Fair Value of Financial Instruments	0	4,736	0	0
Gain on Sale of Unserviceable Properties	0	0	127,921	0
Total	**167,178,936**	**234,567,829**	**90,883,307**	**149,903,139**

Gain on foreign exchange pertains to the gain on dollar sales, dollar placements, realignment of dollar denominated placements and bank accounts, and dollar trade receivables. The foreign currency denominated assets and liabilities were translated based on prevailing closing exchange rate of US$1.00:P58.790 in 2025 and US$1.00:P57.845 in 2024.

29. OTHER NON-OPERATING INCOME

This account pertains to various miscellaneous non-operating income of the Group amounting to P7.799 million and P37.706 million in 2025 and 2024, respectively, and to the non-operating income of the Parent amounting to P3.739 million and P1.294 million in 2025 and 2024, respectively. This includes penalties from the supplier's late delivery of purchases and administration fees, and collections from bidding document fees from prospective suppliers and contractors as prescribed under RA No. 9184 otherwise known as the Government Procurement Reform Act and RA No. 12009 otherwise known as the New Government Procurement Act. On the other hand, non-operating income in 2024 for the Parent consisted of gain on settlement of transferred ESB assets to PNOC by PNOC EC, recoveries of previously impaired trade receivables, and various insurance claims.

30. PERSONNEL EXPENSES

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Salaries and Wages	319,612,248	254,900,236	133,506,404	93,698,715
Other Compensation	112,347,648	125,816,832	48,590,149	39,318,787
Personnel Benefit Contributions	44,646,806	40,816,837	22,111,175	13,851,522
Other Personnel Benefits	68,609,924	71,308,964	22,010,280	9,113,030
Total	**545,216,626**	**492,842,869**	**226,218,008**	**155,982,054**

30.1 Salaries and Wages

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Salaries and Wages	319,612,248	254,900,236	133,506,404	93,698,715
Total	**319,612,248**	**254,900,236**	**133,506,404**	**93,698,715**

30.2 Other Compensation

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Year-End Bonus	23,494,009	22,113,189	10,962,129	7,962,285
Mid-Year Bonus	22,251,393	17,832,672	11,100,687	7,387,405
Representation Allowance	7,470,125	7,675,257	2,900,875	2,843,602
Transportation Allowance	6,031,625	6,220,099	1,612,375	1,528,923
Overtime and Night Pay	8,311,166	16,529,850	5,007,144	4,403,179

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Personnel Economic Relief Allowance	6,636,666	6,636,862	3,004,704	2,826,635
Cash Gift	1,347,750	1,307,496	623,250	604,246
Directors' and Committee Members' Fees	6,958,074	9,367,831	2,771,000	2,532,000
Clothing/Uniform Allowance	1,923,000	1,969,092	875,000	829,592
Productivity Incentive Allowance	686,000	693,500	0	0
Honoraria	379,500	424,500	340,500	403,000
Productivity Enhancement Incentive	40,000	90,000	0	0
Longevity Pay	65,000	70,000	65,000	70,000
Other Bonuses and Allowances	23,486,605	30,342,499	9,327,485	7,927,920
Other Compensation	3,266,735	4,543,985	0	0
Total	**112,347,648**	**125,816,832**	**48,590,149**	**39,318,787**

30.3 Personnel Benefit Contributions

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Retirement and Life Insurance Premiums (GSIS)	16,020,962	11,238,783	16,020,962	11,238,783
Provident/Welfare Fund Contributions	15,771,446	12,708,383	2,761,410	0
SSS Contributions	5,597,292	8,994,753	0	0
PhilHealth Contributions	6,203,814	6,425,959	2,873,403	2,194,140
Pag-IBIG Contributions	896,922	1,298,789	303,200	276,489
Employee Compensation Insurance Premiums	156,370	150,170	152,200	142,110
Total	**44,646,806**	**40,816,837**	**22,111,175**	**13,851,522**

30.4 Other Personnel Benefits

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Pension Benefits	25,442,593	33,279,324	0	0
Retirement Gratuity	160,000	3,818,689	160,000	979,000
Terminal Leave Benefits	23,128,624	10,445,291	21,850,280	8,134,030
Other Personnel Benefits	19,878,707	23,765,660	0	0
Total	**68,609,924**	**71,308,964**	**22,010,280**	**9,113,030**

31. MAINTENANCE AND OTHER OPERATING EXPENSES

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
General Services	111,906,309	107,958,439	83,347,826	77,562,717
Taxes, Insurance Premiums and Other Fees	88,169,406	75,305,812	58,939,481	50,508,158
Professional Services	65,658,661	977,628,660	21,993,998	22,463,739
Supplies and Materials Expenses	53,906,453	45,717,308	12,428,343	7,873,563
Utility Expenses	38,344,786	44,133,588	28,082,773	24,966,639
Repairs and Maintenance	25,253,967	27,773,866	12,569,024	12,801,215
Award, Reward, Prizes and Indemnities	37,563,363	101,916,391	36,504,105	85,618,391
Travelling Expenses	12,937,036	19,017,492	4,378,907	3,275,286
Communication Expenses	10,377,582	9,637,435	5,251,572	4,698,680
Training and Scholarship Expenses	10,286,388	10,799,284	3,154,411	479,147
Confidential, Intelligence and Extraordinary Expenses	1,201,159	1,143,965	143,952	26,998
Other Maintenance and Operating Expenses	69,955,586	83,762,419	19,934,884	19,785,463
Total	**525,560,696**	**1,504,794,659**	**286,729,276**	**310,059,996**

31.1 General Services

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Security Services	74,789,657	66,432,644	55,101,758	46,282,996
Other General Services	18,210,601	21,150,526	16,947,688	19,859,330
Janitorial Services	18,906,051	20,375,269	11,298,380	11,420,391
Total	**111,906,309**	**107,958,439**	**83,347,826**	**77,562,717**

31.2 Taxes, Insurance Premiums and Other Fees

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Taxes, Duties and Licenses	77,386,984	65,169,536	50,940,806	43,133,276
Insurance Expenses	10,534,431	9,854,181	7,750,684	7,092,787
Fidelity Bond Premiums	247,991	282,095	247,991	282,095
Total	**88,169,406**	**75,305,812**	**58,939,481**	**50,508,158**

31.3 Professional Services

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Auditing Services	16,949,097	12,495,203	8,960,062	6,564,211
Other Professional Services	43,342,032	957,609,580	8,987,100	9,409,885
Consultancy Services	4,145,972	6,168,272	2,836,836	5,154,643
Legal Services	1,221,560	1,355,605	1,210,000	1,335,000
Total	**65,658,661**	**977,628,660**	**21,993,998**	**22,463,739**

31.4 Supplies and Materials Expenses

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Fuel, Oil and Lubricants Expenses	8,685,821	23,425,043	3,343,012	4,018,852
Office Supplies Expenses	2,380,951	2,399,848	619,857	877,448
Medical, Dental and Laboratory Supplies Expenses	229,340	169,729	107,443	74,790
Accountable Forms Expenses	456,219	245,713	173,400	0
Semi-expendable Machinery and Equipment Expenses	2,890,973	519,039	2,890,973	787,117
Drugs and Medicines Expenses	1,457,314	988,843	0	0
Semi-expendable Furniture, Fixtures and Books Expenses	2,661,824	6,347,960	722,441	519,039
Other Supplies and Materials Expenses	0	0	3,705,056	1,533,467
Electrical Materials and Supplies Expenses	866,161	62,850	866,161	62,850
Other Supplies and Materials Expenses	34,277,850	11,558,283	0	0
Total	**53,906,453**	**45,717,308**	**12,428,343**	**7,873,563**

31.5 Utility Expenses

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Water Expenses	4,172,196	3,705,755	3,371,867	2,904,201
Electricity Expenses	33,960,574	40,219,529	24,498,890	21,854,134
Other Utility Expenses	212,016	208,304	212,016	208,304
Total	**38,344,786**	**44,133,588**	**28,082,773**	**24,966,639**

31.6 Repairs and Maintenance

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Repairs and Maintenance-Buildings and Other Structures	7,235,236	9,682,881	4,759,124	7,341,585
Repairs and Maintenance-Machinery and Equipment	12,566,107	9,661,723	6,466,364	3,336,586
Repairs and Maintenance-Transportation Equipment	2,320,497	2,292,378	1,320,131	1,131,696
Repairs and Maintenance-Furniture and Fixtures	224,587	1,298,887	18,214	95,053
Repairs and Maintenance-Semi-Expendable Machinery and Equipment	378,660	686,613	0	0
Repairs and Maintenance-Land Improvements	2,149,050	4,058,197	0	896,295
Repairs and Maintenance-Leased Assets	374,639	93,187	0	0
Repairs and Maintenance-Other PPE	5,191	0	5,191	0
Total	**25,253,967**	**27,773,866**	**12,569,024**	**12,801,215**

31.7 Award, Reward, Prizes and Indemnities

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Indemnities	37,563,363	101,916,391	36,504,105	85,618,391
Total	**37,563,363**	**101,916,391**	**36,504,105**	**85,618,391**

In 2024, PNOC granted indemnity to the Public-Private Partnership Center of the Philippines and to Ms. Gloria V. Gomez as the Administrator of PDMC amounting to P56.439 million and P29.179 million, respectively. In 2025, PNOC paid the recoverable amount for the full settlement of the consultant's final claims for the Batangas–Manila Natural Gas Pipeline Project 1 to the Public-Private Partnership Corporation and the provisions for the judgment award for expropriation case.

31.8 Travelling Expenses

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Traveling Expenses-Local	7,784,013	10,620,718	3,114,300	1,700,683
Traveling Expenses-Foreign	5,153,023	8,396,774	1,264,607	1,574,603
Total	**12,937,036**	**19,017,492**	**4,378,907**	**3,275,286**

31.9 Communication Expenses

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Telephone Expenses	4,726,790	5,057,706	2,675,335	2,796,879
Internet Subscription Expenses	5,089,579	3,834,561	2,467,557	1,770,396
Postage and Courier Services	476,565	645,237	45,392	52,834
Cable, Satellite, Telegraph and Radio Expenses	84,648	99,931	63,288	78,571
Total	**10,377,582**	**9,637,435**	**5,251,572**	**4,698,680**

31.10 Training and Scholarship Expenses

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Training Expenses	10,286,388	10,799,284	3,154,411	479,147
Total	**10,286,388**	**10,799,284**	**3,154,411**	**479,147**

31.11 Confidential, Intelligence and Extraordinary Expenses

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Confidential Expenses	143,952	26,998	143,952	26,998
Extraordinary and Miscellaneous Expenses				
Extraordinary and Miscellaneous Expenses	775,453	746,394	0	0
Meeting, Seminars and Conferences	281,754	370,573	0	0
Total	**1,201,159**	**1,143,965**	**143,952**	**26,998**

31.12 Other Maintenance and Operating Expenses

	Group		Parent	
Particulars	**2025**	**2024**	**2025**	**2024**
Advertising Expenses	6,126,384	4,258,059	81,810	95,310
Printing and Publication Expenses	71,932	874,000	71,932	874,000
Representation Expenses	8,731,362	7,709,377	3,273,507	2,458,712
Transportation and Delivery Expenses	12,017	10,061	0	0
Rent/Lease Expenses	5,641,664	7,080,467	1,770,081	930,997
Membership Dues and Contributions to Organizations	1,285,530	971,787	1,036,941	715,762
Subscription Expenses	29,720,852	32,306,935	2,762,252	2,592,709
Donations	278,459	316,483	0	0

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Litigation/Acquired Assets Expenses	1,006,830	1,985,213	0	0
Major Events and Convention Expenses	8,050,908	6,237,779	8,050,908	6,237,779
Other Maintenance and Operating Expenses	9,029,648	22,012,258	2,887,453	5,880,194
Total	**69,955,586**	**83,762,419**	**19,934,884**	**19,785,463**

32. FINANCIAL EXPENSES

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Management Supervision/ Trusteeship Fees	6,895,173	7,485,802	6,801,886	7,408,375
Interest Expenses	2,787,340	4,861,811	0	0
Bank Charges	235,049	2,147,377	104,628	143,368
Other Financial Charges	22,784	14,623	0	0
Total	**9,940,346**	**14,509,613**	**6,906,514**	**7,551,743**

33. DIRECT COSTS

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Depreciation, Depletion and Amortization Charges (SC No. 38)	1,253,806,525	539,750,299	0	0
Production Costs (SC No. 38)	1,022,118,904	1,153,079,454	0	0
Banked Gas	623,758,406	1,187,471,066	623,758,406	1,187,471,066
Cost of Sales - Mine 3 Operations	68,281,909	27,505,785	0	0
Maintenance and Other Operating Expenses	11,500,984	0	0	0
Coal Marketing and Selling	1,224,679	28,343	0	0
Coal Purchases and Landed Costs	0	24,075,266	0	0
Total	**2,980,691,407**	**2,931,910,213**	**623,758,406**	**1,187,471,066**

34. NON-CASH EXPENSES

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Depreciation	49,529,489	50,950,040	27,694,608	26,393,338
Amortization	16,414,247	0	0	0
Impairment Loss - Loans and Receivables	651,024,865	13,269,957	34,927,345	12,922,902

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Non-Operating Losses	98,131,712	109,863,279	96,807,121	100,263,845
Total	**815,100,313**	**174,083,276**	**159,429,074**	**139,580,085**

34.1 Depreciation

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Depreciation-Investment Property	9,035,251	8,855,656	9,567,950	9,255,180
Depreciation-Land Improvements	216,420	23,254	216,420	23,254
Depreciation-Buildings and Other Structures	5,953,866	4,941,780	5,237,123	3,958,219
Depreciation-Machinery and Equipment	26,716,381	30,021,533	12,573,912	13,156,685
Depreciation-Transportation Equipment	1,197,981	875,851	0	0
Depreciation-Furniture, Fixtures and Books	228,960	232,403	0	0
Depreciation-Leased Assets Improvements	503,574	370,086	0	0
Depreciation-Infrastructure Assets	2,621,734	2,574,153	99,203	0
Depreciation – Other Property, Plant, and Equipment	3,055,322	3,055,324	0	0
Total	**49,529,489**	**50,950,040**	**27,694,608**	**26,393,338**

34.2 Amortization

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Amortization-Intangible Assets	16,414,247	0	0	0
Total	**16,414,247**	**0**	**0**	**0**

34.3 Impairment Loss

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Impairment Loss - Loans and Receivables	651,024,865	13,269,957	34,927,345	12,922,902
Total	**651,024,865**	**13,269,957**	**34,927,345**	**12,922,902**

34.4 Non-Operating Losses

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Loss on Foreign Exchange	96,805,514	100,263,845	96,805,514	100,263,845
Loss from Changes in FV of Financial Assets	1,324,591	9,155,070	0	0
Other Losses	1,607	444,364	1,607	0
Total	**98,131,712**	**109,863,279**	**96,807,121**	**100,263,845**

35. INCOME TAX EXPENSE

The components of income tax expense as reported in the Statements of Comprehensive Income are as follows:

Particulars	Group 2025	Group 2024	Parent 2025	Parent 2024
Current Expense:				
Regular corporate income tax	385,239,295	912,748,367	385,138,812	908,999,244
Special tax rate (30 percent	223,372,410	386,713,619	0	0
Minimum Corporate Income Tax (MCIT), or 2 percent of Gross Income]	78,713	3,705,928	0	0
Sub-total	**608,690,418**	**1,303,167,914**	**385,138,812**	**908,999,244**
Deferred Tax Expense (Income)				
Original and reversal of tax effect on temporary differences, Net Operating Loss Carry Over (NOLCO) and MCIT	(74,920,496)	(387,901,725)	(3,908,465)	(7,779,814)
Sub-total	**(74,920,496)**	**(387,901,725)**	**(3,908,465)**	**(7,779,814)**
Total	**533,769,922**	**915,266,189**	**381,230,347**	**901,219,430**

PNOC and other subsidiaries computed its income tax based on itemized deductions for its income subject to the regular income tax rate of 25 percent.

PNOC EC's income tax for its oil and gas production, which pertains to the Malampaya Project, was computed under special rate and settled consistent with the pertinent provisions of SC No. 38. On the other hand, income tax for PNOC EC's Head Office and coal operations, PNOC RC and PSTC were based on the MCIT computed at two percent of the gross income since the operation of these business units resulted in a zero taxable income. No Regular Corporate Income Tax (RCIT) was reported in PNOC-EC for CYs 2025 and 2024 since the MCIT was higher than RCIT in both years.

36. EARNINGS PER SHARE (EPS)

The EPS amount was computed as follows:

Particulars	2025	2024
Net profit	2,470,652,395	4,465,255,844
Weighted average number of shares	8,029,191	8,029,191
EPS	**307.71**	**556.13**

37. CONTINGENCIES

PHILIPPINE NATIONAL OIL COMPANY

A. Petron Corporation vs. PNOC
Civil Case No. R-MND-17-03839-CV
RTC Branch 278, Mandaluyong City

For: Resolution and Reconveyance, and Damages, with Verified Ex Parte Application for 72-Hour Temporary Restraining Order and Verified Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction

On December 23, 2025, PNOC filed with the Regional Trial Court (RTC) an Omnibus Motion consisting of the following: (1) Motion for Reconsideration of the December 12, 2025 Order; (2) Motion to Quash the December 12, 2025 Writ of Execution; and (3) Motion for Voluntary Inhibition. The said Omnibus Motion was denied on January 8, 2026.

Petron filed a Motion on January 30, 2026 praying for an order divesting PNOC of title on the litigated properties and vesting title to Petron. It also prayed to direct the Registry of Deeds to cancel the Certificates of Title of PNOC and to issue new Certificate of Titles in the name of Petron.

PNOC may institute a certiorari action but per OGCC assessment, PNOC's chances of preventing the execution are low. The Supreme Court has consistently ruled that at the risk of occasional error, the judgment of courts must become final at some definite date fixed by law, because there must be an end to litigation.

The PNOC Board decided not to pursue any other action as it will entail additional costs to PNOC without reasonable chance of reversing the rulings of the Court.

Negotiation with Petron on a smooth transition was initiated on March 27, 2026, and the PNOC Board approved in principle the draft Memorandum of Agreement (MOA) between Petron Corporation and the PNOC for the transition and execution of the court order, subject to the comments of the Board and review of the OGCC.

On May 12, 2026, OGCC issued Contract Review No. 337 series of 2026, basically adopting all comments of the PNOC Board members and suggesting the following amendments: 1) exclude in the transfer improvements located in Barangay Mainaga, Mabini, Batangas (ESB properties) as this will be subject of a separate agreement; 2) deletion of Clauses 6 to 15 as these provisions shall be incorporated in the separate agreement to be executed in relation to the transfer of ESB properties; and 3) the appraisal of the ESB properties is ongoing and upon approval of the results, PNOC will revert to Petron to discuss the compensation for the improvement and the execution of the necessary instrument.

B. RTC Branch 84, Batangas City Keppel Philippines Holdings, Inc. (KPHI) (substituted by LS Shipping Management Corporation) vs. PNOC/PDEC
Civil Case No. 7364,
RTC Branch 84, Batangas City

For: Specific Performance

Handling Counsel: OGCC

On August 6, 1976, Luzon Stevedoring Corporation (LUZTEVECO) leased to Keppel Philippines Shipyard, Inc. (Keppel) parcels of lands located in Barangay San Miguel, Bauan, Batangas for 25 years with an option to buy for a total price of P4.09 million, if Keppel is qualified to own land under the laws of the Philippines at the end of 25th year. The lease is automatically renewed for another 25 years if Keppel is not yet qualified to own land. The case involves six lots with a total area of 104,992 sq.m.

The said properties were transferred from LUZTEVECO to PNOC Marine Corporation and then to PDEC which is now the PNOC Renewables Corporation.

In September 2003, Keppel filed a case for specific performance for the sale of the property. PNOC filed its opposition but the RTC ruled on January 12, 2006 in favor of Keppel. PNOC appealed the ruling and July 25, 2016, the Supreme Court upheld the ruling of the lower court and remanded the case to RTC for the determination of Keppel's equity ownership.

On September 24, 2018, the RTC, Branch 84, Batangas City denied KPHI Motion for Issuance of Writ of Execution ruling that the latter failed to meet the Filipino equity ownership and directed the Clerk of Court to release and return the consigned amount.

Status: On June 4, 2021, KPHI sold their rights over the parcel of lands in Bauan to LS Shipping Management Corporation, who claims to be a wholly-owned Filipino Company and motioned the Court that it be substituted by LS Shipping which is now the real party in interest.

On June 7, 2021, Poblador Bautista and Reyes entered their appearance on behalf of LS Shipping and filed a Motion for New Trial based on newly discovered evidence.

Their claim is that LS Shipping is 100% Filipino owned and is therefore a Philippine corporation qualified to own land and that when KPHI transferred the subject properties to LS Shipping it cured or rendered valid any supposed defects in KPHI's rights to the subject properties.

The Court required PNOC to file its comments and on August 13, 2021, the Office of the Solicitor General (OSG) filed its Comments on behalf of PNOC against the Motion for Substitution of Plaintiff and New Trial. Then on August 24, 2021, PNOC received a letter from the OSG dated August 23, 2021 withdrawing as PNOC Counsel in this case invoking its role as People's Tribune. As such, PNOC referred the case to the OGCC and the latter filed the corresponding Entry of Appearance and Comments. A New Trial was granted and Pre-Trial was held on June 14, 2022.

PNOC filed a Petition for Certiorari questioning the grant of the new Trial and substitution of parties. In the meantime, the New Trial proceeded was decided in favor of the plaintiffs. PNOC filed a Motion for Reconsideration.

The PNOC Petition for Certiorari questioning the grant of New Trial and Substitution of Parties was decided by the Court of Appeals in favor of the PNOC on October 25, 2023. Therefore, RTC Resolutions dated March 10, 2022 and May 11, 2022 are ANNULED and SET ASIDE and all succeeding proceedings, orders, resolutions in pursuant to the Resolutions dated March 10, 2022 and May 11, 2022 are declared NULL and VOID.

The Court of Appeals however reversed itself. Hence PNOC filed an appeal to the Supreme Court. The appeal is still pending resolution by the Supreme Court.

C. Energy Oil and Gas Holdings Inc. vs. PNOC et. al.
R-MKT-18-05265-CV
RTC Branch 132 Makati City

For: Application for Original Registration of Title pursuant to the provisions of the Property Registration Decree

Handling Counsel: Officer of Solicitor General (OSG)

In December 10, 2020, Judge Rommel O. Baybay of Regional Trial Court (RTC) 132 of Makati City issued a Resolution denying the motion of Energy Oil and Gas Holdings, Inc. (EOGHI) for Summary Judgement. The said Resolution was received by the OSG only on January 27, 2021.

The Court denied the Motion stating that there are issues to be determined as provided in the pre-trial order as follows:

a. Whether or not the MOA dated June 19, 2014 was merely a reservation for the plaintiff to be allowed to enter the property and have exclusive rights over the property for a period of one year;
b. Whether or not there is a binding lease agreement;
c. The nature of the P38.639 million
d. The participation of the individual defendants; and

e. Who among the parties are liable for damages and attorney's fees.

Status: On November 3, 2023, the RTC Makati dismissed the case filed by the EOGHI for lack of merit but with no pronouncements on the cost.

EOGHI filed a Notice of Appeal on June 24, 2025.

D. National Transmission Corporation vs. PNOC
Civil Case No. -131-ML
RTC Branch 94, Mariveles Bataan (Stationed at Balanga City)

For: Expropriation

Handling Counsel: OSG

This is a complaint for expropriation filed by National Transmission Corporation (TransCo) against PNOC for a portion of land located in Alangan, Limay, Bataan consisting of 16,382 sqm. affected by the transmission lines and has been in TransCo's possession since 1960.

Status: On December 20, 2021, the Court ordered the release of the initial deposit of TransCo amounting to P24.573 million to PNOC. PNOC has withdrawn the amount without prejudice to the determination of just compensation.

On December 22, 2022, the Court rendered judgment fixing the just compensation at P19.50/sqm plus P1 million exemplary damages and P200,000 attorney's fees, which when computed is less than the amount deposited by TransCo. Plaintiff was also ordered to pay proportionate real estate taxes from 1965 for the affected are of 16,382 sqm.

Both parties filed their respective Motion for Reconsideration which was denied by the Court in an Order dated May 19, 2023.

PNOC filed its appeal brief with the Court of Appeals and also have discussions with TransCo and OGCC on this matter.

E. National Transmission Corporation vs. PNOC
Civil Case No. CEB-41203
RTC Branch 14, Cebu City

For: Expropriation

Handling Counsel: OSG

This is a complaint for expropriation filed by National Transmission Corporation (TransCo) against PNOC for a portion of land (560 sqm.) affected by the transmission lines and located in Bo. Nasipit, Cebu City, denominated as Lot No. 10922-B-1 pursuant to Transfer Certificate of Title (TCT) No. 7018. TransCo has alleged that the said portion of lot has been in its possession since 1986.

PNOC received the copy of the complaint and the summons on June 10, 2015, and PNOC thereafter filed an Answer.

During the scheduled pre- trial conference, counsel of PNOC manifested in court that they submit the case for arbitration with the OSG to which the other counsel agreed as well.

Status: Pre-Trial was conducted. The parties will explore avenues to settle the case. In the December 2022 hearing, the Court dismissed the case citing the recent decision of the Supreme Court that for cases involving government entities, jurisdiction lies with the Department of Justice, OSG or OGCC.

PNOC to file claims subject to arbitration with the OGCC. Initial discussion with OGCC and TransCo was held last November 2024.

F. PNOC vs. Mamerto Espina and Flor Penaranda
Civil Case No. 3670-0; Civil Case 3394-0
RTC Branch 35, Ormoc City

For: Expropriation

Handling Counsel: OSG

On August 14, 2013, the Court issued decision on the just compensation of the consolidated cases. Just compensation in Civil Case No. 3394-0 is valued at P100 per sqm. while in Civil Case No. 3670-0, just compensation is valued at P85 per sqm. PNOC filed a motion for reconsideration contesting the higher valuation of the Court.

Status: In an Order dated April 12, 2022, the Court of Appeals affirmed the RTC decision and in a Resolution dated March 14, 2023, Court of Appeals denied PNOC's Motion for Reconsideration. On June 16, 2023, PNOC, through the OSG, filed a Petition for Review on Certiorari before the Supreme Court assailing the award of P80 and P100 per sqm. and proposing the amount of P3 to P30 per sqm.

G. PNOC vs. Willie Vestil
Civil Case No. 3298-0
RTC Branch 35, Ormoc City

For: Expropriation

Handling Counsel: OSG

PNOC filed a motion/manifestation informing the court that the subject lot is a forest land and prayed that the determination of just compensation as well as any further proceedings be held in abeyance. The Court issued an order for the defendant Willie Vestil to comment on PNOC's motion however, the defendant did not file any comments. The trial court granted PNOC's manifestation and motion to hold proceedings in abeyance.

Status: Awaiting further orders from the trial court.

H. PNOC vs. Margie Leila Maglasang
Civil Case No. 3298
RTC Branch 12, Ormoc City

For: Expropriation

Handling Counsel: OSG

The case is still at the trial stage for the determination by the Board of Commissioners of the just compensation on the expropriated lot. In an Order dated December 9, 2016, the trial court appointed Atty. Allan Castro as new Chairman of the Board of Commissioner. He took his oath of office on May 12, 2017.

The RTC issued an Order dated February 23, 2018 directing the Board of Commissioners thru its Chairman Atty. Allan Castro to submit to Court within 30 days from receipt of the Order a report of the proceedings conducted by them relative to their task of determining the just compensation of the property sought to be expropriated in this case.

Status: Ocular inspection for the determination of the area being occupied by the EDC was conducted last November 2022. Waiting for the submission of the Commissioners Report.

I. PNOC vs. Heirs of Flaviano Maglasang
Civil Case No. 3268-0
RTC Branch 35, Ormoc City

For: Expropriation

Handling Counsel: OSG

The case is still at the trial stage for the determination of the amount of just compensation. Another issue raised by PNOC is the correction of exact area being expropriated as although the complaint alleges that the total area of the subject lot is 33,044 sqm. as appearing on the tax declaration, subsequent relocation surveys show that the subject land only has an actual area of 19,296 sqm.

On February 29, 2016, the Board Commissioner issued a Commissioner's Report determining the amount of just compensation on the expropriated lot at P300 per sqm.

On July 26, 2016, PNOC filed a manifestation and motion to hold in abeyance the time within which PNOC would file its Comments on the Commissioner's Report pending the resolution by the court on the pending motions particularly the resolution of the court on the correct total area expropriated.

Commissioner's Report is submitted for the court's resolution.

Status: On June 28, 2022, the Court rendered a decision fixing the amount of just compensation at P300 per sqm. or P9.913 million plus legal interest of six percent from the date of the filing of the complaint until full payment. On August 8, 2022, PNOC thru OSG filed a Motion for Reconsideration citing excessive and unjustified determination of just compensation. In a hearing conducted in November 2022, the Motion was submitted for resolution of the Court.

The Motion for Reconsideration was denied and PNOC filed a Notice of Appeal on April 18, 2024.

J. PNOC vs. Flasalie Maglasang
Civil Case No. 3276,
RTC Branch 35, Ormoc City

For: Expropriation

Handling Counsel: OSG

PNOC paid the just compensation plus six (6) percent interest. Thereafter, the Court issued an order of the full settlement of the case last July 2, 2013.

Pending issue: PNOC to withdraw from the Philippine National Bank (PNB) Ormoc City Branch the initial deposit of just compensation deposited in the name of Flasalie Maglasang in December 1994 amounting to P104,750 plus interest.

On May 8, 2015, the RTC issued Order granting PNOC's Motion directing the PNB Ormoc City Branch to release to the plaintiff the amount of P104,750 plus accrued interest thereon.

On October 16, 2015, PNOC issued letter to PNB Ormoc City Branch with attached copy of the Court Order dated May 08, 2015 for the release of the bank deposit. Initially, the Branch Manager of PNB Ormoc City informed PNOC that they will consult their Legal Department at the PNB Head Office in Manila before the release of the subject deposit.

Status: For further follow-up of release of deposit per Court Order.

K. PNOC vs. Spouses (Sps.) Celso Garilva and Anita Garilva
Civil Case No. 1141
RTC Branch 62, Bago City

For: Expropriation

Handling Counsel: OSG

The Board of Commissioners submitted the Commissioners Report to the trial court recommending the value of the just compensation of the subject lot consisting of 26,898.35 sqm. at P335,040 per hectare or a total of P0.901 million.
On November 19, 2015, the Court issued Decision ordering PNOC to wit:

a. Pay the remaining balance of the just compensation in the amount of P0.740 million;
b. Pay the Commissioners fee at 45,000 each as Honorarium Fees; and
c. Reimburse the Commissioners the amount of P15,000 for the expenses they incurred in the performance of their duties.

Status: Waiting for the execution of judgment.

L. PNOC vs. Sps. Dominador and Minerva Samson and Tongonan Holdings & Development Corporation (THDC)
Civil Case No. 3392-0
RTC Branch 35, Ormoc City

For: Expropriation

Handling Counsel: OSG

Payment of judgment obligation in the total amount of P63.856 million last September 6, 2010, was effected by virtue of a Court Order of garnishment of PNOC account at the LBP.

Pending Issues to be resolved by RTC:

a. PNOC's Motion for Reconsideration on the Order of the Court lifting the order of Garnishment of EDC's account and dismissing all claims of PNOC against EDC;
b. PNOC's Urgent Motion to lift the Notice of Levy annotated on the TCTs of PNOC properties located in Tacloban City; and
c. THDC's Urgent Motion seeking the issuance of an order directing the sheriff to re-compute the judgment award in its favor and demand the difference from PNOC. PNOC filed its opposition on this Motion on February 7, 2013.

(THDC demands that 12 percent instead of six (6) percent interest from the time of finality of judgment or from March 2005 until full payment should have been computed by the Sheriff. Per THDC allegation, PNOC still owes not less than P11 million to them. PNOC opposed the said Motion during the last hearing.)

Awaiting court resolution on the pending motions. Latest issue resolved by the Court under this case is that between the defendant and their counsel on the issue of the attorney's fees.

Status: Awaiting further orders from the trial court.

M. In the matter of the Petition for Declaration of State of Suspension of Payments

GO UNIQUE Products, Inc. Petitioner
PNOC, BIR, DOST, SSS, DBP, PHIC (Creditors – Oppositors)
SP Proceeding No. 27-V-08
RTC Branch 75, Valenzuela City

Handling Counsel: OGC

PNOC EDC is one of the listed creditors of the petitioner by virtue of the loan agreement under the Decentralized Energy System Program funded by the European Union.

Because of the negative financial condition, the Petitioner are unable to pay its creditors. Petitioner submitted in Court their proposed rehabilitation plan. PNOC submitted its Comment/Opposition on the rehabilitation plan.

Status: Defendant offered to pay PNOC but requested waiver of penalties. PNOC cannot waive penalties and the defendant stated that they will go back to Court to ask for the waiver or tempering of interests and penalties.

GO Unique is now under liquidation and the Court was already presented with the list of possible liquidators. In a hearing last July 2025, the creditors present, including PNOC interposed no objections on the proposed list of liquidators. Unfortunately, the selected liquidator withdrew and the parties are again looking for possible liquidator.

The Court already lifted the order of suspension of payment. GO Unique submitted new proposal for payment which was declined by PNOC. PNOC will refer the case to OGCC for collection.

N. Indigenous Cultural Communities (ICCs)/Indigenous Peoples (IPs) represented by Jose Romel Agustin Murio vs. Japan International Cooperation Agency, National Power Corporation, Philippine National Oil Company, and Central Bank of the Philippines
Civil Case No. 21-03761
RTC 58, Makati City

Handling Counsel: OGCC

This is a civil case for damages filed by a certain Jose Rommel Agustin Murio (supposedly representing a group of ICCs/IPs) against defendants pursuant to the Rules of Procedure for Environmental Cases claiming ownership of the lands occupied by the defendants invoking the provisions of RA No. 8371, otherwise known as the “Indigenous Peoples Rights Act” (IPRA).

On April 6, 2022, the trial court issued an Order:

(1) Remanding/forwarding/transmitting the records of the case to the Office of the Clerk of Court for assessment of the value of the lands involved to determine which court has actual jurisdiction over the case as well as the proper venue of the action; and
(2) Directing the plaintiff to provide the Office of the Clerk of Court with the pertinent documents to “aid/assist” said office to arrive at such determination.

Plaintiff moved for reconsideration of said order, to no avail.

Plaintiff elevated the matter via a Petition for Certiorari (under Rule 65) before the Court of Appeals where it is currently pending.

O. People vs. Ronie Pader, et al
MTC, Mariveles, Bataan
For: Theft

This involves the theft of water pipes in the PNOC Industrial Park worth about P150,000. A case was filed against Ronie Pader, Paul Maravilla and Rex Mallari and four other John Does. They were found guilty by the Municipal Trial Court (MTC) on January 21, 2023. The decision was affirmed by the RTC and the judgment became final on December 9, 2024.

PNOC will move for the execution of judgment.

PNOC EXPLORATION CORPORATION

As Petitioner

A. Civil Case No. 69263
Pasig City Regional Trial Court Branch (RTC) 67

Nature of Case/Claim:

For collection of sum of money (P0.719 million) plus interest. The case was filed because of non-payment by Mr. Asistio of his remaining loan obligation to PNOC EC, which he was able to secure pursuant to a Vehicle Acquisition Plan duly approved by the President of the Philippines.

Status:

Upon the recommendation of the OGCC, this account was requested to be written-off before the COA but the latter denied the same and directed PNOC EC to present further documentary support for the request for write-off. PNOC EC is currently preparing the necessary documents for purposes of the write-off.

B. PNOC EC vs. Ana Liza Garcia
Criminal Case No. 2690-2692
1st Municipal Circuit Trial Court (MCTC) of Mabini & Tingloy, Batangas

Nature of Case/Claim:

This is a criminal case filed by PNOC EC against Ms. Garcia for violation of Batas Pambansa Blg. 22. Ms. Garcia issued three (3) checks in the total amount of P381,818 as payment for fuel purchases made by FRMC Brokerage and Forwarders. The checks were all dishonored upon presentation for payment with the bank. Despite demands, Ms. Garcia failed to pay the face value of the checks she issued.

Status:

The RTC rendered a Decision acquitting Ms. Garcia on March 21, 2018. OGCC will file a civil complaint based on the criminal decision.

C. PNOC EC vs. Travellers Insurance & Surety Corp. (Travellers)
Civil Case No. 72893-TG
Branch 271, RTC of Pasig City

Nature of Case/Claim:

This is a civil case filed by PNOC EC against Travellers for the performance bond it issued in favor of Asian Pyrochem Technologies, Inc. (APTI). Under its performance bond, Travellers bound itself jointly and severally liable with APTI should APTI fail to faithfully perform its obligations under the Coal Supply Agreement between PNOC EC as coal buyer and APTI as coal seller. Because APTI failed to timely and completely deliver coal to PNOC EC, Travellers' liability in the total amount of P11.720 million had attached under the performance bond it issued. Despite demand, Travellers failed to pay the said amount.

Status:

PNOC EC is continuing with the presentation of evidence. During the November 21, 2019 hearing, PNOC EC's third witness was able to complete her testimony; while during the August 27, 2020 hearing, PNOC EC filed its Formal Offer of Exhibits. The case is now submitted for decision.

On January 4, 2021, PNOC EC received an Order dated October 1, 2020 acknowledging its (PNOC EC's) compliance on the filling of the Formal Offer of Exhibits.

On April 12, 2022, the RTC rendered its Decision, ordering Travellers to pay PNOC EC the amount of P11.720 million as provided under the Performance Bond No. 45792.

D. PNOC EC vs. Sps. Ma. Theresa C.G. Portugal
Civil Case No. 74315-TG
Branch 70, RTC of Pasig City

Nature of Case/Claim:

This is a complaint for collection of sum of money and damages.

Defendant Theresa Portugal, sole proprietor and General Manager of FRMC Brokerage and Forwarders incurred debt from PNOC EC – ESB for failure to pay her fuel obligations and fees for rental space, room accommodation, equipment service, and truck toll all in the amount of P3.135 million, inclusive of interests, covering the period of 2006 to July 13, 2009.

Status:

In a Joint Resolution dated October 24, 2019, the RTC denied Sps. Portugal's Motion for Reconsideration of the Order dated March 8, 2019 declaring them in default. Thereafter, the RTC rendered a Decision dated January 21, 2020 in favor of PNOC EC, ordering defendants to pay PNOC EC: (1) the outstanding obligation amounting to P1.892 million; (2) legal interest of 12 percent per annum from September 18, 2009 up to July 1, 2013, and six (6) percent per annum from July 2, 2013 until the judgment is fully satisfied; (3) attorney's fees amounting to P100,000; and (4) cost of the suit.

OGCC to file a Motion for Execution to enforce judgment.

E. PNOC EC vs. COA
G.R. 244461
COA CP Case No. 2012-370
COA Commission Proper (CP)/Supreme Court (SC)

Nature of Case/Claim:

On September 24, 2012, PNOC EC filed a Motion for Reconsideration to the Legal Retainer Review 2012-091, dated July 26, 2012, before the COA CP. The Motion sought to reconsider the denial of PNOC EC's request for COA's concurrence in the engagement of a foreign law firm, Baker Botts LLP, sometime in the early part of 2010 to handle an Arbitration Case filed by Wilson International Trading Private Limited (Wilson) against PNOC EC before the International Chamber of Commerce (ICC) International Court of Arbitration in Singapore.

On November 23, 2015, the COA CP rendered a Decision denying PNOC EC's Motion for Reconsideration to the Legal Retainer Review. PNOC EC filed a Motion for Reconsideration on February 10, 2016, which the COA CP subsequently denied in its Resolution dated November 26, 2018.

On February 26, 2019, PNOC EC timely filed before the SC a Petition for Certiorari under Rule 64 in relation to Rule 65 of the 1997 Revised Rules of Civil Procedure, seeking to annul and set aside the above-mentioned COA Decision and Resolution.

Status:

In a decision dated September 28, 2021, the Supreme Court remanded the case to the COA for the determination of the proprietary of exempting PNOC EC from the written concurrence requirement with the advent of a new COA issuance (COA Circular 2021-003) exempting GOCCs from said requirement.

F. PNOC EC vs. Asian Fuels, Inc. (AFI)
Civil Case No. 159
Taguig City RTC, Branch 153/ Court of Appeals (CA)

Nature of Case/Claim:

For collection of sum of money (P10.401 million), plus interest, attorney's fees and costs of suit. AFI, through its Manager, Ms. Rizalina P. Monsod, engaged in a series of fuel bunkering and purchase transactions with PNOC EC – ESB. Beginning October 2012 to present, despite continuous extrajudicial demands, AFI still failed to comply with its financial obligation.

Status:

In a Decision promulgated on November 26, 2018, the Court of Appeals granted PNOC EC's Petition for Certiorari and reinstated Civil Case No. 159 and ordered Taguig City RTC Branch 153 to continue with the proceedings. In an Order dated February 9, 2021, the RTC of Taguig granted the motion of PNOC EC to declare the defendant in default.

On March 3, 2022, the RTC rendered its decision in favor of plaintiff PNOC EC, ordering defendant Asian Fuels to pay the amount of P17.434 million plus legal interest at the rate of six (6) percent per annum reckoned from July of 2021.

OGCC to file a Motion for Execution to enforce judgment.

G. PNOC EC vs. Northstar Commercial, Inc. (Northstar)
Civil Case No. 18-00162
Makati City RTC, Branch 139

Nature of Case/Claim:

For collection of sum of money (P105.457 million), plus interest, attorney's fees and costs of suit. Northstar was a fuel-bunkering client of PNOC EC's ESB from 2011-2012. During the same period, it accumulated unpaid obligations arising from fuel deliveries that it received from ESB. Notwithstanding repeated demands, Northstar still failed to settle its obligations.

Status:

The RTC, in its Order dated July 24, 2019, granted PNOC EC's motion and declared Northstar in default. After presenting its evidence *ex parte*, PNOC EC submitted of its Formal Offer of Exhibits on December 26, 2019.

The RTC, in its Order dated March 10, 2020, admitted PNOC EC's submitted Exhibits and its respective sub markings as part of the testimonies of the witnesses who testified thereon.

On July 11, 2022, the RTC rendered its decision in favor of plaintiff PNOC EC, ordering defendant Northstar to pay the amount of P 105.457 million plus interest at the legal rate of six (6) percent per annum reckoned from January 22, 2018.

OGCC to file a Motion for Execution to enforce judgment.

H. In the Matter of Petition for Corporate Rehabilitation with Prayer for Suspension of Payments of Pacific Cement Philippines, Inc. (PACEMPHIL)
SP. Proc No. 7906
Venue: Surigao City RTC, Surigao del Norte

Nature of Case/Claim:

PACEMPHIL, a client of PNOC EC in its coal trading and marketing activities, filed before the RTC of Surigao City a Petition for Corporate Rehabilitation with Prayer for Suspension of Payments. PACEMPHIL cited its inability to meet its obligations to its creditors but had allegedly determined that it can still fulfill its obligations if it is allowed to undergo Corporate Rehabilitation. As of the filing, PACEMPHIL owes PNOC EC a total of P25.671 million, exclusive of interests. In order to protect its rights as a creditor, PNOC EC filed a notice of claim before the RTC.

Status:

On December 15, 2022, the Rehabilitation Receiver filed a Receiver's Report stating that out of the three hundred twenty-seven (327) employee-claimants that were included in the Final Registry of Claims dated November 16, 2015, three hundred eight (308) have already been paid. There are still nineteen (19) employees unpaid due to their failure to appear during the scheduled payout or otherwise failure to submit the documents required for the release.

After the successful payment of the employee-claimants, the payment of PACEMPHIL's trade creditors will be scheduled. The intended schedule for the payout of the trade creditors shall be during the first quarter of the year 2023.

On January 19, 2023, the Rehabilitation Receiver filed a Manifestation, submitting the web portal wherein the trade creditors can submit the supporting documents to file their claim, and stating that an additional ten (10) employee-claimants have been paid.

On July 22, 2023, PACEMPHIL confirmed the Pre-Registration of PNOC EC, providing the list and templates of documentary requirements needed for the claim. On October 12, 2023, PNOC EC submitted the requirements as earlier requested. On December 19, 2023, PACEMPHIL informed PNOC EC that it is already preparing the check as payment for the latter.

<u>As Defendant</u>

I. Burgundy Global Exploration Corporation (BGEC) vs. PNOC EC
Civil Case No. 73043-TG
Pasig City RTC Branch 70

Nature of Case/Claim:

BGEC filed a complaint against PNOC EC for specific performance and damages. In the complaint, it was prayed that BGEC and PNOC EC should enter into a Joint Operating Agreement for the development of the Camago-Malampaya Oil Leg (CMOL) Project pursuant to the Participation Agreement and Addendum to the Participation Agreement executed by the parties. PNOC EC filed a Motion to Dismiss the Complaint on the principal ground that the RTC did not have jurisdiction on the subject matter of the complaint as the Participation Agreement provided that sole and exclusive remedy for the settlement of any dispute between them should be through arbitration under the Rules of Arbitration of the International Criminal Court with Singapore as venue. The RTC, in a Decision, dated June 30, 2011, directed the parties to submit themselves to arbitration.

On July 7, 2011, PNOC EC filed a Manifestation with the RTC stating that the DOE had terminated the Terms of Service between DOE and PNOC for the re-appraisal, development and production of crude oil from the CMOL. The Terms of Service provides the basis for the re-appraisal, development and production of crude oil from the CMOL by PNOC or its designated subsidiary, PNOC EC, as well as the third-party participant BGEC. PNOC EC stated that with the termination of the Terms of Service for the CMOL Project by the DOE, the Decision, dated June 30, 2011, was rendered moot and academic.

On January 19, 2012, the RTC Taguig ordered PNOC EC to file its Answer to BGEC's Complaint. After PNOC EC filed its Answer with Compulsory Counter-Claim, the Trial Court set the case for mediation.

Status:

During the hearing on October 10, 2014, the parties jointly manifested to archive the case, which the court granted.

J. PNOC EC vs. A BLACKSTONE ENERGY CORPORATION (ABEC)
Civil Case No. 381
MCTC Branch 5, Zamboanga Sibugay

Nature of Case/Claim:

Considering the continued unlawful possession by ABEC of Lalat Coal Block 397, the available window for development by PNOCC -EC is closing fast. PNOC EC, guided by OGCC legal opinion, filed the Complaint before the 5th Municipal Circuit Trial Court, 9th Region for Unlawful Detainer on June 29, 2020.

After filing the complaint, PNOC EC served on June 30, 2020 at ABEC's Office at Sitio Lalat, Gandiangan, Imelda, Zamboanga Sibugay the Motion for Issuance of Writs of Preliminary.

On August 4, 2020, the MCTC issued a Resolution which denied PNOC EC's Motion for the Issuance of Writ of Preliminary Injunction and Writ of Preliminary Mandatory Injunction. Aggrieved, PNOC EC moved for reconsideration of the MCTC's August 4, 2020 Resolution. On September 11, 2020, the MCTC issued a Resolution denying PNOC EC's Motion for Reconsideration.

On October 19, 2020, the MCTC issued a Resolution, dismissing the Complaint for Unlawful Detainer based on the following grounds, to wit:

a. PNOC EC failed to establish that ABEC's right became illegal because there is still an existing contract between the parties. PNOC EC also failed to show that ABEC consented to the termination of the Amended JVA.

b. The Complaint for Unlawful Detainer was prematurely filed, since PNOC EC should have brought the case for arbitration prior to the filing with the court. Arbitration agreements are liberally construed in favor of proceeding to arbitration.

Aggrieved once more, PNOC EC, on November 3, 2020 filed a Notice of Appeal of the October 19, 2020 Resolution. On November 17, 2020, the MCTC Clerk of Court then notified PNOC EC that it forwarded the case to Regional Trial Court (RTC) of Imelda. Then on January 25, 2020, PNOC EC received the November 19, 2020 Order directing it to file its Appeal Memorandum within 15 days from receipt of the Order.

On February 9, 2021, PNOC EC filed its Appeal Memorandum.

Status:

The RTC of Imelda, Zamboanga Sibugay rendered its Decision on November 24, 2022, referring the parties to the case to arbitration for the settlement of disputes and directed the parties to agree on an arbitral tribunal or procedure for arbitration.

PNOC ALTERNATIVE FUELS CORPORATION

A. National Grid Corporation of the Philippines (NGCP) vs. PNOC-Alternative Fuels Corporation (PAFC), Orica Philippines, Inc.
Edgardo P. Manieda, Winy Manieda, Danilo Manieda, Heirs of Leonardo Serios, Cresecia Torribio Soriano represented by Imelda S. Villareal

Special Civil Action 104-ML
RTC Branch 4
Mariveles, Bataan

For: Expropriation

On February 2, 2011, NGCP filed an expropriation case against PAFC et. al. for lots affected by the construction and implementation of Mariveles – Limay 230 KV Transmission Line Project consisting of 101,290.42 sqm.

PAFC filed a Petition for Review in the Supreme Court entitled "PAFC vs. NGCP, G.R. No. 224936, on pure question of law relative to the issue.

Proceedings before the RTC continue subject to the outcome of the case filed by PAFC in the Supreme Court. During the hearing on June 16, 2016, members of the Board of Commissioners were appointed by the court to determine the just compensation of the subject lots.

Subsequently, counsel for PNOC orally manifested for reimbursement of its payments made for taxes on the lot subject of the instant case, since it is the latter who has been paying the same despite the fact that the subject lot had been expropriated and is already occupied by NTC.

Status:

On January 22, 2023, the court ordered the following:

Plaintiff NGCP to pay defendants P300/sqm for Lot 638-P;
P200 for Lot 2-B; and
P600 for Lot 2;
with legal interest from the time of the taking; and
NGCP was also ordered to pay proportional real property taxes for the affected areas.

Defendant PAFC moved for the reconsideration of the decision praying for P1,000 for Lot B and P1,200 for Lot 2, which was denied by the Court.

Both parties appealed the case with the Court of Appeals – Manila, Case No. CA-GR, CV No. 125089. On October 10, 2025 PNOC filed its appellant's brief.

On November 11, 2025, the Court of Appeals issued an order and PNOC complied with the order by December 10, 2025.

B. Energy Oil and Gas Holdings Inc. (EOGHI) vs. PNOC et. al.
R-MKT-18-05265-CV, Branch 132 Makati City

For: Specific Performance and Damages

Handling Counsel: OSG

EOGHI was in talks with PAFC to lease a certain portion of the PNOC Industrial Park, and executed a Memorandum of Agreement (MOA) to have access to the property for one year to conduct the required feasibility and other studies, before finalizing a definitive lease agreement. EOGHI paid the subject amount as an initial fee under the MOA. However, subsequent negotiations for the lease broke down, and PAFC ultimately decided not to execute a lease agreement due to EOGHI's low valuation.

EOGHI contends that it could demand the execution of a lease agreement, as it had already paid the subject amount, which it considers as an initial rental payment.

Status: On November 3, 2023, the RTC Makati dismissed the case filed by the EOGHI for lack of merit but with no pronouncements on the cost.

EOGHI filed a Notice of Appeal and filed corresponding Appellant's Brief on June 24, 2025. PNOC filed its Appellee's brief on August 25, 2025. No Resolution yet**.**

PNOC DEVELOPMENT AND MANAGEMENT CORPORATION

A. Sps. Serafin and Carmen Abutin vs. Filoil Refinery Corp. and Philippine Economic Zone Authority (PEZA)
RTC Branch 88, Cavite City
Civil Case No. N-7510
For: Specific Performance with Prayer for the Issuance of a Temporary Restraining Order

Handling Counsel: Office of the Solicitor General (OSG)

The case stems from the request of then Filoil Refinery Corp. (Filoil) to the Spouses Abutin for the use of Abutin's property located adjacent to Filoil property in Rosario Cavite, for the purpose of erecting wooden electric posts to which Sps. Abutin agreed. In exchange, Filoil ceded perpetual use of its property equivalent to 800 sqm. which the Sps. Abutin occupied from 1966 onwards. Unfortunately, this arrangement was never reduced into writing. Sometime in the 80s, Filoil ceded the whole property to the PEZA, including that portion occupied by Sps. Abutin. Sps. Abutin immediately negotiated with PEZA, and PEZA, through then Administrator Tagumpay R. Jardiniano, acknowledged the arrangement for Sps. Abutin but only to the extent of 628 sqm. However, after the term of then PEZA Administrator Jardiniano, PEZA no longer honored its commitment to the Sps. Abutin. Instead through a resolution, the new administration of PEZA allocated a huge part of its property including the area assigned to Sps. Abutin to farmer beneficiaries who were displaced by the establishment of the PEZA in Cavite. Furthermore, defendant PEZA demanded that the Sps. Abutin vacate the premises with threat of demolition.

Status: On May 23, 2023, the RTC Branch 88 of Cavite City rendered a Decision finding merit on the complaint filed by Sps. Abutin and thereby rendered a judgement on defendants PNOC and PEZA. Accordingly, it ordered PNOC and PEZA to execute the necessary deed of conveyance over the 800 sqm. portion of the property covered by TCT No. T-147692 in favor of the plaintiffs.

The court likewise ordered PNOC and PEZA to jointly and severally pay P50,000 moral damages and P50,000 attorney's fees, as well as the costs of suit.

On July 10, 2023, PNOC and PEZA filed a Joint Motion for Reconsideration. In an Order dated August 31, 2023, the RTC Branch 88 of Cavite City denied the Motion for Reconsideration. Thus, on September 26, 2023, PNOC and PEZA through the OSG filed its Notice of Appeal. PNOC, through OSG already filed its appeal brief dated June 18, 2025 to reverse and set aside the decision of the RTC. PNOC have not received Appellee's Brief or any Resolution from the Court.

B. Renato D. Ama vs. PDMC, et al.
NLRC NCR Case No. 10-11937-15,
Quezon City

Handling Counsel: OSG
For: Claims for separation pay differentials

The complainant seeks payment of separation pay differentials and attorney's fees against PDMC. On July 29, 2016, the Labor Arbiter issued a Decision ordering PDMC to include the Complainant in the list of employees covered by the Manpower Reduction Program (MRP) and to pay him separation pay differentials in the amount of P0.712 million plus 10 percent thereof as attorney's fees.

On September 15, 2016, PDMC appealed the case to the National Labor Relations Commission (NLRC) and posted a cash bond amounting to P0.712 million. On January 31, 2017, the Fourth Division of the NLRC issued a Decision denying PDMC's appeal and affirming the Decision of the Labor Arbiter.

On June 7, 2017, the Office of the Government Corporate Counsel (OGCC) filed a Petition for Certiorari with the Court of Appeals, to which the Respondent Renato D. Ama, by counsel, filed a Comment/Opposition.

On June 19, 2017, the OGCC filed a Petition for Review on Certiorari under Rule 65 of the Rules of Court with the Court of Appeals, to which the respondent filed its Comment /Opposition.

Status: The Court of Appeals issued a Resolution dated January 29, 2019, resolving to direct the respondent to file a comment thereon, within 10 days from notice.

The OSG in a letter dated January 9, 2020 regarding the case PDMC vs. Renato D. Ama, recommended that it is impracticable to file an appeal before the Supreme Court via Petition for Review on Certiorari under Rule 45, considering that the issues in the case are beyond the province of the Supreme Court, being questions of fact.

No new order from the Court in the Ama case as of December 31, 2025.

C. PDMC vs. Commissioner of Internal Revenue
CTA Case No. 8649
Court of Tax Appeals (CTA)

Petition for Review

Facts: Bureau of Internal Revenue (BIR) Revenue District Office (RDO) 50 assessment on PDMC's Internal Revenue Tax Liabilities for taxable year 2007 under Letter of Authority (LOA) No. 12471 dated August 31, 2012, summarized as follows:

Particulars	Amount
Income Tax	P 8,624,441
Value Added Tax (VAT)	142,051,725
Expanded Withholding Tax (EWT)	604,093
Expanded Withholding Tax on Compensation (WTC)	1,829,659
Final Withholding Tax on VAT	2,274,703
Total	**P155,384,622**

PDMC then filed a Petition for Review with the CTA on April 26, 2013, assailing whether PDMC is liable to pay the said taxes.

CTA First Division Decision:

On January 22, 2016, CTA First Division issued a resolution partially granting PDMC's petition for review. The assessments issued by the BIR against PDMC for taxable year 2007 covering deficiency EWT, WTC, Income Tax, VAT and Final Withholding VAT are affirmed with some modifications. Accordingly, PDMC was ordered to pay the amount of P81.508 million, representing basic deficiency EWT, WTC, Income Tax, VAT and Final Withholding VAT, inclusive of the 25 percent surcharge imposed under Section 248 (A) (3) of the National Internal Revenue Code (NIRC) of 1997.

After the parties filed their respective Motions for Reconsideration thereof, CTA (First Division) rendered its Resolution on June 27, 2016 denying the parties' respective Motions for Reconsideration. PDMC then appealed the Decision to CTA (En Banc) wherein it rendered a Decision on February 19, 2018 denying PDMC's petition for review. PDMC timely filed a Motion for Reconsideration with CTA (En Banc) but the same was denied on January 24, 2019. Hence on March 6, 2019, PDMC through PNOC filed a Petition for Review on Certiorari before the Supreme Court with Motion to Admit and Manifestation considering that PDMC only had until February 16, 2019 within which to file the Petition. The Notice of CTA (En Banc) Resolution denying the Motion for Reconsideration was received by PNOC through the OGCC. Unfortunately, PDMC during that time has been abolished, thus, PNOC's statutory counsel consequently became OSG. Hence, upon receipt of the Resolution the same was referred to the OSG on February 12, 2019.

However, OSG, through its letter dated February 18, 2019, informed PNOC that it could not represent the latter considering they also represent the BIR.

Status: On June 17, 2019, the Supreme Court in a Resolution denied the Petition and affirmed the Decision dated February 19, 2018 and Resolution dated January 24, 2019 of the CTA En Banc. Finally, on August 16, 2019, the Supreme Court Resolution became final and executory and recorded in the Book of Entries of Judgements. No updates as of December 31, 2025.

D. LGTM Corporation vs. PDMC
Civil Case No. R-MKT-16-03363-CV
Branch 142, Makati City

Handling Counsel: OSG

For: Specific Performance, Injunction and Damages

This case was filed by the Plaintiff for the enforcement of the provisions of a Memorandum of Agreement (MOA) entered into between the parties for the development of a parcel of land owned by the defendant PDMC into a residential and commercial subdivision. For its part, PDMC agreed to make available its property to LGTM Corporation (LGTM) for the said purpose.

On August 14, 2017, PDMC, through the OSG, filed its Answer. In its Answer, aside from its other allegations, PDMC stated the following: (i) LGTM failed to secure a Development Permit from the Municipality of Rosario Cavite; (ii) by virtue of a Memorandum from the Office of the Executive Secretary dated September 8, 2014 and GCG Memorandum Order No. 2014-25, the recommendation of the GCG for the abolition of PDMC was approved by then President of the Philippines; and (iii) the parcel of land subject of Plaintiff LGTM's claim has already been disposed, and it is only now, after eight (8) years that LGTM seeks to pursue its project with PDMC.

Status: The plaintiff LGTM through its counsel Atty. Jimenez manifested in court that they will no longer present its last witness. LGTM rested its case and the court directed the plaintiff to file its respective Formal Offer of Evidence.

On January 8, 2024, LGTM filed a Manifestation and Motion to Admit Attached Formal Offer of Evidence (FOE) considering that Plaintiff belatedly filed its FOE. PNOC through OSG opposed the said Manifestation and Motion.

On November 20, 2024, the Court dismissed the complaint of LGTM for lack of merit.

LGTM filed a Notice of Appeal on December 23, 2024. PNOC have not received copy of the Appellant's Brief or any Court Order for filing of the same.

PNOC SHIPPING AND TRANSPORT CORPORATION

Contingent Asset

The engine of M/T Emilio Jacinto was replaced in 2008 when the vessel encountered engine breakdown due to lube oil starvation during her maiden voyage. It took almost a year to repair the tanker, which happened within the warranty period of the newly acquired vessel.

According to the PSTC's legal counsel, PSTC can claim the repair expenses, including lost income, from the Seller, Prime Capital Equities, Ltd. (PCEL), the Manufacturer of the main engine or from the Shipbuilder, through an appropriate action filed before a competent tribunal.

On August 4, 2011, PSTC representative filed a criminal complaint before the Office of the City Prosecutor of Manila against PCEL representative due to refusal to honor the warranty clause stated in the MOA and due to false pretenses in inducing PSTC to purchase M/T E. Jacinto. As at December 31, 2025, the case remains pending for resolution.

Insurance Claims Receivable amounting to P26.981 million pertaining to eight (8) claims filed with the Government Service Insurance System (GSIS) regarding Machinery and Hull insurance of former PSTC-owned tankers which are subject to external Adjusters Report duly accredited by the GSIS.

In 2016, PSTC turned-over to PNOC the details of the outstanding unadjusted tanker Marine Hull insurance claims with GSIS in the amount of P26.981 million. These claims were confirmed by GSIS Insurance Group in January 2014 and settled a portion thereof in the year 2015. There were follow-up/demand letters on the status of the collectability of the eight (8) unadjusted claims of PSTC sent by PNOC to the GSIS dated September 13, 2019, October 25, 2017 and March 31, 2016 in the total amount of P27.941 million, but still there was no reply from the GSIS. As of December 31, 2025, there is no updates on this.

Status of PSTC Cases

A. PSTC vs. La Felicidad Marine Corp.
Civil Case No. 98-87088
RTC Branch 45, Manila

For: Damages

Handling Counsel: OSG

The case stems from a collision of the vessel of PSTC and the defendant’s La Felicidad vessel along Pasig River. PSTC is claiming damages amounting to P500,000, as well as attorney’s fees.

On May 9, 2019, relative to the Order of the Court during the hearing on April 25, 2019 for the plaintiff to exert fervent efforts to provide the court with Defendant’s current office address, the OSG filed its Compliance stating that despite fervent efforts by the handling Associate Solicitor and the Plaintiff, the current office address of Defendant was not located.

On August 29, 2019, the Written Order of the Court mandating the Plaintiff and its Counsel to locate Defendant’s Office Address was received.

No other Orders of Notice were received.

Clarificatory hearings were conducted on August 8 and 22, 2022. After an examination of the records, the Court resolved to rule on the case.

Status: Last November 23, 2022, the Court ruled in favor of PNOC. However, as the defendant’s office could not be located at their business address, PNOC is coordinating with the OSG as to the next step in the execution of the judgment. As of December 31, 2025, there is no update on this.

B. Atlas Consolidated vs. PSTC, Luzon Stevedoring, Cebu Pilot Association
Civil Case No. T-869
RTC Branch 39, Toledo City

For: Damages

Handling Counsel: OGCC

The case stems from the collision of PSTC vessel to the tailing system of Atlas Consolidated in 1971. It is currently on appeal at the Court of Appeals. Apparently, Transcript of Stenographic Notes (TSN's) were not part of those records which were forwarded to the Court of Appeals due to the death of the Stenographer.

Upon Court Order, PSTC filed a manifestation on April 12, 2016, manifesting its willingness to dispense with the submission of the lacking TSN's.

Plaintiff-Appellee filed an Appellee's Brief dated August 9, 2018 praying that the Court of Appeals issue an Order dismissing the Appeal for bereft of merit and AFFIRMING the Omnibus Order dated May 11, 2007 of the RTC.

The Court of Appeals Cebu declared on June 9, 2021 declaring that the case is submitted for decision.

Status: On March 28, 2022, the Court of Appeals Cebu ruled in favor of the plaintiff-appellee and denied the appeal of the defendants. On January 9, 2023, Metro Cebu Harbors Pilot Co. filed a Petition for Certiorari under Rule 45, in which PNOC received a copy on March 17, 2023. On July 5, 2023, the Court affirmed to have received the Petition for Certiorari.

On August 28, 2025, PNOC received Entry of Judgment dated July 21, 2025. The judgment award was settled by PNOC's co-defendants and on October 24, 2025, a Motion for Reimbursement Against PSTC was filed to the Court. PNOC replied on November 27, 2025 stating that it cannot be made to pay the judgment until the claim was filed and approved by COA.

C. Maximo S. Alquiros vs. PSTC et. Al.
NLRC LAC No. 02-000658-16
NLRC Case No. NCR-06-06592-15

For: Non-payment of Salary, Service Incentive Leave (SIL), 13th month pay, separation pay and damages

CA G.R. SP 147727
Court of Appeals, Manila

For: Petition for Review on Certiorari with Urgent Temporary Restraining Order and/or Writ of Preliminary Injunction

Handling Counsel: OGCC

On June 4, 2015, Mr. Maximo Alquiros filed a case before the NLRC for non-payment of salary, separation pay, SIL, 13th month pay and damages against PSTC. The complaint stems from the fact that his severance pay to date remained unsettled because of the issue of the rate (base pay).

On November 25, 2015, the Labor Arbiter decided the case in favor of Alquiros and PSTC was ordered to pay the complainant the amount of P1.059 million representing his separation pay and proportionate 13th-month pay. PSTC filed an appeal and posted a cash bond amounting to P1.059 million to the NLRC but on June 20, 2016, the NLRC Fourth Division issued Resolution denying the PSTC appeal.

PSTC filed a Petition for Review on Certiorari with Urgent application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction in the Court of Appeals.

The Court of Appeals rendered Decision dated July 5, 2018 DENYING the Petition filed by PSTC. The June 20, 2016 Decision and the July 26, 2016 Resolution of the NLRC were AFFIRMED.

Status: On May 29, 2019, the OSG received a copy of the Supreme Court First Division's Entry of Judgment dated February 15, 2019. The counsel for Maximo Alquiros filed a petition for the issuance of Writ of Execution last November 10, 2023.

NLRC conducted conferences on the issuance of Writ of Execution on October 9 and 16, 2024 wherein PNOC argued that the claim must be filed with COA. NLRC issued a Resolution agreeing to the PNOC position.

PNOC has no information whether Mr. Alquiros already filed a petition to COA. No other updates on the case.

PNOC RENEWABLES CORPORATION

A. Philippine National Oil Company and PNOC Dockyard & Engineering Corporation vs. Keppel Philippines Holdings, Inc. (KPHI) G.R. No. 202050, Supreme Court.

On August 6, 1976, Keppel Philippines Holdings, Inc. (Keppel) entered into a 25-year lease agreement with Luzon Stevedoring Corporation (Lusteveco) for an 11-hectare property in Bauan, Batangas. The agreement included an option to purchase the leased property, contingent upon Keppel becoming eligible to own land in the Philippines.

In 1979, the Philippine National Oil Company (PNOC) acquired the property from Lusteveco, with both the lease agreement and option to purchase duly annotated on the property title.

Over the years, ownership of the property was transferred from Lusteveco to PNOC Marine Corporation, then to PNOC Dockyard and Engineering Corporation, which was later renamed PNOC Renewables Corporation.

By 2000, Keppel had restructured its ownership, making it eligible to own land under Philippine law. It then exercised its option to purchase, but PNOC refused, arguing that the option was void due to the lack of separate consideration and the agreement circumvented constitutional restrictions on foreign land ownership.

PNOC filed an opposition, but on January 12, 2006, the Regional Trial Court (RTC) ruled in favor of Keppel. PNOC appealed the decision. On July 25, 2016, the Supreme Court upheld the RTC ruling and remanded the case to the RTC to determine whether Keppel's equity ownership met the 60 percent Filipino ownership requirement.

On March 13, 2018, the Honorable Judge of RTC of Batangas, Branch 84, ordered both PNOC RC and Keppel to submit their respective memorandum for the consideration of the court within thirty days (30) days reckoned on that same date. The primary issue at hand, that the court shall resolve, is the determination of whether or not Keppel meets the required Filipino equity ownership and proportion in accordance with the Court's ruling in Gamboa vs. Teves to allow the same to acquire full title to the land.

On September 24, 2018, RTC Branch 84, Batangas City denied Keppel Motion for issuance of Writ of Execution ruling that the latter failed to meet the required Filipino equity ownership and directed the Clerk of Court to release and returned the consigned amount.

On June 2, 2021, Keppel and LS Shipping Management Corporation (LS Shipping) executed a Deed of Absolute Sale, through which Keppel sold to LS Shipping all its rights over the parcels of land in Bauan, Batangas.

On August 24, 2021, PNOC received a letter from the OSG dated August 23, 2021 invoking its role as People’s Tribune and informed PNOC that it will withdraw as Counsel for the PNOC and PDEC. PNOC then requested the Office of the Government Corporate Counsel (OGCC) to handle the case.

On March 10, 2022, RTC Branch 8, issued a Resolution granting LS Shipping a Motion to Substitute and a Motion for New Trial. The new trial ensued, but the case was referred to the Philippine Mediation Center for possible amicable settlement. During the mediation, counsel for LS Shipping requested for the termination of the Mediation Conference stating that LS Shipping is only willing to settle the amount of P4.090 million, the agreed consideration in the August 6, 1976 Lease Agreement. The mediation was then terminated by the Mediator and case was referred back to the regular court.

On October 25, 2023, the Court of Appeals granted the Petition for Certiorari filed by the OGCC on behalf of the petitioners questioning the lower court’s resolution granting the motion for the new trial and substitution of parties filed by LS Shipping. In the decision, the Court of Appeals nullified the resolutions dated March 10, 2022 (grant of the Motion to Substitute) and March 11, 2022 (grant of Motion for New Trial).

The Former Fourteenth Division of the Court of Appeals promulgated an Amended Decision dated 18 July 2024. The respondent LS Shipping Management Corporation's Motion for Reconsideration (Re: Decision dated October 25, 2023) and respondent Keppel Philippines Holdings, Inc.'s Manifestation and Motion for Reconsideration (re: Decision dated October 25, 2023) were granted. The Decision dated October 25, 2023, was vacated and set aside. The instant Petition for Certiorari was dismissed.

The OGCC filed a Petition for Review on Certiorari on September 20, 2024, with the Supreme Court. No hearing conducted for the year 2025.

38. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) NO. 15-2010 OF THE BUREAU OF INTERNAL REVENUE (BIR)

The BIR issued on November 25, 2010 RR No. 15-2010, Amending Certain Provisions of RR No. 21-2002, as amended, Implementing Section 6 (H) of the Tax Code of 1997, authorizing the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns. Under the said regulation, companies are required to provide, in addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, in the notes to the financial statements, information on taxes, duties and license fees paid or accrued during the taxable year.

38.1. Compliance with Tax Laws

Taxes withheld and due to the BIR for CY 2025 in the total amount of P737.548 million were remitted within the prescribed period. The taxes withheld for the month of December 2025 amounting to P65.166 million were remitted to the BIR in January 2026.

38.2. The Parent's taxes and licenses in 2025 shown as part of expenses in the Statements of Comprehensive Income are as follows:

Particulars	2025
Real Estate Tax	44,422,283
Business Taxes	1,122,382
Motor Vehicle Registration	61,286
Other Taxes, Fees and Licenses	5,334,855
Total	**50,940,806**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

Investment Property and Property, Plant and Equipment

1. **The land properties recognized under Investment Property and Property, Plant and Equipment (PPE) accounts with carrying amounts of P8.441 billion and P478.346 million, respectively, which were the subject of the litigation case between the PNOC and Petron Corporation (Petron) were not derecognized from the books of PNOC despite the Supreme Court Ruling cancelling the deed of conveyance of the land properties of Petron, contrary to paragraph 5.26 of the Conceptual Framework for Financial Reporting (Conceptual Framework), resulting in the overstatement of the Investment Property, PPE and Retained Earnings/(Deficit) accounts by P8.441 billion, P478.346 million and P8.919 billion, respectively. Further, the Receivables amounting to P587.797 million inclusive of interest of P444.797 million from October 1993 to December 31, 2025, were not recognized due to the intention of PNOC Management to file a Motion for Reconsideration, contrary to paragraph 35 of PAS 37, resulting in the understatement of the Receivables, Retained Earnings/(Deficit) and Income accounts by P587.797 million, P410 million and P177.797 million, respectively.**

1.1. Paragraph 5.26 of the Conceptual Framework provides that derecognition occurs when an item no longer meets the definition of an asset, typically when the entity loses control.

1.2. Further, paragraph 4.20 of the Conceptual Framework provides that the entity loses control when it has no present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it or prevent other parties from directing the use of the economic resource and from obtaining the economic benefits that may flow from it.

1.3. Paragraph 35 of PAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* provides that when contingent asset has become virtually certain that an inflow of economic benefits will arise, the asset and income are recognized in the period in which the change occurs.

1.4. Paragraph 15 of PAS 1 states that:

> *Financial Statements (FS) shall present fairly the financial position,* financial performance and cash flows of an entity. Fair presentation *requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework. The application of PFRSs with additional disclosure when necessary is presumed to result in FS that achieve a fair presentation.*

1.5. In 1993, PNOC and Petron agreed that the latter would transfer its landholdings to PNOC as part of its privatization efforts and to address restrictions on foreign ownership of land. Accordingly, three (3) Deeds of Conveyance dated October 29, 1993 were executed, covering Petron's Bulk Plant, Service Station, and Refinery properties. These were transferred to PNOC, as property dividend, with corresponding Lease Agreements allowing PNOC, as lessor, to lease the properties back to Petron, as lessee, subject to renewal.

1.6. In 2017, PNOC claimed that the Lease Agreements were grossly disadvantageous and informed Petron that the same would no longer be renewed or may be cancelled if no agreement was reached. PNOC also requested the nullification of certain lease provisions and required Petron to vacate and clean up the properties upon lease expiration. In response, Petron filed a complaint before the Regional Trial Court (RTC), seeking resolution and reconveyance, alleging that PNOC breached the renewal provisions of the Lease Agreements.

1.7. The RTC ruled on November 13, 2019 in favor of Petron, (i) rescinding the Deeds of Conveyance and ordering PNOC to reconvey the properties to Petron, while (ii) requiring Petron to pay PNOC the amount of P143.000 million plus legal interest from October 29, 1993. The Supreme Court affirmed the RTC decision and, in its Resolution dated November 25, 2024, denied with finality PNOC's Motion for Reconsideration, rendering the decision final and executory.

1.8. As disclosed in Note 39 to the FS of Petron in its 2024 Annual Report, pursuant to the court processes in CY 2024, it reversed the property dividend in the form of land properties and all accruals related to the Lease Agreements on the subject land which include Lease Liabilities, Asset Retirement Obligation, and Right of Use Assets and recognized Gain on Lease Termination.

1.9. Correspondingly, based on inquiry with the OIC-Division Chief, Accounting and the submitted schedule, PNOC substantially ceased from recognizing lease income therefrom in 2025. Subsequently, the Supreme Court denied PNOC's Second Motion for Reconsideration in its Resolution dated July 2, 2025, citing the Entry of Judgment issued on November 25, 2024 and reiterating that no further pleadings would be entertained. On December 12, 2025, a Writ of Execution was issued to enforce the final and executory RTC judgment. On December 17, 2025, Petron, in compliance with the Writ of Execution, tendered its payment to PNOC the amount of P587.797 million, including interest of P444.797 million.

1.10. As of December 31, 2025, PNOC prepared various documents supporting the balance of the Investment Property and Receivable accounts. Further, PNOC submitted to the Audit Team copy of the Minutes of Board of Directors Meeting dated December 19, 2025 and January 21, 2026 covering the refusal of PNOC to the tendered payment of Petron and filing of a Motion for Reconsideration with the RTC on December 23, 2025, respectively.

1.11. Review of the detailed Schedule of Land Properties under Investment Property and PPE accounts, detailed Subsidiary Ledger (SL) and Aging of Receivables from the Accounting Department supporting the balances reported in the FS for CY 2025, and List of Affected Land Properties and Deeds of Conveyance from the Asset Management Department (AMD) disclosed that the land properties subject of the litigation case were not yet derecognized from the books of accounts of PNOC. Likewise, the P143 million plus legal interest reckoned from

October 29, 1993 or a total of P587.797 million as of December 31, 2025 as tendered by Petron was not yet recognized in the books of PNOC.

1.12. The details of the land properties traced from the Deeds of Conveyance to the schedules provided by AMD and Accounting Department are as follows:

Table 1 – Land Properties Subject of Deeds of Conveyance

Land Properties	Cost	Accumulated Impairment Loss	Carrying Amount
Bulk Plant	P5,309,093,202	P22,100,000	P5,286,993,202
Service Station	1,888,951,903	11,030,000	1,877,921,903
Refinery	1,754,632,680	0	1,754,632,680
Total	**P8,952,677,785**	**P33,130,000**	**P8,919,547,785**

1.13. All land properties with carrying amount of P8.441 billion [P8.919 billion less P478.346 million for ESB were still classified in the books as Investment Property except for the Bulk Plant which is partly classified as PPE for the operations of ESB Department of PNOC, located in Mabini, Batangas, with no impairment loss.

1.14. For the receivables, the detailed SL and Aging of Receivables involving Petron mostly pertain to Administrative Dues and Water Consumptions from PNOC Industrial Park, and Service Fees in ESB.

1.15. Inquiry with the Accounting Department and Office of the General Counsel revealed that the non-derecognition of the land properties subject in Petron versus PNOC case and the non-recognition of Receivable from Petron was due mainly to the ongoing review by the Office of the Government Corporate Counsel (OGCC) on the draft Memorandum of Agreement (MOA) for the transition or turnover to Petron of land properties that will cover all arrangements regarding the transfer and possible sale of the Improvements, among others, aside from the process required for the hiring of appraiser for the appraisal of Improvements on the subject land properties. According to the Department Manager of the Accounting Department, formal transmittal to their Department of the documents regarding the case is yet to be received.

1.16. In addition, for the non-recognition of Receivable from Petron, PNOC still filed the said Motion for Reconsideration with the RTC on December 23, 2025. On January 8, 2026, the RTC subsequently denied the same.

1.17. Accordingly, the non-derecognition of the land properties subject of the PNOC and Petron case, and the non-recognition of the related receivable resulted in the overstatement of Investment Property, PPE accounts and Retained Earnings/(Deficit) by P8.441 billion, P478.346 million and P8.509 billion, respectively, and the understatement of Receivables [Dividends Receivable and Other Receivables amounting to P143 million and P444.797 million] and Miscellaneous Income accounts by P587.797 million and P177.797 million, respectively. The summary of misstatements is shown in Table 2.

Table 2 - Summary of Misstatements in the FS

Nature of Misstatements	Accounts Affected – Understated/(Overstated)				
	Investment Property	PPE	Retained Earnings/ (Deficit)	Receivables – Dividends and Other Receivables	Miscellaneous Income
a. Non-derecognition from the books of PNOC of the land properties subject of litigation case between the PNOC and Petron, despite the Supreme Court Ruling dated November 25, 2024 cancelling the deed of conveyance relative to the Bulk Plant, Service Station, and Refinery properties of Petron	P(8,441,202,185)	P(478,345,600)	P(8,919,547,785)		
b. Non-recognition of receivables inclusive of interest amounting P587.797 million, relative to the Petron Case			410,000,000	P587,796,603	P177,796,603
Total	**P(8,441,202,185)**	**P(478,345,600)**	**P(8,509,547,785)**	**P587,796,603**	**P177,796,603**

1.18. In effect, the deficiencies noted in the recording of transactions and related issues pertaining to the subject case between the PNOC and Petron, affected the fair presentation of the FS, contrary to paragraph 15 of PAS 1.

1.19. **We recommended that Management require the Accounting Department to derecognize from the books of PNOC the Land Properties subject in PNOC versus Petron case and recognize in the books the Receivables from Petron on the monetary judgment.**

1.20. During the exit conference, Management agreed with the audit recommendation but expressly stated that they will only comply in CY 2026. Management claimed that the decision of the Supreme Court is not yet final as of December 31, 2025, citing PNOC's filing of the foregoing Motion for Reconsideration which was only denied in January 2026. Following the OGCC's assessment, the PNOC's BODs decided not to pursue the filing of certiorari before the Court of Appeals on February 12, 2026 which the Management considered as the proper time to recognize receivables and derecognize the subject land properties.

1.21. We acknowledged the Management's comments. Nonetheless, the discontinuance of income recognition under the Lease Agreement with Petron, together with the Court's order to reconvey the land properties, indicates that PNOC has effectively lost control over the said assets, while retaining its right to the amount tendered by Petron. The subsequent completion of documentary requirements and filing of the Motion for Reconsideration are merely incidental to the divestment of control, which is significant to the required accounting recognition and derecognition. Hence, we reiterated our recommendation to derecognize from the books of PNOC the Land Properties subject in PNOC versus Petron case and recognize in the books the Receivables from Petron on the monetary judgment for CY 2025.

2. The faithful representation and verifiability of the Investment Property and PPE accounts with carrying amounts of P10.999 billion and P793.615 million, respectively, as of December 31, 2025 were not ascertained due to noted deficiencies, contrary to paragraphs 2.12, 2.13 and 2.30 of the Conceptual Framework and paragraph 15 of PAS 1, hence, affected the fair presentation of the Investment Property and PPE accounts in the financial statements, as follows:

a. non-conduct of physical inventory taking of the Investment Property and PPE accounts with carrying amounts of P64.108 million and P165.729 million, respectively, in view of jurisdictional issue between Departments/Offices of PNOC and exclusion of property items from the property records; and

b. unreconciled variance on costs amounting to P337.523 million and P500.139 million, and variance on land area totaling 69,902 square meters (sqm) and 634 sqm of Investment Property and PPE accounts, respectively, between the records of the Accounting Department and AMD/Administrative Services Department (ASD) due to ongoing reconciliation, and pending verification and evaluation of reconciling items.

2.1. The faithful representation and fair presentation requirement of FS embodied in paragraph 15 of PAS 1 is presented in paragraphs 1.4 hereof.

2.2. Paragraphs 2.12 and 2.13 of the Conceptual Framework state that:

> *2.12 Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon.*
>
> *2.13 To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The Board's objective is to maximize those qualities to the extent possible.*

2.3. Paragraph 2.30 of the Conceptual Framework also states that:

> *Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. xxx*

2.4. Items I and IV of COA Circular No. 80-124 dated January 18, 1980 state that:

> *Physical inventory-taking being an indispensable procedure for checking the integrity of property custodianship has to be regularly enforced. In line with this and to operationalize the provisions of Section 102 of the Government Auditing Code of the Philippines (P.D. 1445), this circular is issued.*
>
> *xxx*
>
> *Physical inventory of fixed assets shall be made at least once a year as of December 31 in accordance with the guidelines enumerated herein.*

2.5. Paragraphs 5.1 and 5.12 of COA Circular No. 2020-006 state that:

> *Each government agency shall conduct physical count of all its PPE, whether acquired through purchase or donation, including those constructed by administration and found at station.*
>
> *xxx*
>
> *Property records shall be updated on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs.*

2.6. PNOC holds tangible properties including Land, Land Improvements, Buildings and Other Structures, Power Supply System, and Machinery and Equipment reported under the Investment Property and PPE accounts. In previous year's audit, it has been a recurring observation of the Audit Team since CYs 2023 to 2024 on the absence of physical inventory of Land Improvements, Buildings and Other Structures and recommended to the Management to require the Inventory Committee to conduct the complete physical inventory of all Investment Property and PPE accounts.

2.7. The Accounting Department submitted the CY 2025 FS including the Notes to FS, together with the physical inventory reports for CY 2025, Schedule of Investment Properties, Schedule of PPE, and Reconciliation of records between the Accounting Department, AMD and ASD, and the Agency Action Plan and Status of Implementation (AAPSI) as of December 31, 2025.

2.8. Verification and review of the submitted documents disclosed the following deficiencies:

Non-conduct of physical inventory taking of the Investment Property and PPE accounts with carrying amounts of P64.108 million and P165.729 million, respectively, in view of jurisdictional issue between Departments/Offices of PNOC and exclusion of property items from the property records

2.9. For CY 2025, no physical inventory taking was conducted for Land Improvements, Buildings and Other Structures, Power Supply System and Machinery and Equipment under the Investment Property and PPE accounts with carrying amounts of P64.108 million and P165.729 million, respectively. The details are as follows:

Table 3 – Investment Property and PPE Without Physical Inventory Taking
As of December 31, 2025

Account	Cost	Accumulated Depreciation	Carrying Amount
Investment Property			
Buildings	P199,656,268	P135,548,673	P64,107,595
Total	**P199,656,268**	**P135,548,673**	**P64,107,595**
PPE			
Land Improvements	P 4,942,516	P 193,166	P 4,749,350
Buildings and Other Structures	501,205,976	372,855,004	128,350,972
Power Supply System	16,197,456	0	16,197,456
Machinery and Equipment	19,577,859	3,146,938	16,430,921
Total	**P541,923,807**	**P376,195,108**	**P165,728,699**

2.10. The Land Improvements, Buildings and Other Structures, and Machinery and Equipment under the Investment Property and PPE accounts are located in PNOC Energy Center in Bonifacio Global City, Taguig City, Energy Supply Base Department in Mabini, Batangas, PNOC Tagaytay property, PNOC Staff House in Lamao, Limay, Bataan, and PNOC Industrial Park in Mariveles, Bataan.

2.11. The Power Supply System under the PPE account is installed in the Main Office of National Economic Development Authority (NEDA), now Department of Economy, Planning, and Development (DEPDev) Region IV-A, Administrative Building of Tanza Water District, Central Office of National Food Authority, Administrative Building of Carmona Water District and Angeles City Water District.

2.12. Inquiry with the Inventory Committee led by the AMD revealed that Buildings and Land Improvements under the Investment Property and PPE accounts are not under their jurisdiction for required inventory taking. AMD reiterated their absence of responsibility for the physical inventory of Land Improvements, Buildings and Other Structures, except for the improvement in Tanauan City, Batangas which they actually included in the physical inventory taking in CY 2025. The AMD added that the fences classified as Land Improvements were only included in the inventory for CY 2025 as they were located on the land properties being inventoried.

2.13. Additionally, the Inventory Committee led by ASD said that they are not responsible for the physical inventory of Buildings and Land Improvements under the Investment Property and PPE accounts despite the ASD being identified as the responsible department for the Land Improvements and Buildings during the exit conference meeting on the results of audit on the PNOC for the CY 2023 conducted sometime in May 2024.

2.14. For Buildings and Other Structures, Power Supply System, and Machinery and Equipment under the PPE account not included in the physical inventory taking, while there are some items that were only purchased after the completion of the physical inventory in November 2025, other items were not included in their list as of September 30, 2025 despite being purchased on or before the said cut-off date, per inquiry with ASD.

Unreconciled variance on costs amounting to P337.523 million and P500.139 million, and variance on land area totaling 69,902 sqm and 634 sqm of Investment Property and PPE accounts, respectively, between the records of the Accounting Department and AMD/ASD due to ongoing reconciliation, and pending verification and evaluation of reconciling items

2.15. The records of the Accounting Department and AMD/ASD of the cost of Land, excluding those affected by the case against Petron Corporation, Land Improvements, Buildings and Other Structures, Power Supply System, and Machinery and Equipment under the Investment Property and PPE accounts were not reconciled in the total amount of P337.523 million and P500.139 million, respectively, as detailed below:

Table 4 – Comparison Between Cost of Investment Property Per Accounting Records and AMD/ASD

Investment Property	Per Accounting Department	Per AMD/ASD	Variance
Land	P2,162,057,112	P2,024,190,644	P137,866,468
Buildings	214,499,068	14,842,800	199,656,268
Total	**P2,376,556,180**	**P2,039,033,444**	**P337,522,736**

Table 5 - Comparison Between Cost of PPE Per Accounting Records and AMD/ASD

PPE	Cost per Accounting Department	Cost per AMD/ASD	Variance
Land	P 49,891,286	P 55,878,240	P 5,986,954
Land Improvements	5,397,650	455,134	4,942,516
Buildings and Other Structures	562,776,101	113,896,044	448,880,057
Power Supply System	19,173,865	0	19,173,865
Machinery and Equipment	155,682,610	176,838,487	21,155,877
Total	**P792,921,512**	**P347,067,905**	**P500,139,269**

2.16. On the unreconciled cost of Land and Buildings under the Investment Property account, and Land Improvements under the PPE account as well as the unreconciled area of Land under the Investment Property and PPE accounts, the submitted documents of AMD showed that there was no: (i) comparison made between the balances of the records of Accounting Department and AMD; (ii) identified reconciling items; (iii) supporting documents; and (iv) classification made of the properties as Investment Property and PPE accounts in AMD records.

2.17. The AMD only classifies Land as Investment Property and Idle Lots. On the unreconciled cost of Buildings and Other Structures, Power Supply System, and Machinery and Equipment under the PPE account, per inquiry with the Accounting Department and ASD, although proper reconciliations were made between the records of the Accounting Department and ASD, the identified reconciling items are still subject to verification and evaluation before making any adjustments in their respective records.

2.18. Based on the AAPSI as of December 31, 2025, the reconciliation of Land, Land Improvements, Buildings and Other Structures under Investment Property and PPE accounts is ongoing.

2.19. In CY 2024, the unreconciled cost of Investment Property and PPE accounts amounted to P458.762 million and P544.184 million, respectively, a decrease by P121.239 million and P44.045 million as compared with the variance for CY 2025 in the amounts of P337.523 million and P500.139 million, respectively, as shown in Table Nos. 4 and 5 above.

2.20. We appreciated the efforts of the Accounting Department, AMD and ASD in reconciling their records, however, the unreconciled variance is still significant, thus affected the fair presentation of the balances of the Investment Property and PPE accounts in the FS.

2.21. Likewise, the records of the Accounting Department and AMD of the area of Land, excluding those affected by the case against Petron Corporation, under the

Investment Property and PPE accounts were not reconciled in the total area of 69,902 sqm and 634 sqm, respectively, as detailed below:

Table 6 – Comparison Between Area of Land Per Records of Accounting Department and AMD

Account	Area in sqm		
	Per Accounting Department	Per AMD	Variance (in Absolute Figure)
Investment Property	2,232,860	2,162,958	69,902
PPE	346	980	634
Total	**2,233,206**	**2,163,938**	**70,536**

2.22. The Accounting Department verbally informed that the reconciliation is still ongoing with regard to the variances noted between their records and that of the AMD/ASD.

2.23. In view of the deficiencies noted in the recording and keeping of Investment Property and PPE accounts as discussed in the preceding paragraphs, the existence, condition and proper valuation of these accounts were not determined, contrary to paragraphs 2.12, 2.13 and 2.30 of the Conceptual Framework and paragraph 15 of PAS 1, thus affected the fair presentation of the accounts in the FS.

2.24. **We recommended and Management agreed to direct the:**

a. **Inventory Committee to conduct complete physical inventory of Investment Property and Property, Plant and Equipment (PPE) accounts including the amount of P64.108 million and P165.729 million, respectively; and**

b. **Accounting Department and Asset Management Department/ Administrative Services Department to reconcile their respective records classified as Investment Property and PPE accounts with identified reconciling items and supporting documents and adjust/correct the respective records, as necessary.**

Inter-Agency Receivables and Payables

3. **The faithful representation of the Group's Inter-Agency Receivables and Inter-Agency Payables accounts with a balance of P10.351 million and P223.531 million, respectively, net of allowance for impairment as of December 31, 2025, was doubtful due to non-elimination of the balances of Due from Subsidiaries/Joint Venture/Associates/Affiliates and Due to Subsidiaries/Joint Venture/Associates/Affiliates accounts amounting to P10.795 million and P103.110 million, respectively, in the consolidated financial statements, contrary to Appendix B86.c of Philippine Financial Reporting Standard (PFRS) 10, resulting in**

the overstatement of Inter-Agency Receivables and Inter-Agency Payables accounts by P10.795 million and P103.110 million, respectively.

3.1. The faithful representation and fair presentation requirement of FS embodied in paragraph 15 of PAS 1 is presented in paragraph 1.4 hereof.

3.2. The Conceptual Framework further states that financial information must possess the qualitative characteristics of faithful representation, completeness, and verifiability, such that the information faithfully depicts the economic phenomena it purports to represent and can be substantiated by adequate supporting documentation and records.

3.3. The objective of PFRS 10 is to establish principles for the presentation and preparation of consolidated FS when an entity controls one (1) or more entities as provided under paragraph 1 thereof.

3.4. Consolidated FS is defined in Appendix A of PFRS 10 as the FS of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

3.5. Group is defined in Appendix A of PFRS 10 as the parent and its subsidiaries while Parent is an entity that controls one (1) or more entity, while a Subsidiary is an entity that is controlled by another entity as defined under Appendix A of PFRS 10.

3.6. Paragraph 2 of PFRS 10 requires an entity (the parent) that controls one (1) or more other entities (subsidiaries) to present consolidated FS. To meet the objective of PFRS 10, it sets out the accounting requirements for the preparation of consolidated FS. The notable requirements for the accounting of consolidated FS are as follows:

Table 7 – Notable Requirements for the Accounting of Consolidated Financial Statements under PFRS 10

Reference	Accounting Requirements
PFRS 10 Appendix B86.c	*Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. xxx*

3.7. The reconciliation of the intragroup account balances between the PNOC (Parent) and its subsidiaries is necessary to ensure that transactions are properly recorded, and account balances are correctly presented in both FS of the Parent and the subsidiaries, and in the consolidated FS of the Group.

3.8. PNOC was established on November 9, 1973, and operates under the authority of Presidential Decree (PD) No. 334, as amended, with the mandate to ensure the country's energy security and to engage in energy-related undertakings.

PNOC is authorized to establish and maintain offices, branches, agencies, subsidiaries, and other units necessary to achieve its statutory purposes. As of end of reporting date, PNOC has the following subsidiaries:

Table 8 – Subsidiaries of the PNOC

Date Established	Subsidiary	Percentage of Ownership	Purpose/Status of Operations
April 20, 1976	PNOC EC	99.79%	Lead energy exploration and development projects in collaboration with government and private partners to ensure a stable national energy supply, fulfilling PNOC's core mandate. As of December 31, 2025, PNOC EC is fully operational.
March 16, 1959	PDMC, formerly known as Filoil Refinery Corporation	98.08%	Develop, manage and add value to the real estate properties which PNOC and the other subsidiaries hold. It is also empowered by its charter to engage in the business of developing vital energy infrastructures such as refineries, pipelines, pumping stations and the like. Abolished in 2014 per covering GCG Order No. 2014-25 dated September 29, 2014. PDMC has been under PNOC administration since 2016. Ongoing Liquidation
December 27, 1978	PSTC	100%	Transport petroleum products nationwide. On July 5, 2013, then President of the Philippines approved the recommendation of the GCG for the abolition of PSTC. Ongoing Liquidation
May 13, 1993	PAFC, formerly the PNOC Petrochemical Development Corporation	100%	Explore, develop and accelerate the utilization and commercialization of alternative fuels in the country. PAFC has retained its secondary purpose to pursue

Date Established	Subsidiary	Percentage of Ownership	Purpose/Status of Operations
			the development, operation and management of a petrochemical industrial estate. Abolished in 2014 per covering GCG Order No. 2014-26 dated September 29, 2014. PAFC has been under PNOC administration since 2016. Ongoing Liquidation
March 7, 2008	PNOC RC, formerly PNOC Dockyard and Engineering Corporation	100%	Promote, develop and implementing new and renewable energy sources in the country. Deactivated on February 18, 2026 by GCG per GCG Memorandum Order No. 2026-02.

3.9. All subsidiaries are controlled by PNOC, as evidenced by its percentage of ownership and fulfillment of the control criteria under paragraph 7 of PFRS 10 which provides that:

> *Thus, an investor controls an investee if and only if the investor has all the following:*
>
> *(a) power over the investee (see paragraphs 10-14);*
>
> *(b) exposure, or rights, to variable returns from its involvement with the investee (see paragraphs 15 and 16); and*
>
> *(c) the ability to use its power over the investee to affect the amount of the investor's returns (see paragraphs 17 and 18).*

3.10. Audit disclosed that the balances of the Due from Subsidiaries/Joint Venture/Associates/Affiliates account under Inter-Agency Receivables and Due to Subsidiaries/Joint Venture/Associates/Affiliates account under Inter-Agency Payables amounting to P10.795 million, net of allowance for impairment, and P103.110 million, respectively, were not yet eliminated due to unreconciled variances. As of report date, the Audit Team has determined that not all intragroup receivables and payables had been subjected to eliminating entries. Details of the intragroup balances not yet eliminated are presented in Tables 9 and 10.

Table 9 – Inter-Agency Receivables Not Yet Eliminated

Subsidiary	Gross Amount	Allowance for Impairment	Net Amount
PDMC	P 40,745		P 40,745
PNOC EC	3,759,294	P 2,031,969	1,727,325
PSTC	1,384,771,335	1,384,771,335	0.00
PNOC RC	8,989,888	8,632,636	357,251
PAFC	21,673,983	13,004,390	8,669,593
Total	**P1,419,235,245**	**P1,408,440,330**	**P10,794,915**

Table 10 – Inter-Agency Payables Not Yet Eliminated

Subsidiary	Gross Amount	Allowance for Impairment	Net Amount
PDMC	P 32,503,697	0	P 32,503,697
PSTC	43,957,683	0	43,957,683
PAFC	66,120,682	0	66,120,682
PNOC Tankers Corporation	56,623,579	0	56,623,579
Total	P 199,205,641	0	P199,205,641
Less: Lump Amount Eliminated			96,096,037
Total Inter-Agency Payables Not Eliminated			**P103,109,605**

3.11. Because of the non-reconciliation of the inter-agency receivables and its impairment, the Inter-Agency Receivables in consolidated FS generated a negative balance of P10.351 million.

3.12. As mentioned during the exit conference, Management confirmed that reconciliation is still on-going and that the intragroup transactions will be eliminated once balances are reconciled.

3.13. Non-reconciliation of variances and non-elimination of these intragroup accounts misstated the Inter-Agency Receivables and Inter-Agency Payables accounts which affected the fair presentation of the consolidated FS.

3.14. We recommended and Management agreed to require the Accounting Department to reconcile the noted variances of Inter-Agency Receivables and Inter-Agency Payables particularly the Due from/to Subsidiaries accounts in the consolidated financial statements in coordination with the subsidiaries and prepare the necessary adjusting and eliminating entries to ensure the accuracy of consolidated account balances.

B. NON-FINANCIAL

Registration of Hybrid Electric Vehicles (HEV) as Government Vehicles

4. The procured seven (7) HEV costing P10.566 million were not registered as government vehicles citing as reasons the requirements of Electric Vehicle Industry Development Act (EVIDA) under RA No. 11697 and for security purposes, contrary to Section 1 of Presidential Decree (PD) No. 1057 dated November 30, 1976, Section V (4) of COA Circular No. 75-6 dated November 7, 1975, and Land Transportation Office (LTO) Administrative Order (AO) No. 91-008 dated November 29, 1991.

4.1. Section 1 of PD No. 1057, which amended Section 7 of RA No. 4136 (Land Transportation and Traffic Code), provides for the mandatory classification and registration of motor vehicles owned by the Government of the Philippines or any of its political subdivisions and those belonging to the GOCCs as Government automobiles.

4.2. Item V (4) of COA Circular No. 75-6 dated November 7, 1975 states that all government vehicles shall bear government plates only and provides that only the Office of the President (OP) of the Philippines can authorize additional exemptions of vehicles exempt from the use of government plates.

4.3. LTO AO No. 91-008 provides the amended Section 7 of AO No. 3, Series of 1980, that white background with red numerals is the plate color scheme adopted for government vehicles.

4.4. On March 26, 2025, the Audit Team sent a letter to the then PNOC President and CEO commending the commencement of the use of government plate by PNOC for its fleet and expressing request for continuing compliance with COA Circular No. 75-6 with respect to subsequent procurements.

4.5. In the last quarter of CY 2025, because of the objectives in reducing maintenance overhead, improving fuel economy, and ensuring a more reliable and environmentally responsible fleet and security of personnel, PNOC procured four (4) units of Sport Utility Vehicle (SUV) and three (3) units of Multi-Purpose Vehicle (MPV), all HEVs pursuant to the requirements and objectives of RA No. 11697, otherwise known as the EVIDA with the use of special type of plate, and the related issuances of LTO.

4.6. Verification of documents supporting the purchase of HEVs including Official Receipts and Certificates of Registration submitted by the General Services Division, and inspection of the newly procured vehicles, disclosed that these were not yet registered as government vehicles as these do not bear government plates.

4.7. Also, there was no approval from the OP of the Philippines for the exemption from the use of government plates, contrary to Item V (4) of COA Circular No. 75-6 dated November 7, 1975.

4.8. Inquiry with the General Services Division on the non-compliance with the aforementioned Circular disclosed that this was attributed to the foregoing registration of newly procured vehicles to the requirements of EVIDA on the use of special type of plate regardless of ownership to identify them as environmentally sustainable units. Further, the registration of vehicles as private promotes security of personnel while using them during inspection of land properties, including those occupied by informal settlers.

4.9. During the exit conference, the Department Manager, Administrative Services Department mentioned that a formal request for the reclassification of ownership from private to government would be submitted to the LTO and that a copy of the letter would be provided to the Audit Team once available. They also had coordinated with the LTO via phone call prior to the transmittal of the letter request to the LTO.

4.10. Based on EVIDA and related issuances of LTO, there is no provision mandating the registration of HEVs as private vehicles, but only on the use of special type of plate. Also, PNOC is not engaged in security or intelligence operation, does not maintain intelligence funds and has not secured approval from the OP of the Philippines on the exemption from the use of government plates to warrant the registration of vehicles as private for security purposes. The above condition is contrary to PD No. 1057, COA Circular No. 75-6 and LTO AO No. 91-008.

4.11. **We recommended and Management agreed to direct the General Services Division to coordinate with the LTO for the proper reclassification and registration of the newly procured hybrid electric vehicles as government vehicles.**

Decentralized Energy System (DES) Project Fund

5. The DES Project Fund amounting to P319.644 million as of December 31, 2025 recognized as Trust Liabilities remained under the custody of PNOC despite the completion of the project and closure in the books of the European Union (EU) as the grantor, and dormancy for unreasonable length of time since 2007, due to the absence of assessment and plan for the disposition of the DES Project Fund, contrary to Section 11 of the General Provisions of the General Appropriations Act (GAA) for Fiscal Year (FY) 2025, thus, preventing the National Government from fully optimizing the use of the fund.

5.1. Section 11 of the General Provisions of the GAA for FY 2025 provides that GOCCs shall immediately assess the status of all special accounts, fiduciary or trust funds, revolving funds, and unauthorized accounts, submit assessment reports to the Permanent Committee, and the agency, based on its assessment, close and revert all balances of trust funds to the General Fund when their purposes are fulfilled or accomplished, or when they have remained dormant for unreasonable length of time, among others.

5.2. In 1987, the EU through the Commission of European Communities (CEC), and the Philippine Government through the Energy Research and Development Center (ERDC), entered into a financing agreement, whereby CEC shall contribute, by way of grant, for the DES Project to be implemented by ERDC. In 1993, ERDC was integrated into the PNOC Energy Development Corporation (PNOC EDC) due to the overall decentralization program of PNOC. The PNOC executed a Deed of Assignment with PNOC EDC covering the transfer of DES Project and its revolving fund with a condition that if PNOC EDC becomes partially or fully privatized, the DES Project should be transferred to another institution under PNOC.

5.3. In 2001, the DOE, in its letter addressed to the Head of the Delegation of the European Community in the Philippines, gave its commitment to take full responsibility for the sustainable continuation of the DES Project and in the event of PNOC EDC privatization, the DES Project shall be transferred to PNOC who shall ensure faithful compliance with the DES Sustainability Plan. By virtue of the privatization of PNOC EDC in 2007, all its assets and properties, including credits, rights and interests, records pertaining to existing cases, and contracts held and administered for the DES Project were transferred to PNOC.

5.4. Below are the events that transpired after PNOC acquired possession of the DES Fund:

a. In 2011, PNOC entered into a MOA with Land Bank of the Philippines (LBP) and invested the funds in products that are attributable to loans to renewable energy projects and alternative energy sources for a period of five (5) years.

b. In 2016, the MOA with LBP was terminated due to the transition of PNOC from a mere holding company to an operating company.

c. As of December 31, 2025, the DES Project Fund amounting to P246.498 million has been placed in LBP as Treasury Bills earning interest income of P11.005 million for the year ended, thus, a total balance of P257.503 million.

5.5. In 2020 and 2022, the Audit Teams issued Audit Observation Memoranda (AOMs) on the non-implementation and non-utilization of the DES Project Fund which prevented the Philippine Government's compliance with its 1987 EU financing agreement. In response, PNOC wrote to DOE on November 28, 2022 to clarify whether the fund should remain limited to lending or could support other renewable energy initiatives aligned with DES objectives. DOE, in its March 31, 2023 reply, relayed the EU's March 13, 2023 confirmation that for them, the project has been completed and closed, and that the fund may be used at the discretion of DOE and relevant agencies, consistent with its purpose and national energy goals.

5.6. For the CY 2025 audit, PNOC prepared the FS, including the Notes to FS containing Trust Liabilities account, together with the Schedule of the DES Project Fund, Schedule of DES Account – Marketable Securities, and Statement of Reconciliation for the DES Project Fund to support the balance of the account presented in the FS.

5.7. Review of the Schedule of the DES Project Fund with a balance totaling P319.644 million as of December 31, 2025 showed that the fund remained under the custody of the PNOC which is still recognized as Trust Liabilities and not reverted to the General Fund despite the completion of the project, closure by the EU, and prolonged non-utilization for its intended purpose as the fund has been invested in Treasury Bills with the LBP. The composition of the DES Project Fund under the Trust Liabilities account as of December 31, 2025 is shown in Table 11.

Table 11 – Composition of the DES Project Fund
As of December 31, 2025

Particulars	Amount
Treasury Bills, Including Accrued Interest	P257,503,415
Foreclosed Properties (Table 12)	55,838,700
Receivables	5,749,547
Cash in Bank	551,997
Total	**P319,643,659**

Table 12 – Details of the Foreclosed Properties

Location	TCT No.	Area (in sqm)	Appraised Value
Miramar Subd., Dungon B, San Isidro, Jaro, Iloilo City	T-146788[1]	213	P 852,000
Purok 3, Banuson, Brgy. Gusa, Cagayan De Oro City, Misamis Oriental	T-141321	21,931	10,965,500
32 Benevolence St., Goodwill Homes, San Bartolome, Novaliches, Quezon City	N-229989	155	1,395,000
Mississippi St., Carolina Subd., Brgy. Sta. Cruz, Antipolo City	R-5796	147	1,087,800
Brgy. Pasong Buaya II, Imus, Cavite	T-990618	279	1,674,000
Lopez Jaena St., Brgy. Capasigan, Pasig City	PT-130515[2]	1,888	32,096,000
79-A Magat, Salamat St., Brgy. Marilag, Project 4, Quezon City	N-229988[3]	279	6,686,400
San Nicolas, Naujan, Oriental Mindoro	T-96137[4]	54,093	1,082,000
Total		**78,985**	**P55,838,700**

[1] With residential house
[2] With residential building/machine shop
[3] With residential structure
[4] Totally traversed or encroached by Pamasiawan River; submerged in water

5.8. Inquiry with the Office of the Senior Vice President (SVP) for Energy Investments, together with the Accounting Department, Treasury Department, and Office of the General Counsel through a virtual meeting held on April 10, 2026, revealed that the continued recognition of the DES Project Fund as Trust Liabilities and keeping it under the custody of PNOC was due to the absence of assessment and plan for the disposition of the fund. During the virtual meeting, PNOC Management raised concerns on the applicability of Section 11 of the General Provisions of the GAA for FY 2025 to PNOC as a government corporation not receiving budgetary support from the National Government. For them, the DES Project Fund is not being appropriated through the GAA. They also raised concern on the direction of reverting the DES Project Fund either to the corporate funds of PNOC or to the National Government.

5.9. During the exit conference, the SVP for Energy Investments mentioned that there is an ongoing study on the appropriate approach to settle the matter. Concerns with regard to the project will first be discussed among top management before formally coordinating with the concerned agencies, including the Department of Finance, Department of Budget and Management, and Commission on Audit.

5.10. It bears stressing that Section 11 of the General Provisions of the GAA for FY 2025 includes GOCCs without qualification. The same is also true for all special accounts, fiduciary or trust funds, revolving funds, and unauthorized accounts, without regard to whether it was appropriated or not. Further, with the letter reply of the EU to the DOE that the DES Project was already completed and closed in their books and giving a policy guidance to the utilization of the DES Project Fund at the liberty of DOE and PNOC, it subjected the remaining fund to reversion in accordance with the National Government fiscal policies specifically the General Provision of FY 2025 GAA.

5.11. In effect, the non-reversion of the DES Project Fund to the General Fund despite the completion of the project and dormancy since 2007 is contrary to the General Provision of FY 2025 GAA, thus preventing the National Government from fully optimizing the use of the fund.

5.12. **We recommended and Management agreed to require the Office of the SVP for Energy Investments to coordinate with the Department of Energy, Permanent Committee and Bureau of the Treasury, to facilitate the review and request for guidance on the proper disposition of the DES Project Fund and other assets generated therefrom.**

Overtime Services

6. **The adoption of Compensatory Time-Off (CTO) as part of remuneration before the grant of Overtime Pay, and the preparation/submission of the Report on Overtime Services with Pay were both not observed, contrary to the General Policies on Overtime Services and Section 12 of Civil Service Commission (CSC)-Department of Budget and Management (DBM) Joint Circular No. 02, s. 2015, hence, defeating the installed civil service and budgetary policies for uniformity and monitoring of remunerations given.**

6.1. Pertinent provisions of CSC-DBM Joint Circular No. 02, s. 2015 relative to the policies and guidelines on overtime services and overtime pay for government employees are as follows:

> *Section 3.2 As a general rule, the remuneration for overtime services shall be through CTO, in accordance with the guidelines under the CSC-DBM Joint Circulars No. 2, s. 2004 and No. 2-A, s. 2005.*
>
> *Section 3.3 The payment in cash of overtime services through Overtime Pay may be authorized only in exceptional cases when the application of CTO for all overtime hours would adversely affect the operations of the agency.*
>
> *Section 12.0 Each agency shall submit to the DBM's Budget and Management Bureau or Regional Office concerned, copy furnished the CSC, the **"Report on Overtime Services with Pay"** using the template in **Annex A** on or before March 31 every year.*

6.2. PNOC, as a government corporation with an original charter, is covered by CSC-DBM Joint Circular No. 2, s. 2004, as amended by CSC-DBM Joint Circular No. 02, s. 2015 governing Policies and Guidelines on Overtime Services and Overtime Pay either through CTO or Overtime Pay. Relatively, PNOC crafted its internal Overtime Policy which carried among others, the activities that warrant the grant of Overtime remuneration and the submission of document to DBM and CSC as reportorial obligations which refer to the Report on Overtime Services with Pay.

6.3. In the implementation of overtime services, a concerned employee will accomplish an Overtime Slip to be reviewed by the immediate supervisor and approved by the Department Manager. An Overtime Slip contains the purpose of the overtime, the estimated hours and the actual hours. All duly approved Overtime Slips are submitted to the Personnel Services Division (PSD), Administrative Services Department, together with the Daily Time Records (DTRs), for verification of the accuracy of the recorded overtime hours. Upon completion of the verification process, the Accounting Department computes the corresponding monetary value of the approved overtime hours, which are then incorporated into the payroll.

6.4. Review of the internal Overtime Policy and its implementation disclosed the following deficiencies:

a. The internal Overtime Policy did not consider the application of the CTO prior to the grant of total Overtime Pay. Per policy, there is no process created to identify specific "exceptional cases" where granting CTO would be detrimental to agency. While there is consideration in the process by PSD on CTO on specific cases like those activities undertaken during rest days, the process disclosed that Management provides immediate cash payment for all overtime rendered as evidenced by the foregoing procedures being applied.

b. The Policy requires the submission of a Report on Overtime Services with Pay, which serves as the mandatory accountability mechanism for monitoring overtime expenditures and compliance with budgetary caps. However, no such report was presented as document prepared by the Company for submission to the DBM and CSC.

6.5. Inquiry with the PSD revealed that under the Joint Circular No. 1 s. 2015 (now renumbered as Joint Circular No. 2), the Head of Agency is granted authority and flexibility to determine the compensation method. Further, there was no mention in the Joint Circular that justification is necessary to prove that the availment of CTO would be detrimental to operations before authorizing cash payments. In an e-mail response, Human Resources (HR) Manager Officer V said that monetary compensation for overtime services was a "pragmatic approach" by citing the organization's specific human resource constraints and the perceived sustainability of monetary incentives over the CTO framework.

6.6. The HR Manager Officer V further asserted that a CTO-based framework creates a "cyclical problem" characterized by:

a. Operational Disruption: Frequent absences due to CTO availment leading to further staffing gaps and hindered daily operations.

b. Cumulative Absence: High volumes of accrued CTO credits that destabilize team productivity and exacerbate existing manpower shortages when utilized.

6.7. According to HR Manager Officer V, by prioritizing these operational considerations over the “CTO-First” policy, it ensures consistent staffing and maintain operational continuity.

6.8. The flexibility granted to the Agency Head recognizes their authority to address operational needs such as allowing activities for Overtime Service to prevent incurrence of irreparable damage or loss to the government. This flexibility does not extend to Overtime Service remuneration where CTO shall be the primary mode. As the grant of Overtime Pay is expressly limited to “exceptional cases”, PNOC is required to have a separate policy prescribing process where Overtime Pay shall be granted in lieu of CTO. For being not supported by any law or rule, pragmatic approach does not justify the routine use of cash-based overtime pay. Furthermore, the non-preparation and non-submission of the mandatory "Report on Overtime Services with Pay" effectively undermined the oversight functions of the DBM and CSC.

6.9. **We recommended and Management agreed to direct the Administrative Services Department to:**

a. Revisit and amend the internal Overtime Policy to ensure adherence to the CTO-first policy and that Overtime Pay is strictly reserved for exceptional cases such as when the application of CTO would adversely affect the operations of the Company; and

b. **Prepare the "Report on Overtime Services with Pay" for submission to the DBM and CSC, and ensure annual submissions thereof by March 31, in compliance with Section 12.0 of CSC-DBM Joint Circular No. 02, s. 2025.**

Gender and Development (GAD)

7. **The GAD Budget for CY 2025 amounting to P208.451 million was underutilized by P190.788 million or 91.53 percent, considering that the Rooftop Solar Photovoltaic System for Government Entities, the lone attributed program with budget of P206.250 million, with expenditures extending beyond the reporting period, was only partially implemented with utilization of only P16.729 million due mainly to the discontinuance of the project after the completion of existing contracts and the non-engagement of new contracts, contrary to Section 6.1 of Philippine Commission on Women-Department of Budget and Management-National Economic and Development Authority (PCW-DBM-NEDA) Joint Memorandum Circular (JMC) No. 2022-1 dated December 8, 2022, thus, limited the implementation of gender-responsive programs with significant impact on gender equality and women empowerment**

7.1. Section 6.1 of PCW-DBM-NEDA JMC No. 2022-01 requires that at least five (5) percent of the total agency appropriation authorized under Corporate Operating Budget (COB) shall be allocated/attributed and utilized to fund GAD Programs, Activities and Projects (PAPs). Agencies should also ensure that the GAD plan is integrated in their regular activities. For proper attribution, Agency may utilize the Harmonized Gender and Development Guidelines (HGDG) tool in relation to the said PAPs.

7.2. For CY 2025, PNOC, with total COB amounting to P1.246 billion, has secured endorsement of PCW for its CY 2025 GAD Plan and Budget (GPB) with total GAD budget of P208.451 million or 16.73 percent for 11 Organizational-Focused activities, inclusive of activities 5 and 6 covering the Relocation and Improvement of GAD Room and Activity, and Courtesy Call of PNOC President to PCW Chairperson, respectively, and the Rooftop Solar Photovoltaic System for Government Entities, the lone attributed program, as the entire GAD PAPs, to address various gender issues. For same year, PNOC received on March 24, 2026 the reviewed GAD Accomplishment Report from the PCW.

Table 13 – GAD PAPs Budget Allocation

PAPs	Budget	
	No. of Activities	**Amount**
Organization – Focused Activities	10	P 2,201,140
Attributed Program	1	206,250,000
Total	**11**	**P208,451,140**

7.3. Review of the submitted GAD Accomplishment Report disclosed that there was underutilization amounting to P190.788 million from the entire allocated/attributed budget for various GAD PAPs detailed as follows:

Table 14 – GAD Activities with Underutilized Budget

PAPs	Budget		Utilization				Amount of Over (Under) Utilization
	No. of Activities	Amount	No. of Activities			Amount	
			Completed	Partially	Not Implemented		
Organization – Focused Activities	10	P 2,201,140	8	0	2	P 934,338	P (1,266,802)
Attributed Program	1	206,250,000	0	1	0	16,728,814	(189,521,186)
Total	**11**	**P208,451,140**	**8**	**1**	**2**	**P17,663,152**	**P(190,787,988)**

7.4. The two (2) unimplemented activities pertained to Activities 5 and 6. As regards the underutilization of funds, certain GAD activities were completed at lower costs due to efficient procurement and implementation, resulting in savings.

7.5. For the lone attributed program, there is an ongoing implementation of the Rooftop Solar Photovoltaic System for Government Entities with expenditures extending beyond the reporting period. Despite the allocation of a GAD-attributable budget of P206.250 million, only P16.729 million was utilized in CY 2025, resulting in an underutilization of P189.521 million, or 91.89 percent of the attributed GAD budget.

7.6. According to GAD Focal Point System (GFPS) – Technical Working Group (TWG) Chairperson, existing contracts were completed during CY 2025, while no new contracts were entered into as Management decided not to continue the Rooftop Solar Photovoltaic System for Government Entities.

7.7. During the exit conference, the GFPS-TWG Chairperson acknowledged the Audit Team's observation that the GAD expenditure represented 1.42 percent of the total COB and emphasized the improvement in budget utilization compared to the previous year, which was only 0.42 percent. However, the GFPS-TWG Chairperson highlighted the efforts made by the GFPS to improve compliance with the required five (5) percent allocation and that they will review the Parent's projects to make it more attainable and realistic, and added that they are planning to utilize the HGDG tool to further mainstream GAD-related projects and initiatives.

7.8. While we acknowledged the endorsement of PCW for the GPB and a number of implemented activities as compared in previous years, the underutilization of GAD funds and expenditures below five (5) percent of COB still limited PNOC's ability to effectively mainstream gender perspective and achieve its commitments on gender equality and women empowerment in accordance with national policies.

7.9. We recommended and Management agreed to require the GAD Focal Point System to:

a. Refine planning process relative to existing PAPs to ensure that the GPB is realistic and attainable; and

b. Assess and attribute appropriate PAPs using the HGDG tool to optimize GAD Budget utilization.

C. Compliance with Tax Laws

Taxes withheld in CY 2025 in the total amount of P737.548 million were remitted to the Bureau of Internal Revenue (BIR) within the prescribed period. The taxes withheld for the month of December 2025 amounting to P65.166 million were remitted to the BIR in January 2026.

D. Compliance with Rules on the Government Mandatory Deductions

Premiums due to Government Service Insurance System (GSIS), Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PhilHealth) for CY 2025 totaling P31.862 million were deducted from the salaries of PNOC personnel and remitted within the prescribed period.

Table 15 – GSIS, Pag-IBIG and PhilHealth Premiums Collected and Remitted for CY 2025

Agency	Premiums Collected from January to November 2025 and Remitted Within CY 2025	Premiums Collected in December 2025 and Remitted in January 2026	Total
GSIS	P24,317,145	P2,231,229	P26,548,374
Pag-IBIG	561,538	50,358	611,896
PhilHealth	4,229,284	472,529	4,701,813
Total	**P29,107,967**	**P2,754,116**	**P31,862,083**

E. Insurance of Property

PNOC has been compliant with RA No. 656 on insuring its properties with the General Insurance Fund of the GSIS.

F. Status of Audit Suspensions, Disallowances and Charges

As of December 31, 2025, there were no outstanding audit suspensions and charges. Audit disallowances totaling P2.397 million remained unsettled.

Table 16 – Status of Audit Suspensions, Disallowances and Charges
As of December 31, 2025

Particulars	Beginning Balance January 1, 2025	Issued	Settled	Ending Balance December 31, 2025
Suspensions	0	0	0	0
Disallowances	P1,258,067	P1,139,000	0	P2,397,067
Charges	0	0	0	0
Total	**P1,258,067**	**P1,139,000**	**0**	**P2,397,067**

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 29 audit recommendations embodied in the previous year's Annual Audit Report, 26 were implemented while three (3) were not implemented and were reiterated/restated in Part II of this Report. Details are shown in the following table:

Reference	Audit Observations	Audit Recommendations	Status/ Action Taken
2024 AAR Observation No. 1, pages 67-70	The reliability of the carrying amounts of Investment Property and Property, Plant and Equipment accounts amounting to P11.009 billion and P739.920 million as at December 31, 2024, which includes Land, Land Improvements, Buildings and Other Structures was not ascertained due to: a) absence of physical inventory of Land Improvements, Buildings and Other Structures with carrying amounts totaling P245.647 million, and b) unreconciled cost of Land, Land Improvements, Buildings and Other Structures totaling P1.003 billion, between the Accounting records and supporting schedules/records contrary to Paragraph 15 of Philippine Accounting Standard (PAS) 1 – *Presentation of Financial Statements.*	a. General Services Division to prepare and maintain property cards or its equivalent for Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts;	Implemented
		b. Inventory Committee with members from the General Services Division, Property Management Division and Accounting Department to conduct complete physical inventory of Land Improvements, Buildings and Other Structures;	Implemented
		c. Accounting Department, Asset Management Department and General Services Division to reconcile their respective records; and	Not Implemented Ongoing reconciliation Reiterated in Observation No. 2, Part II of this Report.
		d. Accounting Department to effect the adjustments, if warranted.	Not Implemented Ongoing reconciliation

<table>
<tr><th rowspan="2">Reference</th><th colspan="2">Audit</th><th rowspan="2">Status/
Action Taken</th></tr>
<tr><th>Observations</th><th>Recommendations</th></tr>
<tr><td></td><td></td><td></td><td>Reiterated in Observation No. 2, Part II of this Report.</td></tr>
<tr><td>2024 AAR Observation No. 2, pages 70-71</td><td>The balance of the Property, Plant and Equipment account amounting to P739.920 million as at December 31, 2024 includes 25 items of Machinery and Equipment – tagged as missing in the Report on the Physical Count of Property, Plant and Equipment, with total acquisition cost of P2.529 million and carrying amount of P 0.613 million, contrary to Paragraph 7 of PAS 16 and Paragraph 15 of PAS 1; thereby, resulting in the overstatement of Property, Plant and Equipment account by P0.613 million.</td><td>a. Property Management Division to immediately identify the accountable personnel for the missing properties and issue memorandum requiring them to produce the missing items;

b. Property Management Division to submit to the Accounting Department the List of Missing PPEs, with complete information i.e missing items that cannot be produced and name of the accountable officers/personnel; and

c. Accounting Department to take up the necessary adjustments to recognize the loss of Property, Plant and Equipment and set up the corresponding receivables from the accountable officers/personnel.</td><td>Implemented

Implemented

Implemented</td></tr>
<tr><td>2024 AAR Observation</td><td>Transferred assets from PNOC Energy Development</td><td>a. Accounting Department and</td><td>Implemented</td></tr>
</table>

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
No. 3, pages 72-74	Corporation (EDC) under the Decentralized Energy System (DES) Project in the form of: a) receivables from borrowers with outstanding principal balance of P5.260 million, exclusive of interest and penalty; and b) land and buildings with appraised value in 2019 of at least P54.757 million were not recognized in the books of PNOC as at December 31, 2024 contrary to Paragraphs 4.3, 5.7 and 6.6 of the Conceptual Framework for Financial Reporting, resulting in the understatement of Other Assets and Trust Liabilities accounts estimated at P60.017 million.	Treasury Department to recompute the total outstanding balances of receivables transferred from PNOC EDC; b. Accounting Department to recognize in the books of PNOC the remaining amount of receivables less any determined amount of impairment loss; and c. Accounting Department to recognize the appraised values of land and buildings per latest appraisal as deemed cost and record the same in the books of accounts.	 Implemented Implemented
2024 AAR Observation No. 4, pages 74-75	Interest earned from the Investment in Treasury Bills of the DES Project Fund for the year ended December 31, 2024 amounting to P10.729 million was not recognized contrary to Paragraph 28 of Philippine Accounting Standard (PAS) 1, resulting in the understatement of the Other Assets and Trust Liabilities accounts both by P10.729 million.	Accounting Department to recognize interest earned on the Investment in Treasury Bills of the DES Project Fund amounting to P10.729 million as addition to Other Assets and Trust Liabilities accounts.	Implemented
2024 AAR Observation No. 5, pages	The Other Deferred Credits account with a balance of P67.608 million as at	a. Accounting Department to prepare a detailed	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
75-77	December 31, 2024 includes transactions amounting to P43.035 million without supporting documents, hence, not consistent with the faithful representation and recognition criteria under the Conceptual Framework.	report on extent of validation of Other Deferred Credits account and submit the same to the Head of Agency (HoA) together with a recommendation for the creation of Investigation Committee for the conduct of investigation to determine the cause of the absence of documents supporting the account; b. Investigation Committee to commence investigative proceedings within five working days from receipt of the order from the HoA, on the creation of Investigation Committee, to be completed within 30 working days thereafter; and c. Investigation Committee, within five working days from the completion of investigation to prepare a Report for submission to HoA for approval and rendition of decision.	 Implemented Implemented
2024 AAR Observation No. 6, pages 77-78	The reliability of the balances of Due to Government Service Insurance System (GSIS)	Accounting Department to: a. Review and analyze	 Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	and Due to Philippine Health Insurance Corporation (PhilHealth) accounts amounting to P2.137 million and P484,999, respectively, as at December 31, 2024 was not ascertained due to the existence of negative balances and items for reconciliation amounting to a total of P4.286 million and P4.017 million, respectively, contrary to paragraphs 2.12 and 2.13 of the Conceptual Framework.	the accounting entries and payroll documents to determine whether the negative balances and items for reconciliation are due to errors in the accounting entries, over-deductions of employee contributions, or any other factors that may have contributed to the noted conditions; and	
		b. Make necessary adjusting entries to correct the balances of Due to GSIS and Due to PhilHealth accounts.	Implemented
2024 AAR Observation No. 7, pages 79-80	The balance of the Financial Liabilities and Trust Liabilities accounts amounting to P218.184 million and P284.892 million, respectively, as at December 31, 2024 includes: a) long outstanding Accounts Payable and Guaranty/Security Deposits Payable per Aging Schedule with carrying amounts of at least P2.926 million and P1.766 million, respectively, were not derecognized despite the absence of valid claims; and b) negative balances of Accounts Payable by at least P0.574 million, contrary to Paragraphs 2.12, 2.13, 4.26 and 5.26 of the Conceptual Framework, thus, resulting in the overstatement of	Accounting Department to:	
		a. Derecognize all Accounts Payable and Guaranty/Security Deposits Payable amounting to P2.926 million and P1.766 million which have been long outstanding and without valid claims;	Implemented
		b. Analyze and verify the nature of Accounts Payable presented in the aging schedule with negative balances of P573,582 and effect the necessary adjustments; and	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	Accounts Payable and Guaranty/Security Deposits Payable by same amount and rendering the reliability of Accounts Payable account with negative balance doubtful, respectively.	c. Maintain a complete and updated aging schedule of accounts payable which reconciles with the balance per detailed ledger and financial statements.	Implemented
2024 AAR Observation No. 8, pages 80-82	The Receivables account with carrying amount of P455.520 million as at December 31, 2024, includes negative balances amounting to P2.634 million representing: a) unadjusted overpayments amounting to P2.589 million for reporting as Other Unearned Revenue/Income account; and b) items subject for verification amounting to P45,049, contrary to paragraphs 2.12 and 2.13 of Conceptual Framework and Annex C of COA Circular No. 2020-002 dated January 28, 2020; thereby, resulting in the understatement of Receivables and Other Unearned Revenue/Income accounts both by P2.589 million.	Accounting Department to: a. Take up the adjusting entry on clients/customers overpayments amounting to P2.589 million to Other Unearned Revenue account; b. Review and analyze the items still for verification amounting to P45,049 and take up the necessary adjustments; and c. Formulate a policy on the accounting procedures for the handling of overpayments made by the clients/customers, for approval of the Board of the Directors.	 Implemented Implemented Implemented
2024 AAR Observation No. 9, pages 82-83	The extension of contract no. 23-014 – CY 2023, Custodial and Janitorial Services for PNOC Energy Supply Base, for more than	Procurement Management Division and Bids and Awards Committee to ensure, prior to termination of	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	six months is contrary to Section 5.2, Appendix 37 of the 2016 Revised Implementing Rules and Regulations of Republic Act (RA) No. 9184, thereby, defeating the governing principle on government procurement to streamline the procurement process.	contract, the completion of documents for the succeeding procurements and in ensuring timely conduct thereof in compliance with the requirements of RA No. 9184.	
2024 AAR Observation No. 10, pages 83-84	The conduct of the physical inventory of Land for CY 2024 by the Asset Management Department without the participation of a representative from the Accounting Department is contrary to Paragraph 5.2 of COA Circular No. 2020-006 dated January 31, 2020.	a. Inventory Committee to require the participation of the Accounting Department in subsequent physical inventory and preparation of the required inventory reports; and	Implemented
		b. Treasury Department to ensure the availability of budget for the conduct of subsequent physical inventory.	Implemented
2024 AAR Observation No. 11, pages 84-85	No adequate action was undertaken by Management for the formulation of PNOC Gender and Development (GAD) Agenda which was raised by the audit team in 2023, contrary to Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, thus, PNOC has no strategic framework and plan for gender mainstreaming and achieving women empowerment and gender equality.	GAD Focal Point System (GFPS) to:	
		a. Participate in the capacity-building programs offered by PCW as this will equip them with the necessary knowledge and skills for the effective formulation, implementation, and monitoring of the GAD Agenda; and	Implemented
		b. Formulate a six-year GAD Agenda to provide PNOC with a	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
		strategic framework for institutionalizing gender mainstreaming and advancing gender equality and women's empowerment across its programs and operations for submission to Philippine Commission on Women, in compliance with PCW Memorandum Circular No. 2018-04 dated September 19, 2018.	
2024 AAR Observation No. 12, pages 86-87	The GAD Budget for CY 2024 was underutilized at only 0.20 percent of its P208.771 million allocation due to the non-implementation of major GAD activities, contrary to Section 6.1 of PCW-Department of Budget and Management-National Economic Development Authority Joint Circular No. 2022-01.	GFPS to: a. Meticulously plan the activities identified in the GAD Plan and Budget, taking into account different aspects such as the budgeting, availability of participants, timeline or scheduling, and contingency plan; and	 Implemented
		b. Design and implement more GAD projects, activities and programs focused on raising awareness of gender issues and advancing women empowerment across all levels of the organization.	Not Implemented Non-submission of GAD Accomplishment Report for FY 2025 Restated in Observation No. 7, Part II of this Report.