

COVER SHEET

3 0 9 3 9
S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L
C O N S T R U C T I O N C O R P O R A T I O N
(Company's Full Name)

P N C C C O M P L E X K M 1 5 E A S T S E R V I C
E R O A D B I C U T A N P A R A N A Q U E C I T Y
(Business Address: No. Street City / Town / Province)

MARIANO JESUS S. AVERIA
Contact Person

846-2906
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

17-Q
FORM TYPE

0 3 4th
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

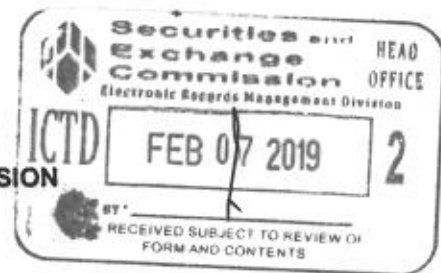
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STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q



QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2018
2. SEC Identification No. 30939
3. BIR Tax Identification No. 330-058-000
4. Exact name of issuer as specified in its charter: Philippine National Construction Corporation
5. Province, country or other jurisdiction of incorporation or organization: Metro Manila, Philippines
6. Industry Classification Code: (SEC Use Only)
7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City
Address of issuer's principal office 1700
Postal Code
8. (02) 846-3045 / Fax: (02) 846-1395
Issuer's telephone number, including area code
9. Not applicable
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares

Common	75,000,000
Special Common	10,000,000
Preferred	10,000,000
	<u>95,000,000</u>

Note:

Philippine National Construction Corporation (PNCC) has 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued to different Government Financial Institutions in 1983. For purposes of registration of said shares, PNCC with Faria Law Offices as consultant filed its Amended Registration Statement on August 15, 2001. On December 19, 2001, the Securities and Exchange Commission (SEC), under Resolution No. 726, Series of 2001, ruled that the equity securities of PNCC are exempt from registration requirements in accordance with Section 9.1 of the Securities Regulation Code.

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Common shares of the Company are listed on the Philippine Stock Exchange (PSE).

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☐ No ☒

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference:

- | | |
|-----------|--|
| Exhibit 1 | Statements of Financial Position as at September 30, 2018 and December 31, 2017 |
| Exhibit 2 | Statements of Comprehensive Income for the nine months ended September 30, 2018 and September 30, 2017 |
| Exhibit 3 | Statements of Changes in Equity for the nine months ended September 30, 2018 and September 30, 2017 |
| Exhibit 4 | Statements of Cash Flows for the nine months ended September 30, 2018 and September 30, 2017 |
| Exhibit 5 | Notes to Interim Financial Statements |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Exhibits 6 & 7.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

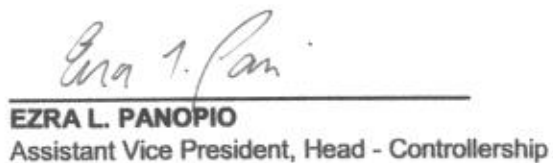
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Issuer

By:



MARIO K. ESPINOSA
President



EZRA L. PANOPIO
Assistant Vice President, Head - Controllershship



HENRY B. SALAZAR
Assistant Vice President, Acting Head - Treasury

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Statements of Financial Position
As at September 30, 2018 and December 31, 2017
(In Philippine Peso)

EXHIBIT 1

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	948,055,308	789,027,864
Receivables, net	436,862,333	446,206,479
Inventories	3,450,822	3,420,610
Other current assets	23,157,510	18,784,759
Total Current Assets	1,411,525,773	1,257,439,712
Non-Current Assets		
Investments	926,950,952	926,950,952
Investment property	14,738,325,500	14,738,325,500
Property and equipment, net	659,868,948	665,179,677
Deferred tax assets	26,946,039	26,946,039
Other non-current assets, net	194,027,436	189,823,329
Total Non-Current Assets	16,546,118,874	16,547,225,497
TOTAL ASSETS	17,957,644,648	17,804,665,209
LIABILITIES		
Current Liabilities		
Financial liabilities	22,929,237	20,173,458
Other financial liabilities (Due to NG and GOCCs)	9,482,975,816	9,290,004,216
Inter-agency payables	7,740,278	2,948,043
Trust liabilities	41,215,884	43,625,984
Deferred credits/unearned income	22,662,709	24,556,428
Total Current Liabilities	9,577,523,923	9,381,308,129
Non-Current Liabilities		
Deferred tax liabilities	4,595,207,954	4,595,207,954
Trust liabilities	3,789,629	3,789,629
Total Non-Current Liabilities	4,598,997,583	4,598,997,583
TOTAL LIABILITIES	14,176,521,506	13,980,305,712
EQUITY		
Revaluation surplus	454,864,653	454,864,651
Deficit	(4,482,504,633)	(4,439,268,275)
Stockholders' equity	7,808,763,121	7,808,763,121
Total Equity	3,781,123,142	3,824,359,497
TOTAL LIABILITIES AND EQUITY	17,957,644,648	17,804,665,209

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Statements of Comprehensive Income
For the Nine Months Ended September 30
(In Philippine Peso)

EXHIBIT 2

	2018	2017 (As restated)
Income		
Service and business income	242,004,177	262,953,383
Gains	222,907	583,543
Other non-operating income	49,334	114,004
Total Income	242,276,418	263,650,929
Expenses		
Personnel services	32,931,471	27,446,038
Maintenance and other operating expenses	28,534,513	18,741,082
Financial expenses		
Penalty charges on unpaid concession fee	192,971,600	192,971,800
Bank charges	850	450
Direct costs	25,878,418	28,196,701
Non-cash expenses	5,618,555	4,593,203
Total Expenses	285,935,407	271,949,274
Profit Before Tax	(43,658,989)	(8,298,345)
Income tax expense	0	0
Net Income	(43,658,989)	(8,298,345)
Other Comprehensive income/(loss)	0	0
Comprehensive Income	(43,658,989)	(8,298,345)

EXHIBIT 3

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Statements of Changes in Equity
As of September 30, 2018 (Unaudited) and September 30, 2017 (Unaudited)
(In Philippine Peso)

Particulars	Share Capital	Share Premium	Subscriptions Receivable	Treasury Stock	Revaluation Surplus	Equity Adjustment - Loans Transf. to Nat'l Gov't	Retained Earnings (Deficit)	TOTAL EQUITY
Balances, December 31, 2017	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,653	5,551,726,307	(4,439,268,275)	3,824,358,499
Correction of Prior Years' Error							422,630	422,630
	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,653	5,551,726,307	(4,438,845,644)	3,824,782,130
Net Income							(43,658,989)	(43,658,989)
As of September 30, 2018	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,653	5,551,726,307	(4,482,504,633)	3,781,123,142
Balances, December 31, 2016	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	534,193,247	5,551,726,307	(7,489,622,694)	853,333,684
Correction of Prior Years' Error							(59,413)	(59,413)
	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	534,193,247	5,551,726,307	(7,489,682,097)	853,274,271
Net loss, as restated							(8,298,345)	(8,298,345)
As of September 30, 2017	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	534,193,247	5,551,726,307	(7,497,980,442)	844,975,926

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Statements of Cash Flows
(In Philippine Peso)

EXHIBIT 4

	Nine Months Ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue share	97,763,319	43,632,182
Rental	76,026,509	131,515,721
Service Income	30,701,249	29,087,635
Others	327,874	568,964
	204,818,950	204,804,502
Payments to:		
Suppliers	(43,403,217)	(41,146,881)
Employees	(52,970,147)	(48,032,291)
Directors	(6,778,468)	(3,447,992)
Consultants/Retainers	(1,688,805)	(486,888)
Cash Provided by Operations	99,978,313	111,690,451
Deficiency tax paid	(893,414)	-
Taxes and licenses paid	(2,618,418)	(2,201,808)
Net Cash Provided by Operating Activities	96,466,481	109,488,643
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(421,938)	(461,145)
Proceeds from Sale of Fixed Assets/Scrap materials	24,220	1,194,311
Interests	7,388,671	5,199,476
Dividends	55,570,010	57,946,350
Net Cash Provided by Investing Activities	62,560,963	63,878,992
NET INCREASE IN CASH AND CASH EQUIVALENTS	159,027,444	173,367,635
CASH AND CASH EQUIVALENTS, BEGINNING, JAN. 1,	789,027,864	490,718,321
CASH AND CASH EQUIVALENTS, ENDING, SEPT. 30,	948,055,308	664,085,956

EXHIBIT 5

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

1.5. Notes to Interim Financial Statements

1.5.1. Earnings (loss) Per Share

The Company's earnings (loss) per share is presented on the face of the Statement of Comprehensive Income (Exhibit 2). Said earnings (loss) per share is computed by dividing the net income (loss) by the number of outstanding common shares.

1.5.2. Disclosure that the issuer's interim financial report is in compliance with the generally accepted accounting principles

The interim financial statements of the Company are prepared on a historical cost basis, except for investment property and property and equipment which are carried at revalued amounts. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All amounts are rounded off to the nearest peso except when otherwise indicated.

Under Commission on Audit (COA) Circular No. 2015-003 dated April 16, 2015, for the purpose of determining the applicable financial reporting framework for Government Corporations, PNCC is classified as a Government Business Enterprise (GBE). In line with this classification, the Company's financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

1.5.3. Notes to Financial Statements

1.5.3.a. Accounting Policies and Methods

- 1.5.3.a.1. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

1.5.3.a.2. Revenue Recognition

Revenue and Dividend Share from Joint Venture Companies (JVCs)

Pursuant to the Supreme Court En Banc Decision, as discussed in Note 1 to the 2017 Audited Financial Statements, the Company no longer recorded the tollways income from the North and South Luzon Tollways (NLT and SLT).

Pending issuance of the Implementing Rules and Guidelines for the determination of the amounts due to the Company for its administrative expenses, the Company recognized 10 percent of its share from the JVCs gross toll revenues, in accordance with the interim rules and guidelines issued by TRB.

Dividend income is recognized when the Company's right to receive the payment is established.

Rental Income

Rental income from operating leases, wherein substantially all the risks and rewards of ownership are retained by the Company as a lessor, is recognized on a straight-line basis over the term of the relevant lease. The rent income is derived from the Company's properties not used in business and being leased out to third parties for a certain period, renewable under such terms and conditions as may be agreed upon by both parties.

Service Income and Cost

Service income and costs are recognized on the basis of percentage of completion method.

Other Income

Other income is recognized when earned.

1.5.3.a.3 Allowance for Impairment Losses on Loans and Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by Management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the customer's and lessee's payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

1.5.3.a.4 Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are comprised of insurance premiums, other prepaid items, and creditable

withholding taxes. Prepayments that are expected to be realized for no more than 12 months after the reporting date are classified as current assets; otherwise, these are classified as other non-current assets.

Prepayments also include inventories consisting principally of construction materials, spare parts, and supplies which are stated at cost, generally determined by the average cost method for a significant portion of domestic inventories and by the first-in, first-out method for other inventories. Allowance for inventory writedown is provided for all non-moving/obsolete items.

1.5.3.a.5 Investments

The Company accounts for its investments in wholly-owned/controlled subsidiaries at cost. Allowance for impairment is provided.

The Company believes that the effects of not consolidating the subsidiaries are not material to the financial statements because these subsidiaries are no longer operating, except for DISC Contractors, Builders and General Services, Inc. (DCBGSI) which has been incurring losses, resulting in accumulated deficit. In addition, in 2015, the Company has initiated the process of closing its subsidiaries that are no longer operating and those that are losing. On October 1, 2015, as part of the reorganization and streamlining of Company operations, PNCC assumed the operations of DCBGSI which now operates as a separate division of the Company.

In a regular board meeting held on November 14, 2011, the PNCC Board resolved to comply with the mandate of the Supreme Court to transfer and turn over to the National Government (NG) the shares of stock in tollway Joint Venture Companies (JVCs) which PNCC is holding in trust for the NG.

Available for sale equity securities (club shares) are recorded/measured/presented at fair market value as provided for under Philippine Interpretations Committee (PIC) Q&A 6-02.

1.5.3.a.6 Investment Property

Investment property is comprised of land or building or both held to earn rentals or for capital appreciation or both. Investment property is recognized as an asset when and only when it is probable that future economic benefits associated with the property flows to the entity and the cost of the property can be measured reliably.

Investment property is initially measured at cost. Subsequent to initial recognition, the account is stated at fair value, which has

been determined based on the valuations performed by independent firms of appraisers. The changes in fair value from year to year are recognized in profit or loss.

1.5.3.a.7

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment in value. Property and equipment are subsequently carried at revalued amounts.

Depreciation commences once the property and equipment are available for use and is computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives (in years)
Land improvements	10
Buildings and improvements	10 to 33
Construction equipment	2 to 10
Transportation equipment	3 to 5
Office equipment, furniture and fixtures	5
Others	2 to 7

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged against operations.

When the assets are retired or otherwise disposed of, the cost and related accumulated depreciation and impairment in value are removed from the accounts and any gain or loss resulting from their disposal is recognized in profit or loss.

1.5.3.a.8

Revaluation Increment in Property

The increase in the property and equipment's carrying amount as a result of revaluation is credited to equity under the heading of "Revaluation Increment in Property". The revalued asset is being depreciated and, as such, part of the revaluation increment is being realized as the asset is used. Realization of the revaluation increment is credited to "Retained Earnings" account.

Piecemeal realization of the revaluation increment is effected on a yearly basis.

1.5.3.a.9

Borrowing Costs

Borrowing costs are expensed as incurred. These costs represent the two per cent penalty charges imposed by the Toll Regulatory Board (TRB) on unpaid concession fees.

1.5.3.a.10

Income Taxes

Current income tax assets or liabilities comprise of those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period that are uncollected or unpaid at reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statements of comprehensive income.

For financial reporting purposes, deferred tax assets are recognized for the carry forward benefits of unused tax credits from Net Operating Loss Carry-Over (NOLCO) and from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

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 profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

1.5.3.b Comments about the seasonality or cyclicity of interim operations

- Not applicable -

1.5.3.c Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents

- Not applicable -

1.5.3.d Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effects in the current interim period

- Not applicable -

1.5.3.e Issuances, repurchases, and repayments of debt and equity securities

PNCC was not able to make any settlement of its concession fee obligation to the Toll Regulatory Board (TRB) during the nine months ended and as of September 30, 2018. The last payment was made on December 2016.

Penalty charges of 2% accruing from the TRB loan are continuously recognized in the books.

The Company intends to pay recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of FCA to pay liabilities to the National Government (NG). The Company sent a letter dated July 21, 2015 to the OP recognizing its liability to the NG in the amount of P7.9 billion and proposing to "pay off the recognized obligations, particularly given that the obligation to the TRB for unpaid concession fees carries with it a penalty of two percent per month." The Company is awaiting the decision of the OP.

1.5.3.f Payment of dividend

There were no dividends paid during the nine months ended September 30, 2018.

1.5.3.g Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

- None -

1.5.3.h Effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition, or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

- None -

1.5.3.i Changes in contingent liabilities or contingent assets since the last annual balance sheet date

- None -

1.5.3.j Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period

1.5.3.j.1 Pending Lawsuits and Litigations:

The Company is involved in continuing litigations relating to labor and civil cases. The ultimate outcome of these litigations cannot be determined yet and no provision for any liability that may result can be made in the financial statements.

The labor cases consist of those filed against the Company comprised mostly of claims for illegal dismissal, backwages, separation pay, and unpaid benefits. Most of these cases have been ruled by the Labor Arbiter in favor of the complainant. However, these cases are on appeal by the Company before the National Labor Relations Commission, Court of Appeals and Supreme Court.

The civil cases filed against the Company consist of cases involving damages, collection of money, and attorney's fees, which are still in litigation before various Regional Trial Courts. On the other hand, those filed by the Company against other individuals or companies consist of suits involving sums of money, damages, and breaches of contract which involve undeterminable amount of money.

1.5.3.j.2 Tax Matters

As stated in Note 29 of the 2017 Audited Financial Statements, the Company was assessed by the Bureau of Internal Revenue (BIR) for deficiencies in various taxes. However, no provision for any liability has been made yet in the Company's financial statements.

- Deficiency internal revenue taxes for taxable year 1980 (income tax, contractor's tax, and documentary stamp tax) totaling P212.52 million.
- Deficiency business tax of P64 million due the Belgian Consortium, the Company's partner in its LRT Project.
- Deficiency internal revenue taxes for taxable year 1992 (income tax, value-added tax, and expanded withholding tax) of P1.04 billion which was reduced to P709 million after the Company's written protest.
- Deficiency internal revenue taxes for the taxable year 2002 totaling P72.92 million.
- Deficiency taxes for taxable year 2006 amounting to P116.141 million (inclusive of interest of P48.76 million).
- Deficiency internal revenue taxes for the taxable year 2009 in the amount of P87.414 million (basic tax of P51.957 million and interest/penalty charges of P9.763 million).

EXHIBIT 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 2.1 Comparable discussion that will enable the reader to assess material changes in financial condition and results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year.

Financial Position:

As of September 30, 2018, the Company's resources totaled P17.958 billion, higher by P152.979 million or 0.86% compared to the December 31, 2017 figure of P17.805 billion.

The increase in resources was mainly attributable to the increase in cash and cash equivalents provided by the Company's operating and investing activities, as offset by the decrease in receivables due to cash collections.

Please refer to Item 2.2.e for further analysis of material changes in the financial statements.

Results of Operations:

The Company's net loss of P43.659 million for the nine months ended September 30, 2018 increased by P35.361 million or 426.12% compared to the reported net loss of P8.298 million for the same period of 2017. This is mainly due to the 8.11% decrease in total revenue, brought about by the 31.84% net decrease in rental income from its leased FCA property in Pasay City, 28.65% decrease in revenue from DISC service operations, 4.76% decrease in dividend share from JVC, and as offset by 16.76% increase in revenue share from Joint Venture Corporations (JVC).

Key Performance Indicators:

Please refer to Exhibit 7 for the analysis of the Company's key performance indicators.

Item 2.2 Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations on the following:

2.2.a Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

- 2.2.a.1 The Company's inability to settle its outstanding obligations with the TRB and the National Government brought about by the difficulties in collecting receivables from various government agencies.
- 2.2.a.2 Pending labor cases which consist of those filed against the Company involving dismissal, back wages, and separation pay; most of which had been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).
- 2.2.a.3 Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC).
- 2.2.a.4 Pending assessments on deficiency taxes. Discussion is contained under Item 1.5.3.j.2 including courses of actions already undertaken by the Company to address the issue.

To address PNCC's liquidity concern, the Company implemented a program of manpower rightsizing in 2001 and has been pursued gradually until the quarter. The program will be considered in the succeeding quarters/years until the Company attains manpower complement to match its present revenue level which is generated by its share in the Joint Venture Companies' gross toll revenue and its earnings from the leased FCA property.

The Company does not have material off-balance sheet transactions and arrangements during the reporting period.

As of reporting quarter, there is nothing that trigger direct or contingent financial obligation that is material to the Company, except for the default in payment of its TRB loan and the recognition of debts to the National Government.

- 2.2.b Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

- None -

- 2.2.c Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations

The following had affected the revenue generating capacity of the Company:

- The veering away from the construction business since 2002;

- The turnover of the North Luzon Tollway operations to the MNTC on February 10, 2005;
- The turnover of its South Luzon Tollway operations to SLTC/MATES on May 2, 2010; and
- DPWH's takeover of the Daang Hari Project (pursuant to its PPP mandate).

2.2.d Any significant elements of income or loss that did not arise from the issuer's continuing operations

- Not applicable -

2.2.e The causes for any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements

Balance Sheet	AS AT		INCREASE/(DECREASE)		Remarks
	September 30, 2018	December 31, 2017	Amount	%	
Cash and cash equivalents	948,055,308	789,027,864	159,027,444	20.15%	Attributable to cash flow provided by operating and investing activities
Other current assets	23,157,510	18,784,759	4,372,751	23.28%	Attributable to increase in prepaid income taxes and various annual insurance policies regularly paid for at the beginning of the year
Financial liabilities	22,929,237	20,173,458	2,755,779	13.66%	Attributable to accrual of various operating expenses
Inter-agency Payables	7,740,278	2,948,043	4,792,235	162.56%	Attributable to accrual of various tax payables
Deferred credits/unearned income	22,662,709	24,556,428	(1,893,719)	-7.71%	Attributable to payments of deferred output taxes

Income Statement	FOR THE NINE MONTHS ENDED		INCREASE/(DECREASE)		Remarks
	September 30, 2018	September 30, 2017	Amount	%	
Service and business income	242,004,177.26	262,953,383	(20,949,205)	-7.97%	Mainly attributable to decrease in rental income from FCA property and DISC service operations
Gains	222,906.65	583,543	(360,636)	-61.80%	Attributable to the decrease in gain on sale of property and equipment
Other non-operating income	49,334	114,004	(64,670)	-56.73%	Attributable to the decrease in miscellaneous income
Personnel services	(32,931,471)	(27,446,038)	(5,485,433)	-19.99%	Attributable mainly to increase in manpower count, salaries, wages, and allowances
Maintenance and other operating expenses	(28,534,513)	(18,741,082)	(9,793,431)	-52.26%	Attributable to increase in insurance premiums, taxes, and other operating expenses
Direct costs	(25,878,418)	(28,196,701)	2,318,283	8.22%	Attributable to decrease in costs incurred for materials and overhead
Non-cash expenses	(5,618,552)	(4,593,203)	(1,025,349)	-22.32%	Attributable to depreciation of property and equipment
Comprehensive Income	(43,658,986)	(8,298,345)	(35,360,642)	-426.12%	Mainly attributable to the decrease in revenue from service and business income and increase in personnel, maintenance, and other operating expenses

2.2.f Any seasonal aspects that had a material effect on the financial condition or results of operations

- Not applicable -

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Schedule of Key Performance Indicators

EXHIBIT 7

Performance Indicators	AS OF		Explanation
	September 30, 2018	December 31, 2017	
Current/Liquidity Ratios Current Ratio (Current Assets divided by Current Liabilities)	0.15	0.13	This ratio evaluates the ability of the company to pay its current debt promptly.
Solvency Ratios Debt to Assets (Total Liabilities divided by Total Assets)	78.94%	78.52%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.
Debt to Equity (Total Liabilities divided by Total Equity)	374.93%	365.56%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business.

Performance Indicators	AS OF		Explanation
	September 30, 2018	December 31, 2017	
Asset to Equity Ratio (Total Assets divided by Total Equity)	474.93%	465.56%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.

Performance Indicators	NINE MONTHS ENDED		Explanation
	September 30, 2018	September 30, 2017	
Interest Rate Coverage Ratio (Income before Interest/Penalty divided by Interest/Penalty)	122.62%	104.30%	Determines how easily a company can pay interest on outstanding debt.
Profitability Ratios Return on Assets [Net Income (Loss) divided by Total Assets]	-0.24%	-0.05%	Measures the company's earnings in relation to all the resources it had at its disposal.
Return on Equity [Net Income (Loss) divided by Total Equity]	-1.15%	-0.22%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owner's capital.