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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No. 0000030939

Company Name PHIL. NATL. CONS. CORP.

Industry Classification

Company Type Stock Corporation

Document Information

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Period Covered March 31, 2019

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Department CFD

Remarks

COVER SHEET

S.E.C. Registration Number

[illegible]

(Company's Full Name)

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(Business address: No. Street City / Town / Province)

MARIANO JESUS S. AVERIA

Contact Person

846-2906

Company Telephone Number

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Month Day

Fiscal Year

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FORM TYPE

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| 0 | 3 |
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| 4 th | Tuesday |
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Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

[illegible]

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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 March 31, 2019
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 1700
Address of issuer's principal office 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
Special Common
Preferred

75,000,000
10,000,000
10,000,000
95,000,000

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 Feria 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 [x] 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 [x]

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

Yes [x] 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 March 31, 2019 and December 31, 2018 |
| Exhibit 2 | Statements of Comprehensive Income for the three months ended March 31, 2019 and March 31, 2018 |
| Exhibit 3 | Statements of Changes in Equity for the three months ended March 31, 2019 and March 31, 2018 |
| Exhibit 4 | Statements of Cash Flows for the three months ended March 31, 2019 and March 31, 2018 |
| 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.

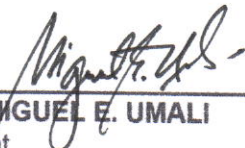
SIGNATURES

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

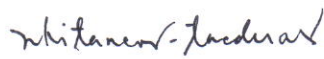
By:



ATTY. MIGUEL E. UMALI
President



CRISTY M. MEDIAVILLO
Head - Treasury



VERONICA B. TACDERAS, CPA
Head - Controllershship

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Statements of Financial Position

As at March 31, 2019 and December 31, 2018

(In Philippine Peso)

EXHIBIT 1

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|----------------------------------|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | 377,062,234 | 205,158,385 |
| Short-term investments | 733,604,525 | 730,179,490 |
| Receivables, net | 422,208,557 | 466,782,133 |
| Inventories | 3,502,827 | 3,709,987 |
| Other current assets | 23,794,419 | 23,119,740 |
| Total Current Assets | 1,560,172,562 | 1,428,949,735 |
| Non-Current Assets | | |
| Investments | 926,990,952 | 926,990,952 |
| Investment property | 14,738,325,500 | 14,738,325,500 |
| Property and equipment, net | 657,398,652 | 658,570,260 |
| Deferred tax assets | 28,798,000 | 40,978,113 |
| Other non-current assets, net | 85,364,460 | 174,478,572 |
| Total Non-Current Assets | 16,436,877,564 | 16,539,343,397 |
| TOTAL ASSETS | 17,997,050,126 | 17,968,293,132 |
| LIABILITIES | | |
| Current Liabilities | | |
| Financial liabilities | 16,018,997 | 14,680,110 |
| Other financial liabilities (Due to NG and GOCCs) | 9,611,623,516 | 9,548,006,516 |
| Inter-agency payables | 8,539,010 | 8,399,828 |
| Trust liabilities | 35,553,334 | 39,363,786 |
| Deferred credits/unearned income | 20,140,767 | 25,501,119 |
| Total Current Liabilities | 9,691,875,624 | 9,635,951,359 |
| 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 | 14,290,873,207 | 14,234,948,942 |
| EQUITY | | |
| Revaluation surplus | 454,864,651 | 454,864,651 |
| Deficit | (4,557,490,853) | (4,530,323,582) |
| Stockholders' equity | 7,808,803,121 | 7,808,803,121 |
| Total Equity | 3,706,176,919 | 3,733,344,190 |
| TOTAL LIABILITIES AND EQUITY | 17,997,050,126 | 17,968,293,132 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Statements of Comprehensive Income
For the Six Months Ended March 31
(In Philippine Peso)

EXHIBIT 2

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Income | | |
| Service and business income | 64,913,208 | 95,135,964 |
| Gains | 529,869 | - |
| Other non-operating income | 1,561,578 | 6,651 |
| Total Income | 67,004,655 | 95,142,615 |
| Expenses | | |
| Personnel services | (9,243,555) | (8,765,296) |
| Maintenance and other operating expenses | (11,009,372) | (10,749,466) |
| Financial expenses | | |
| Penalty charges on unpaid concession fee | (63,617,000) | (63,617,000) |
| Bank charges | (310) | - |
| Direct costs | (8,507,265) | (8,600,451) |
| Non-cash expenses | (1,601,419) | (1,859,253) |
| Total Expenses | (93,978,921) | (93,591,466) |
| Profit Before Tax | (26,974,266) | 1,551,149 |
| Income tax expense | 0 | 0 |
| Net Income | (26,974,266) | 1,551,149 |
| Other Comprehensive income/(loss) | 0 | - |
| Comprehensive Income | (26,974,266) | 1,551,149 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Statements of Changes in Equity

As of March 31, 2019 (Unaudited) and March 31, 2018 (Unaudited)

(In Philippine Peso)

EXHIBIT 3

| Particulars | Share Capital | Share Premium | Subscriptions Receivable | Treasury Stock | Revaluation Surplus | Equity Adjustment - Loans Transf. to Nat'l Gov't. | Retained Earnings (Deficit) | Other Comprehensive Income | TOTAL EQUITY |
|----------------------------------|----------------------|-------------------|-----------------------------|---------------------|---------------------|---|--------------------------------|-------------------------------|----------------------|
| Balances, December 31, 2018 | 2,283,758,120 | 46,137,443 | (56,158,831) | (16,699,918) | 454,864,651 | 5,551,726,307 | (4,530,323,582) | 40,000 | 3,733,344,190 |
| Correction of Prior Years' Error | - | - | - | - | - | - | (193,005) | - | (193,005) |
| | 2,283,758,120 | 46,137,443 | (56,158,831) | (16,699,918) | 454,864,651 | 5,551,726,307 | (4,530,516,587) | 40,000 | 3,733,151,185 |
| Net income/(loss) | - | - | - | - | - | - | (26,974,266) | - | (26,974,266) |
| As at March 31, 2019 | 2,283,758,120 | 46,137,443 | (56,158,831) | (16,699,918) | 454,864,651 | 5,551,726,307 | (4,557,490,853) | 40,000 | 3,706,176,919 |
| Balances, December 31, 2017 | 2,283,758,120 | 46,137,443 | (56,158,831) | (16,699,918) | 454,864,651 | 5,551,726,307 | (4,439,268,275) | - | 3,824,359,497 |
| Correction of Prior Years' Error | - | - | - | - | - | - | - | - | - |
| | 2,283,758,120 | 46,137,443 | (56,158,831) | (16,699,918) | 454,864,651 | 5,551,726,307 | (4,439,268,275) | - | 3,824,359,497 |
| Net income/(loss) | - | - | - | - | - | - | 1,551,149 | - | 1,551,149 |
| As at March 31, 2018 | 2,283,758,120 | 46,137,443 | (56,158,831) | (16,699,918) | 454,864,651 | 5,551,726,307 | (4,437,717,126) | - | 3,825,910,646 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Statements of Cash Flows
(In Philippine Peso)

EXHIBIT 4

| | Three Months Ended March 31 | |
|--|-----------------------------|--------------------|
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Revenue share | 71,811,114 | 64,568,804 |
| Rental | 14,526,208 | 32,862,068 |
| Service Income | 13,280,051 | 13,955,797 |
| Others | 132,167 | 116,905 |
| | 99,749,540 | 111,503,574 |
| Payments to: | | |
| Suppliers | (18,540,435) | (20,664,263) |
| Employees | (18,973,950) | (14,431,987) |
| Directors | (1,759,984) | (2,455,173) |
| Consultants/Retainers | (735,861) | (821,177) |
| Cash Provided by Operations | 59,739,310 | 73,130,974 |
| Taxes and Licenses | (2,339,494) | (2,618,418) |
| Net Cash Provided by Operating Activities | 57,399,816 | 70,512,556 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property, Plant & Equipment | (226,635) | (120,291) |
| Proceeds from Sale of Fixed Assets/Scrap materials | 872,528 | - |
| Interests | 2,445 | 2,308,628 |
| Dividends | 13,796,750 | 26,489,760 |
| Others | 100,058,945 | |
| Net Cash Provided by Investing Activities | 114,504,033 | 28,678,097 |
| NET INCREASE IN CASH | 171,903,849 | 99,190,654 |
| CASH, BEGINNING, JANUARY 1 | 205,158,385 | 789,027,864 |
| CASH, ENDING, March 31 | 377,062,234 | 888,218,518 |

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 using the historical cost basis. The interim financial statements are presented in Philippine Peso, which is the Company's functional currency. All amounts rounded off to the nearest peso except otherwise indicated.

The interim financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Standards Board (IASB), and approved by the Philippine Board of Accountancy.

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.

The most recent annual financial statements were reclassified/converted to adopt the Revised Chart of Accounts pursuant to COA Circular No. 2015-010 dated December 1, 2015.

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 three months ended and as of March 31, 2019. 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 three months ended March 31, 2019.

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 31 of the 2018 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 March 31, 2019, the Company's resources totaled P17.977 billion, higher by P28.757 million or 0.16% compared to the December 31, 2018 figure of P17.968 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 P26.974 million for the three months ended March 31, 2019 decreased by P28.525 million or 1838.99% compared to the reported net income of P1.551 million for the same period of 2018. This is mainly due to the 29.57% decrease in total income, as offset by the 0.41% increase in total expenses.

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 |
|-----------------------|-------------------|----------------------|---------------------|---------|---|
| | March 31, 2019 | December 31, 2018 | Amount | % | |
| Cash | 377,062,234 | 205,158,385 | 171,903,849 | 83.79 % | Attributable to cash flow provided by operating and investing activities |
| Receivables, net | 422,208,557 | 466,782,133 | (44,573,576) | -9.55% | Attributable to the decrease in receivables due to cash collections |
| Other Current Assets | 23,794,419 | 23,119,740 | 674,679 | 2.92% | Attributable to various annual insurance policies regularly paid for at the beginning of the year |
| Inter-agency Payables | 8,539,010 | 8,399,828 | 139,182 | 0.02% | Attributable to accrual of various tax payables |
| Deferred Credits | 20,140,767 | 25,501,119 | (5,360,352) | 0.21% | Attributable to payments of deferred output taxes |

| FOR THE NINE MONTHS ENDED INCREASE/(DECREASE) | | | | | |
|---|-------------------|-------------------|--------------|-----------|---|
| Income Statement | March 31, 2019 | March 31, 2018 | Amount | % | Remarks |
| Service and business income | 64,913,208 | 95,135,964 | (30,222,756) | -31.77% | Attributable to the decrease in rental revenues from FCA Property due to the non-renewal of leases of the FCA property effective May 31, 2018 and discontinued operations of PhilPhos |
| Gains | 529,869 | 0 | 529,869 | 100.00% | Attributable to the increase in gain on sale of property and equipment |
| Other non-operating income | 1,561,578 | 6,651 | 1,554,927 | 23378.85% | Attributable to the increase in miscellaneous income |
| Personnel services | (9,243,555) | (8,765,296) | (478,259) | -5.46% | Attributable mainly to increase in Salaries and Wages of regular employees |
| Maintenance and other operating expenses | (11,009,372) | (10,749,466) | (259,906) | -2.42% | Attributable to increase in Director's Fees, Airfare/hotel accommodation and other operating expenses |
| Direct cost | (8,507,265) | (8,600,451) | 93,186 | 1.08% | Attributable to decrease in costs incurred for materials, labor and overhead |
| Non-cash expenses | (1,601,419) | (1,859,253) | 257,834 | 13.87% | Attributable to depreciation of property and equipment |

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 |
|---|-------------------|----------------------|---|
| | March 31, 2019 | December 31, 2018 | |
| Current/Liquidity Ratio | | | |
| Current Ratio (Current Assets divided by Current Liabilities) | 16.10 | 14.83 | <p>This ratio evaluates the ability of the company to pay its current debt promptly.</p> <p>Current ratio increased from 14.83 as of December 31, 2018 to 16.10 as of March 31, 2019. This was mainly due to the higher increase in current assets that compensated for the increase in current liabilities.</p> |
| Solvency Ratios | | | |
| Debt to Assets (Total Liabilities divided by Total Assets) | 79.41% | 79.22% | <p>Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is finance by debts.</p> <p>The ratio has increased from 79.22% as of December 31, 2018 to 79.41% as of March 31, 2019 due to additional operating revenues that were offset by the 2% penalty charges on unpaid concession fees.</p> |
| Debt to Equity (Total Liabilities divided by Total Equity) | 385.60% | 381.29% | <p>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.</p> <p>The ratio has increased from 381.29% as of December 31, 2018 to 385.60% as of March 31, 2019.</p> |
| Asset to Equity Ratio | | | |
| (Total Assets divided by Total Equity) | 485.60% | 481.29% | <p>Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.</p> <p>The ratio has improved from 481.29% as of December 31, 2019 to 485.60% as of March 31, 2019.</p> |

| Performance Indicators | THREE MONTHS ENDED | | Explanation |
|--|--------------------|-------------------|---|
| | March 31, 2019 | March 31, 2018 | |
| Interest Rate Coverage Ratio (Income before Interest/Penalty divided by Interest/Penalty) | 57.60% | 102.44% | <p>Determines how easily a company can pay interest on outstanding debt.</p> <p>The ratio decreased from 102.44% for the quarter ended March 31, 2018 to 57.60% for the quarter ended March 31, 2019 due to the net decrease in income before penalty by 43.77%</p> |
| Profitability Ratios | | | |
| Return on Assets [Net Income (Loss) divided by Total Assets] | -0.15% | 0.01% | <p>Measures the company's earnings in relation to all the resources it had at its disposal.</p> <p>The ratio decreased from 0.01% for the quarter ended March 31, 2018 to -0.15% for the quarter ended March 31, 2019 due to the -1838.99% decreased in the Company's net profit.</p> |
| Return on Equity [Net Income (Loss) divided by Total Equity] | -0.73% | 0.04% | <p>Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owner's capital.</p> <p>The ratio decreased from 0.04% for the quarter ended March 31, 2018 to -0.73% for the quarter ended March 31, 2019 due to the -1838.99% decreased in the Company's net profit.</p> |