

Business Development & Description of Subsidiaries

PNCC has a number of subsidiaries legally in existence but for the past three years were inactive. These are wholly-owned subsidiaries namely the Traffic Control Products Corp. (TCPC), Tierra Factors Corp. (TFC), CDCP Farms, Inc. and PNCC Skyway Corp. were among the inactive.

There are subsidiaries such as Land Management and Development Corp., Managerial Resources Corp., Manila Land Corp., San Ramon Ranch, Inc. and San Roque Ranch, Inc. where PNCC's investments are still carried in the books, but with no management files or records.

In September 2013, the Governance Commission for GOCC's (GCG) recommended the abolition of the following PNCC subsidiaries: 1) Alabang-Sto Tomas Development, Inc. (ASDI); 2) DISC Contractors, Builders and General Services, Inc.(DCBGS); 3) Traffic Control Products Corporation (TCPC); 4) CDCP Farms Corporation (CDCP-FC), and Tierra Factors Corporation (TFC). Furthermore, GCG recommended the creation of a Technical Working Group (TWG) to coordinate the implementation of said abolition. The TWG shall be composed of the GCG, together with the representatives of the following government agencies, as regular members : 1) Department of Trade and Industry; 2) Securities and Exchange Commission, and 3) PNCC. Special members are composed of : 1) ASDI; 2) DCBGS; 3) TCPC; 4) CDCP-FC, and 5) TFC. Meanwhile, the PNCC Management has been undertaking the necessary steps to dissolve the inactive subsidiaries. Despite of the recommendation of the GCG, the PNCC Board decided to propose an alternative disposition for DCBGS.

DISC Contractor's, Builders and General Services, Incorporated (DCBGS) is the lone subsidiary left active and financially viable.



DISC Contractor's, Builders and General Services, Incorporated (DCBGS)

The Dasmariñas Industrial and Steelworks Corporation (DISC) was a steel fabrication arm of the PNCC. A wholly-owned subsidiary established in 1973 under the Systems Construction Group (SCG), its main industry was to manufacture prefabricated steel structures for the various construction projects of PNCC.

SCG marketed its products under the label "Systemas" and remarkably succeeded in helping PNCC reduce construction costs, accelerate completion dates and improve over-all product quality. In 1979, to further promote and enhance its steel products, the PNCC Management decided to separate SCG from the mother company to become a totally independent enterprise and named it Dasmariñas Steelworks Corporation (DSC). The name was supposedly derived from the name of the place where the new company was intended to be located in Dasmariñas, Cavite.

Meanwhile, in that same year, another subsidiary was established by CDCP, the Dasmariñas Industrial Corporation (DIC), which was spun off from the Special Operations Group of the CDCP. This new firm handled the manufacturing, assembly and repowering of heavy construction equipment.

In 1981, in order to support the country's efforts to upgrade the local steel fabrication industry, DSC and DIC were merged and became what was known as the Dasmariñas Industrial and Steelworks Corporation or DISC.

The DISC continued to support the country's industrial program by supplying the structural steel requirements of the nation. It offered services that covered fabrication and erection of necessary structural steels. It also provided services in design and detailed engineering works; sandblasting and painting; rebar



works as well as in dismantling and demolition of existing facilities, equipment leasing; as well as construction materials testing.

In the first quarter of 2006, the Securities and Exchange Commission has issued a certificate approving the quasi-reorganization of the company, with corporate acts involving the increase of capitalization where PNCC converted its receivables into equity, and changed the name of the corporation to DISC Contractor's, Builders and General Services, Incorporated (DCBGS).

On April 30, 2011, the Corporation closed its operations in Iligan City due to the recurring overhead expenses without compensatory revenues. To mitigate the growing deficit, the Corporation's workforce was reduced.

The Corporation now holds office at the PNCC Compound, Km. 15 East Service Road, Bicutan, Parañaque City.

DCBGS offers the following services :

- **General Engineering** which includes Civil and Architectural, Road and Bridges, Site Development, Infrastructure Works, Water Supply and Drainage, Pile Driving;
- **Structural Steel Fabrication and Erection Works** comprises Structural Steel Frames & Structural Components, Ducts, Penstocks & Piping Works, Sheet Metal Fabrication and Finishes, Demolition and Dismantling, Sandblasting and Painting, Heat Exchanges, Atmospheric and Pressure Vessels Tower, Tanks and Silos;
- **Materials Testing & Quality Control** for Soils and Soil Aggregate, California Bearing Ratio, Grading, Liquid / Plastic Limit, Field Density, Coarse and Fine Aggregates, Grading, Specific Gravity, Unit Weight, Abrasion, Field Density, Asphalt, Extraction/Grading, Marshall Stability & Flow, Specific Gravity, Field Density Determination, Concrete, Compressive/flexure strength, Reinforcing Steel Bars (all sizes), Tensile strength and Bending
- **General Services** consists of Janitorial, Towing, Greening and Grass Cutting, Landscaping Services, Patrol Services and Job Contracting
- **Heavy Equipment Leasing** for cranes, backhoes, graders, concrete power, etc.

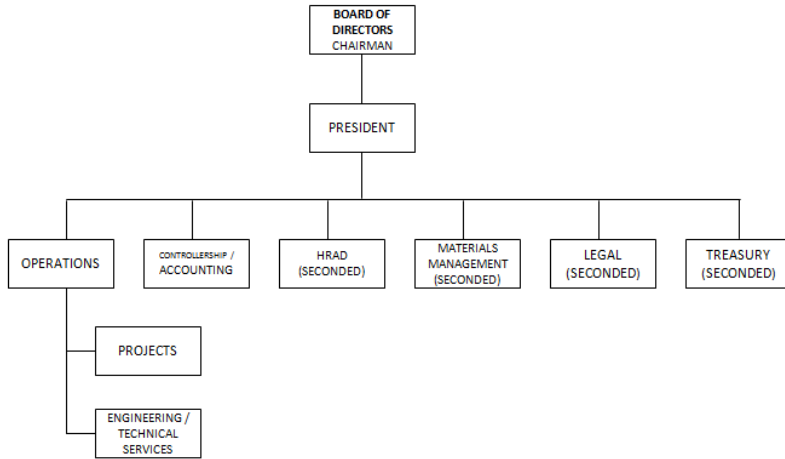
The DCBGS's client roster includes Philippine National Construction Corporation, Skyway Operations and Maintenance Corp. (SOMCO), Philippine Phosphate Fertilizers, Inc., Global Steelworks (NSC), various equipment lessees and materials testing clients. Its competitors are TAISEI Philippines, Roblette Corporation, TACOPHILE Engineering, Metaphil, Meiscor, Grand Span, Stonerich Builders.

Steel materials suppliers of the company includes Remington Industrial, Topmark Steel Corporation, P.I. Hardware & Milling Supply, Rapid Forming Corporation, Jowood Industries and Regan Industrial Supply.



Organizational Setup of DCBGSi for 2014 is as follows:

2014 TABLE OF ORGANIZATION



Manpower Complement

	2014
Executive	2
Managerial	2
Supervisor	14
Rank & File	172
TOTAL	190

Financial Highlights

DCBGSi's gross revenue experienced a marked decrease of 13% in 2012, 19% in 2013 and increase of 1.63% in 2014. The decrease in gross revenue was largely attributed to the completion in 2012 of some awarded projects in Philphos and the adverse effect of typhoon Yolanda also in Philphos operations.

Among the major projects undertaken and expanded during these previous three (3) years were: (1) PhilPhos Structural Steel Rehabilitation Projects, (2) supply of manpower for the Skyway O&M and for PNCC, and (3) various equipment rental projects in Luzon.

During these years, cost to revenue ratios were posted at 73% in 2012, 76% in 2013 and 77% in 2014, as a result of improvements in labor productivity and instituting standards for monitoring raw material prices relative to total budgeted amounts. Also, the hiring of local labor for the Philpos Project, was promoted to reduce the overall cost of employee benefits, compared to hiring from Iligan or Luzon which would have cost DCBGSi more in employee costs.

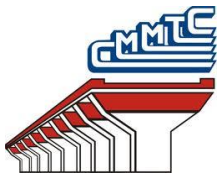
Bottom line figures in the last three (3) years were posted at ₱ 10.2 million net income in 2012, ₱ 3.13 million net loss in 2013 and ₱ .406 million net income in 2014. Net profit ratio were posted at 11% in 2012, (4.1%) in 2013 and 0.5% in 2014.

DCBGSi has maintained its liquidity to acceptable and viable levels, maintaining a current ratio exceeding 3:1 yearly average from 2012 to 2014. DCBGSi has been able to sustain its operations largely from internal cash and more favorable supplier credit terms.

Business Development of Affiliates

In compliance with the Supreme Court decision, the company has transferred and turned over the shares of stock in tollway joint venture companies through a Deed of Compliance to Transfer Shares of Stock to the National Government under Supreme Court Decision in G.R. Nos. 166910, 169917, 173630, and 183599.

The only joint venture company left to PNCC after the turn over to National Government is Citra Metro Manila Tollways Corporation (CMMTC) the Operation and Maintenance Corporation for Skyway at grade level or Skyway Operation and Maintenance (SOMCO). These two JVs were created pursuant to Presidential Decree No. 1894, which expanded PNCC's original franchise by granting firstly, the further "right, privilege and authority to, construct, maintain and operate any and all such extensions, linkages or stretches, together with the toll facilities appurtenant thereto, from any part of the North Luzon Expressway, South Luzon Expressway as may be approved by the Toll Regulatory Board (TRB)"; and, secondly, the right to construct and operate the Metro Manila Expressway, also named as the "Metro Manila Tollway" (C-6).



*Citra Metro Manila Tollways Corporation and
Skyway Operation and Maintenance*



Citra Metro Manila Tollways Corporation (CMMTC), a Joint Venture Company or the Investor Company was incorporated on 27 November 1995 to pursue the South Metro Manila Skyway Project (SMMS), i.e., the present at-grade level and Skyway stretching from Nichols to Alabang, southbound, and to Buendia, northbound. CITRA has a 30-year concession period which commenced in December 1998. Originally, PNCC owned 20% of CMMTC with ₱551 million infused as equity. As of 2008, however, following the exercise of pre-emptive rights to which PNCC issued a waiver, PNCC's equity participation was reduced to 11%. PNCC continues to hold two board seats in CMMTC.

In 2006, PNCC was able to secure a share of the gross revenues of the Skyway from CMMTC, similar to the arrangement with the MNTC of NLEX and SLTC of SLEX. This concession was secured in return for PNCC's willingness to dilute its shareholdings in CMMTC, as the latter raised financing for the Skyway II extension project.

Skyway O&M Corporation (SOMCO) is the operations and maintenance corporation for the Skyway section where PNCC has 20% participation. This, however, remains unissued because of legal difficulties with CMMTC. SOMCO was incorporated on December 12, 2007 and took over the O&M role from the PNCC Skyway Corporation on 31 December 2007.