SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTELY 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, 2006

2. SEC Identification Number 30939 3. BIR Tax Identification No. 000-058-330-000-V

4. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

5. Metro Manila, Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. PNCC Complex, EDSA corner Reliance Street, Mandaluyong City
Address of principal office Postal Code

8. 631-84-31 to 56 FAX No. 631-53-62/631-53-19
Registrant's telephone number, including area code

9. ____
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to 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
	95,000,000
	========

Note:

The Philippine National Construction Corporation (PNCC) has some 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued to different Government Financial Institution in 1983. For purposes of registration of said shares, PNCC with Feria Law Offices as consultant filed its Amended Registration Statement on 15 August 2001. On December 19, 2001, 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 the Philippine Stock Exchange.

Yes [x] No [ ]

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

<u>PHILIPPINE STOCK EXCHANGE (PSE)</u>

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 Section 11 of the RSA Rule 11(a)-1 thereunder, and Section 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 90 days.

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of RSA Rule 68, Form and Content of Financial Statements shall be furnished as specified therein. (refer to attached)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (refer to attached)

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

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.

Issuer **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**

Signature and Title .... Chief Financial Officer

Date May 15, 2006

Signature and Title .... Corporate Controller

Principal Financial/Accounting Officer/Controller MIRIAM M. PASETES/HENRY T. MURILLO

Date May 15, 2006

PART 1 - FINANCIAL INFORMATION (Item 1 - Financial Statements)
(Item 1.1 - Balance Sheet)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Comparative Balance Sheet
As of March 31, 2006 and As of December 31, 2005
(In Thousand Pesos)

ASSETS	March 31 2006 (Interim)	Dec. 31 2005 (Unaudited)
CURRENT ASSETS		
Cash	25,881	30,993
Marketable Securities	714	709
Receivables and Advances	1,876,131	1,765,521
Inventories	43,210	44,621
Prepayments	125,912	123,114
Total Current Assets	2,071,848	1,964,958
LONG-TERM RECEIVABLES	0	0
INVESTMENTS	603,189	603,189
EXPRESSWAYS		
Cost	2,540,299	2,539,776
Appraisal Increase	5,790,350	5,790,350
Appraised Value	8,330,649	8,330,126
Acc. Depreciation - Cost	(2,168,278)	(2,129,591)
Acc. Depreciation - Appraisal Increase	(2,937,868)	(2,430,005)
Sound Value, Expressways	3,224,503	3,770,530
Construction in Progress	0	0
Total Expressways	3,224,503	3,770,530
PROPERTY, PLANT, AND EQUIPMENT		
Cost	2,497,812	2,506,348
Accumulated Depreciation	(466,126)	(467,026)
Net Book Value	2,031,686	2,039,322
Repairs in Progress	757	131
Total Property, Plant, and Equipment	2,032,443	2,039,453
DEFERRED CHARGES AND OTHER ASSETS	108,787	115,488
ASSETS PROPOSED FOR WRITE-OFF	9,615,422	9,615,422
ALLOWANCES FOR LOSSES	(9,615,422)	(9,615,422)
	0	0
TOTAL ASSETS	**8,040,770**	**8,493,619**

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31 2006 (Interim)	Dec. 31 2005 (Unaudited)
CURRENT LIABILITIES		
Accounts Payable	593,999	612,008
Accrued Costs and Expenses	200,623	178,978
Short-term Loans	162,997	162,997
Current Portion of Long-term Debts	5,585,399	5,464,221
Total Current Liabilities	6,543,018	6,418,204
ACCOUNTS PAYABLE-APT (net)	119,086	119,096
LONG-TERM DEBTS	46,976	58,429
ADVANCES FROM CLIENTS	367,251	366,521
TOTAL LIABILITIES	7,076,331	6,962,250
STOCKHOLDERS' EQUITY		
Capital Stock - Common	1,636,710	1,636,710
- Special Common	3,722	3,722
- Preferred A	14,000	14,000
- Preferred B	186,895	186,895
- Preferred C	64,851	64,851
- Preferred D	255,000	255,000
Subscribed - Common	107,738	107,738
- Special Common	14,843	14,843
Capital in Excess of Par Value	46,329	46,329
Revaluation Increment in Property	14,463,921	14,463,921
Equity Adjustment from Translation	2,037,688	2,037,688
Equity Adjustment on Liabilities - Recommended for Write-off	597,640	597,640
Equity Adjustment Under Rehab Plan- Loans Transferred to National Gov't	5,425,098	5,425,098
Equity Adjustment on Loss of Assets	(9,615,422)	(9,615,422)
Deficit	(14,203,692)	(13,636,763)
Treasury Stocks	(14,722)	(14,722)
Subscription Receivables	(56,159)	(56,159)
TOTAL STOCKHOLDERS' EQUITY	964,439	1,531,369
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**8,040,770**	**8,493,619**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGING SCHEDULE OF RECEIVABLES & ADVANCES
AS OF MARCH 31, 2006 (P000)

			PAST DUE				
	AMOUNT	**CURRENT**	**01-30**	**31-60**	**61-90**	**91-120**	**OVER 120**
01. UNBILLED CONTRACT RECEIVABLE	3,475						3,475
02. BILLED CONTRACT RECEIVABLE	209,825						209,825
03. CONTRACTUAL RETENTION RECEIVABLE	5,654						5,654
04. ACCOUNTS RECEIVABLE-TRADE	44,793	111		148			44,534
05. ACCOUNTS REC'BLE/PAYABLE-SUBS.& AFF	226,388	(63)	3,442	838	3,254	2,610	216,307
06. ACCOUNTS RECEIVABLE-OFF.& EMPL.	4,641	953	144	942	437	53	2,112
07. CLAIMS RECEIVABLE	110,514			10	4,801		105,703
08. OTHER ACCOUNTS RECEIVABLE	566,352	9,221	29,179	31,265	33,515	30,736	432,436
09. ADVANCES TO SSS/ECC BENEFITS	648	112	143	39	48	20	286
10. ADVANCES TO SUB-CON	26,389						26,389
11. ADVANCES TO SUPPLIER	6,641	1,156	78	632	1,240	754	2,781
12. ADVANCES TO CONTRACT OWNER	636						636
SUB-TOTAL	**1,205,956**	**11,490**	**32,986**	**33,874**	**43,295**	**34,173**	**1,050,138**
13. ADVANCES TO CESLA	32						
14. ADVANCES TO JOINT VENTURE	457,740						
15. INPUT TAX (net of output tax)	127,700						
16. ACCOUNTS RECEIVABLE-INTERUNITS (net)	84,703						
SUB-TOTAL	**670,175**						
TOTAL	**1,876,131**						

PART 1 - FINANCIAL INFORMATION (Item 1 - Financial Statements)
(Item 1.2 - Income Statement)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATIOI
Comparative Income Statement
For the First Quarter of 2006 and 2005
(In Thousand Pesos)

PARTICULARS	Jan to Mar 2006	Jan to Mar 2005
REVENUES		
Construction Operations	200	34,704
Equipment Management	5,806	8,665
Tollways Operations	205,810	209,387
Total Revenue	211,816	252,756
COSTS AND EXPENSES		
Construction Operations	860	30,998
Equipment Management	11,005	12,553
Tollways Operations	250,343	239,731
Total Costs and Expenses	262,208	283,282
CONTRIBUTION MARGIN		
Construction Operations	(660)	3,706
Equipment Management	(5,199)	(3,888)
Tollways Operations	(44,533)	(30,344)
Total Contribution Margin	(50,392)	(30,526)
CORPORATE OVERHEAD	37,141	29,398
INCOME (LOSS) FROM OPERATIONS	(87,533)	(59,924)
OTHERS		
Interest and Financing Charges	(136,422)	(130,810)
Office Space Rental Income	4,453	2,186
Interest Income	118	2,621
Other Income (Expenses)	(287,681)	(457,868)
Guarantee Fees	(1,197)	(1,197)
	(420,729)	(585,068)
INCOME (LOSS) BEFORE TAX	**(508,262)**	**(644,992)**
PROVISION FOR INCOME TAX	0	0
NET INCOME (LOSS)	**(508,262)**	**(644,992)**
Earnings (loss) per share presented for:		
(a) income (loss)	(2.88)	(3.66)
(b) number of outstanding common shares	176,229,023	176,239,023

PART 1 - FINANCIAL INFORMATION (Item 1 - Financial Statements)
(Item 1.3 - Statement of Changes in Equity)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Stament of Changes in Equity
For the First Quarter of 2006 and 2005
(In Thousand Pesos)

	Jan to Mar 2006	Jan to Mar 2005
CAPITAL STOCK:		
Issued/Subscribed:		
Balance at the beginning of the year	2,283,759	2,283,759
Issuance during the year	-	-
Exercise of stock option	-	-
Balance at the end of the quarter	2,283,759	2,283,759
Capital in Excess of Par Value;		
Balance at the beginning of the year	46,329	46,329
Premium on exercised stock option	-	-
Balance at the end of the first quarter	46,329	46,329
Subscriptions Receivable:		
Balance at the beginning of the year	(56,159)	(56,159)
Exercise of stock options	-	-
Collections	-	-
Balance at the end of the first quarter	(56,159)	(56,159)
Treasury Stock	(14,722)	(14,722)
	2,259,207	2,259,207
REVALUATION INCREMENT IN PROPERTY:		
Balance at the beginning of the year	14,463,921	14,463,921
Appraisal increase	-	-
Amortization	-	-
Adjustment (over/under take-up)	-	-
Balance at the end of the year	14,463,921	14,463,921
EQUITY ADJUSTMENTS:		
From translation	2,037,688	2,037,688
On liabilities recommended for write-off	5,425,098	5,425,098
Under rehabilitation plan-loans transferred to the Nat'l Govt.	597,640	597,640
On loss of assets	(9,615,422)	(9,615,422)
	(1,554,996)	(1,554,996)
RETAINED EARNINGS (DEFICIT):		
Balance at the beginning of the year	(13,636,763)	(12,053,989)
Net income (loss)	(508,262)	(644,992)
Correction of prior years' earnings	(58,668)	(18,970)
Balance at the end of the year	(14,203,693)	(12,717,951)
STOCKHOLDERS' EQUITY	964,439	2,450,181

Item 1.5 Earnings (loss) Per Share

The Company's earnings (loss) per share is presented on the face of the Income Statement (Item 1.2). Said earnings (loss) per share is computed by dividing the net income (loss) by the number of outstanding common shares.

Item 1.6 Disclosure that the issuer's interim financial report is in compliance with the generally accepted accounting principles

The interim financial statement of the Philippine National Construction Corporation is in compliance with the generally accepted accounting principles.

Item 1.7 Notes to Financial Statements

1.7.a Accounting Policies and Methods

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

Construction income is recognized on a percentage of completion method or completed contract basis. Other revenue is recorded on accrual basis.

Tollway income consists mainly of toll collections in connection with the franchise granted to the Company to construct, maintain, and operate toll facilities in the North and South Luzon Tollway.

Inventories consisting principally of construction materials, spare parts, and supplies 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.

The Company adopted the equity method of valuation for its investments in wholly-owned and controlled subsidiaries, wherein the company reflects as income/loss its share in the earnings/losses of the investees with a corresponding increase/decrease in the value of the investments from the date of acquisition.

The statements are prepared in accordance with the generally accepted accounting principles and under the historical cost method, except for the Expressways account and for certain Property, Plant, and

Equipment account which are carried in the books at their appraised/sound values.

The cost of the franchise is amortized for 20 years; depreciation on expressways and facilities is provided on a straight-line method over the estimated useful lives of the assets or 30 years lease period, whichever is shorter.

Depreciation on property, plant, and equipment is provided on a straight-line method over the estimated useful lives of the corresponding assets. Major repairs and improvements are capitalized; maintenance and repairs are charged to operations in the year expenses are incurred. The cost of assets retired or sold, together with the accumulated depreciation are removed from the accounts and any profit or loss on disposition is credited or charged to other income or expenses.

Certain accounts in 2005 were reclassified to conform with the 2006 presentation in the financial statements.

1.7.b Comments about the seasonality or cyclicality of interim operations

- Not applicable -

1.7.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

The decrease in the Expressways account in the amount of P546.027 million or 14.48% was mainly brought about by the Company's depreciation/amortization of the account during the quarter.

On the other hand, the Company's net loss for the reporting quarter in the amount of P508.262 million was lower by P136.730 million when compared to the same period of last year's figure of P644.992 million. The apparent favorable effect resulted from the reduced operating and maintenance costs, specifically brought about by the turn over of the North Luzon Tollway operation to the MNTC.

1.7.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 -

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

In line with the Company's Board approved settlement of its concession fee obligation with the Toll Regulatory Board (TRB), PNCC, as of March 31, 2006, had paid TRB the total amount of P23 million representing initial payment of P15 million and concession fee amortization of P8 million for the months of January and February 2006. The formulation of payment plan on the cumulative balance has yet to be finalized.

The Company had fully paid its P11.2 million loan plus interests in the amount of P0.864 million (inclusive of 10% value added tax) with the National Development Company (NDC) in February 2006.

As of reporting quarter, however, the Company was not able to repay any current portion of its long-term debt from the Philippine National Bank (PNB).

Interests and penalty charges accruing from both the TRB and PNB loans are continuously recognized in the books.

1.7.f Payment of dividend

There were no dividends paid during the first quarter of 2006.

1.7.g Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting

PNCC's sources of revenues are as follows:

1. Tollways operation which includes management and maintenance of the North and South Luzon Tollway;
2. Construction operation which presently is focused on in-house projects (i.e. Tollway related projects); and
3. Equipment management which includes equipment rental and sale of construction related products.

The following tables present the revenue and income information and certain asset and liability information regarding the business segments for the quarters ended March 31, 2006 and March 31, 2005. Segment assets and liabilities exclude income tax assets and liabilities.

For the Period Ended March 31, 2006 (P000):	**Tollways**	**Construction**	**Eqpt. Mngt.**	**Others**	**Total**
Revenue:					
Total revenue	205,810	200	5,806	-	211,816
Segment results	(44,533)	(5,199)	(660)	-	(50,392)
Net income	(42,145)	(660)	(2,683)	(462,774)	(508,262)
Assets and Liabilities:					
Segment assets	780,100	247,695	354,836	6,652,141	8,034,772
Segment liabilities	1,765,936	157,999	57,053	5,095,343	7,076,331
Other segment information:					
Expressway (net)	663,140	-	-	2,561,363	3,224,503
Property, Plant, & Equipment (net)	24,923	-	86,017	1,921,503	2,032,443
Depreciation/Amortization	159,768	-	1,235	392,599	553,602

For the Period Ended March 31, 2005 (P000):	Tollways	Construction	Eqpt. Mngt.	Others	Total
Revenue:					
Total revenue	209,387	34,704	8,665	-	252,756
Segment results	(30,344)	3,706	(3,888)	-	(30,526)
Net income (loss)	(25,002)	3,706	(3,010)	(620,686)	(644,992)
Assets and Liabilities:					
Segment assets	1,393,170	266,210	362,866	7,113,623	9,135,869
Segment liabilities	1,750,860	139,269	55,200	4,750,816	6,696,145
Other segment information:					
Expressway (net)	1,284,234	-	-	3,244,818	4,529,052
Property, Plant, & Equipment (net)	22,710	38	86,182	1,937,464	2,046,394
Depreciation/Amortization	157,585	-	1,817	396,065	555,467

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

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

1.7.i 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

- Not applicable -

1.7.j Changes in contingent liabilities or contingent assets since the last annual balance sheet date

- Not applicable -

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

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 has been made in the books. The Company's management and its legal counsels believe that the final resolutions of these claims will have material effect on the financial position of the Company as this will involve undeterminable amount of money.

The labor cases consist of those filed against the Company involving mostly of illegal dismissal, backwages, and separation pay. Most of these cases have been ruled by Labor Arbiter in favor of the complainant. However, these cases are on appeal by PNCC before the National Labor Relation Commission (NLRC).

On the other hand, the civil cases filed against the Company consist of cases involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC). Those filed by the Company against other individual companies *consist of suits involving sum of money, damages, and breach of contract which involve undeterminable amount of money.*

Contingent Liabilities:

1. *Asiavest Merchant Bankers (M) Berhad vs. PNCC - A Writ of Execution dated August 08, 2002 was issued by the RTC-Pasig City ordering the implementation/execution of the judgement rendered by the Supreme Court of the Philippines directing the defendant PNCC to pay the amount adjudged by the High Court of Malaysia in Kuala Lumpur dated September 13, 1985 in the estimated amount of P254.162 million (inclusive of interests). This resulted to the RTC's issuance of Notice of Garnishment on September 24, 2002.*

2. *Radstock Securities Limited vs. PNCC - The RTC-Mandaluyong City, in its Decision dated December 10, 2002, ordered PNCC to direct payment in the total amount of P13.152 billion (inclusive of interests and attorney's fees). The RTC, in its order dated January 23, 2001, also granted the Complainant's prayer for the issuance of a Writ of Preliminary Attachments against PNCC, resulting in the garnishment of PNCC's bank accounts and attachment of substantial portion of its real properties. The said case is now pending with the Supreme Court which issued a Temporary Restraining Order (TRO) on March 14, 2003 (amended on March 19, 2003 by Resolution) directed against any further proceedings in the lower courts.*

3. *The Bureau of Treasury (BTr) has written PNCC with regard to the P2.532 billion advances as of December 31, 2005 (inclusive f P1.299 billion interest) made by the BTr to settle PNCC's foreign obligations with creditors. Said loans are included in the Equity Adjustment under Rehab Plan which are among the accounts transferred by the PNCC to the National Government through the Asset Privatization Trust (now Privatization Management Office) pursuant to PNCC's rehabilitation plan of 1987 and are no longer recorded as liabilities in the books.*

   A recent strategic plan designed by Management aims to address the BTr advances by way of conversion of equity or long-term notes.

Tax Matters:

The Company was assessed by the Bureau of Internal Revenue (BIR) of its deficiencies in various taxes. However, no provision for any liability has been made yet in the financial statements.

(a) 1980 Deficiency income tax, deficiency contractor's tax and deficiency documentary stamp tax assessments by the BIR totaling P212.523 million.

PNCC sought reinvestigation of the case on November 08, 1995, and as a consequence, the BIR issued a final decision on September 09,2004 ordering PNCC to pay the amount of P101.458 million or a reduction of P111.874 million representing deficiency contractor's tax. The BIR resolved to cancel and withdraw the said assessment, it being bereft of merit and lack of legal basis, thus finding PNCC's contention meritorious.

The BIR, however, reiterated the demand to pay the amount of P101.458 million for deficiency income tax (P97.414 million) and deficiency documentary stamp tax (P4.044 million) plus increments that may have accrued until actual payment.

PNCC, in its letter of February 15, 2005 to the BIR, informed the latter through its Collection and Enforcement Division, that in the interest of fairness and due process, the Company had filed a Petition with the Department of Justice (DOJ) seeking reversal of the Bureau's resolution holding PNCC still liable for the aforesaid tax deficiencies and had applied for an interim order or measure from the DOJ to suspend or stop the collection of subject amount pending resolution of the Petition.

(b) Deficiency business tax due the Belgian Consortium of which the Company was a partner amounted to P64 million.

(c) 1992 Deficiency income tax, deficiency value-added tax and deficiency expanded withholding tax of P1.04 billion which was reduced to P709 million after the Company's written protest.

Management, however, requested for a meeting/conference for the clarification of the issue, the reduced amount still being the result of a jeopardy assessment. The Bureau has not responded to date.

(d) In addition to the above, the Company, in its letter of November 2001, had informed the BIR of its unpaid withholding taxes on compensation, creditable withholding taxes (expanded), withholding value-added tax, and final income taxes on fringe benefits totaling to P125.44 million which cover the period October to November 1998, September to December 2000, and January to December 2001. It was emphasized in the said letter that the difficulty in servicing the remittances stemmed mainly from the uncollected receivables from projects mostly undertaken for government agencies. In view of the collection problem still being encountered by the Company from the different government agencies/contract owners, the management, in its effort to assure the BIR of its willingness to pay its tax obligations despite the financial difficulties it has been into, presented several settlement options such as but not limited to the following:

(d.1) Settlement over an extended period of up to five (5) years and in the event of improvement in the Company's cash flow, servicing of the account will be accelerated.

To date, however, this option may not be feasible considering the aforesaid collection problems coupled with the turn-over of its North Luzon Tollway operation to the MNTC on February 10, 2005 which had entailed separation of the Company's personnel and had caused payment of some P675 million for separation/retrenchment benefits.

(d.2) Offsetting of various receivables from the government projects versus their budget allocation from the Department of Budget and Management; and/or

The Company, in its letter of December 20, 2004 to the BIR, formally offered portion of its receivables from the Philippine Merchant Marine Academy (PMMA), which is deemed sufficient to pay the tax obligation.

(d.3) Offsetting versus input taxes which will involve PNCC's filing of its claims and the BIR's validation or relevant records.

The Company, in its letter of January 22, 2004 to the BIR, requested that its net input tax of P116.5 million as of even date (which stood at P126.717 million as of reporting quarter) be shifted from the previous claim of input tax carry *over to the issuance of tax credit certificates, which will subsequently be used to pay the aforesaid tax obligations.*

Continuous coordination is being made with the concerned BIR officers regarding the Company's admitted/unremitted tax obligations.

PART 1 - **FINANCIAL INFORMATION** (Item 2 – Management Discussion and Analysis [MDA] 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 Condition:

As of March 31, 2006, the Company's resources totaled P8.041 billion, down by P452.849 million or 5.33% compared to the December 31, 2005 figure of P8.494 billion.

The reduction in resources was mainly due to the decrease in the Expressway account, resulting from the amortization/depreciation for the reporting quarter.

Presented hereunder is the discussion of the Company's and its majority-owned subsidiaries' key performance indicators:

Performance Indicators	P N C C As of 03/31/06	 As of 03/31/05	Explanation
Current Ratio (Current Assets / Current Liabilities)	0.317	0.303	The Company's ability to meet its current obligations as they fall due increased from P0.303 to P1.00 as of the 1st quarter of 2005 to P0.317 to P1.00 as of the same period of 2006. This was brought about by the 11.94% increase in the current assets vis-a-vis the 7.07% increase in current liabilities.
Quick Ratio (Quick Assets / Current Liabilities)	0.291	0.275	The increase in the quick ratio or acid test ratio was also due to the reasons stated above.
Total Debt to Total Assets	88.0%	73.2%	The Company's debt to assets ratio showed its inability to repay its maturing long-term obligations, with an 88.0% ratio as of the first quarter of 2006 compared with a 73.2% ratio as of the same period last year. Payment of separation benefits to retrenched officers/employees is presently being prioritized.
Total Debt to Equity	733.7%	273.3%	The poor total debt to equity ratio of the Company was brought about by its inability to pay maturing obligations (due to prioritization of payment of separation benefits to retrenched officers/employees) coupled with the incurrence of
Asset Turnover (Sales or Revenue / Average Total Assets)	2.6%	4.6%	The very mininal asset turnover of the Company was attributable to the non-maximization of its resources/equipments due to the temporary veering away with the construction business.

Performance Indicators	Subsidiaries		Explanation
	As of 03/31/06	As of 03/31/05	
Current Ratio (Current Assets / Current Liabilities)	0.913	0.894	The subsidiaries' ability to pay its maturing current obligation as of the 1st quarter of 2006 was P0.019 higher than the P0.894 ratio as of the same period of 2005. This resulted from the 17.08% reduction in current assets vis-à-vis the 26.82% reduction in current
Quick Ratio (Quick Assets / Current Liabilities)	0.819	0.826	The reduction in the quick ratio or acid test ratio was due to the reduction in quick assets by 27.46% compared to the reduction in current liabilities by 26.82%.
Total Debt to Total Assets	107.6%	108.5%	The subsidiaries' inability to meet its maturing obligations was evidenced by its debt to assets ratio of 107.6% as of the reporting quarter, with a very slight improvement compared to its ratio of 108.5% as of the same period last year.
Total Debt to Equity	-1407.4%	-1273.5%	The subsidiaries projected a negative debt to equity ratio with 1407.4% as of the 1st quarter of 2006 compared with 1273.5% as of the same period of 2005.

Results of Operation:

For the quarter ended March 31, 2006, the Company's net loss amounted to P508.262 million, lower by P136.730 million compared to the reported net loss of P644.992 million for the same period of 2005.

During the quarter, the Company's operation is focused mainly on the South Luzon Tollway operation [as the operation and maintenance of the North Luzon Tollway had been turned-over to the Manila North Tollway Corporation (MNTC) on February 10, 2005], resulting in the very minimal revenue on construction and equipment rental operations.

The loss during the first three (3) months of operation were caused by the following: (1) the loss from operation totaling P87.533 million which accounted for 17.22% of the total; (2) the interests and financing charges accruing from the Company's unpaid obligations with the PNB and TRB amounting to P136.422 million, representing 26.84% of the total; and (3) the related amortization of the appraisal increase in North Luzon Tollway assets which is 76.65% of the total.

For Item 3 above, Management intend to write-off the sound value of the said assets due to the turn over of the North Luzon Tollway operations to the MNTC. Actual write-off in the books, however, will be effected upon the Commission on Audit's (COA) concurrence on the proposed write-off.

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 PNB and the TRB was brought about by the difficulties in collecting receivables from various government agencies.

Faced with the above difficulty, the Company still had managed to pay TRB the amount of P23 million as of the reporting quarter, which matter is discussed under Item 1.7.e.

2.2.a.2 The Company has also some contingent liabilities with respect to the claims and lawsuits, including among others the Asiavest Merchant Bankers (M) Berdad and Radstock Securities Limited, as earlier discussed under Item 1.7.k.

2.2.a.3 Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have 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.4 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.5 Pending assessments on deficiency taxes. Discussion is contained under Item 1.7.k, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during 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 significantly by its Tollway operations.

In addition, the Company has designed a Corporate Strategic Plan, which significantly involves a Financial Restructuring Program/Balance Sheet Clean-Up. The said program will specifically address the following:

- *Servicing of all government accounts with the TRB, the BTr, and the NDC via conversion of the obligations into long-term debt or equity;*
- *Payment of PNB loans via dacion en pago of mortgaged properties;*
- *Payment to the BIR via offset against receivables from government agencies; and*
- *Payment of retrenchment to employees, to be sourced from the collection from the MNTC and the South Luzon Tollway Corporation (SLTC).*

The Company does not have material off-balance sheet transaction and arrangement during the reporting period, except for contingent obligations/liabilities which were earlier discussed under Item 1.7.k of the Notes to Interim Financial Statements.

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 PNB and TRB loans, discussed in the 1st paragraph of this Item and the contingent liabilities mentioned in the preceding paragraph.

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

- Not applicable -

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

- Not applicable -

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

Material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements

Balance Sheet (P000)	As of		Increase (Decrease)		Explanation of Variances
	03/31/06	12/31/05	Amount	%	
Cash	25,881	30,993	(5,112)	(16.49)	Payment of separation/retrenchment benefits of employees.
Receivables and Advances	1,876,131	1,765,521	110,610	6.27	Bulk represents the Company's 6% share in the MNTC's gross toll revenue.
Expressways	3,224,503	3,770,530	(546,027)	(14.48)	Depreciation/amortization for the quarter.
Deferred Charges and Other Assets	108,787	115,488	(6,701)	(5.80)	Amortization of the pre-operating/other assets account during
Accrued Costs and Expenses	200,623	178,978	21,645	12.09	Accrual of various operating costs.
Long-term Debts	46,976	58,429	(11,453)	(19.60)	Reclassificatior of account from Long term to Current Portion of Long-term Debt.

Income Statement (P000)	For the First Quarter Ended		Increase (Decrease)		Explanation of Variances
	03/31/06	03/31/05	Amount	%	
Income from Construction Operations	200	34,704	(34,504)	(99.42)	Completion of Tollway related/in-house projects.
Income from Equipment Management Operations	5,806	8,665	(2,859)	(32.99)	Limited outside market for equipment rental due to the continued decline in the construction industry.
Cost of Construction Operations	800	30,998	(30,198)	(97.42)	In direct relation to the completion of Tollway related/in-house projects, as discussed above.
Cost of Equipment Management Operations	11,005	12,553	(1,548)	(12.33)	Manpower/cost reduction.
Corporate Overhead	37,141	29,398	7,743	26.34	Engagement of the services of new consultants, creation of several Board Committees, and several out-of-town trips.
Other Income and Expenses	287,681	457,868	(170,187)	(37.17)	Bulk pertains to the North Luzon Tollway expenses resulting from the turn over of its operation to the
Office Space Rental Income	4,453	2,186	2,267	103.71	New Contracts of Lease entered into by and between PNCC and new tenants.
Interest Income	118	2,621	(2,503)	(95.50)	Terminatior of various money market placements.

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

- Not applicable -