

6th August 1999

FIRST PACIFIC'S NENACO'S FIRST HALF LOSS NARROWS 55% TO P129 MLN

Negros Navigation Company Inc. (Nenaco), the shipping arm of First Pacific's Philippine flagship, Metro Pacific Corporation, announced today that its net loss before exceptional items narrowed 55 per cent in the year's first six months to P129 million from a year earlier, helped by the improved performance of its passenger transport business.

Consolidated revenue declined 6 per cent to P1,079, reflecting the de-consolidation of its SeaAngels fast-ferry operation, which was merged in the second half of last year with the Supercat fast-ferry business of Aboitiz Parkview Transport Holdings Inc. Revenue from ongoing activities improved 8 per cent.

Operating expenses fell 5 per cent to P906 million, due to the de-consolidation of the fast-ferry business, which had incurred P160 million in costs in the year-earlier period. The 13 per cent rise in operating costs of ongoing activities reflected the addition of another vessel, the re-routing of vessels which increased the total miles traveled by the fleet, as well as inflationary cost increases.

Total non-operating costs fell 26 per cent to P353 million. General and administrative expenses increased 32 per cent to P172 million, due to reorganization, rationalization and debt rescheduling expenses, while other charges dropped 48 per cent to P181 million on the back of lower interest rates and lower debt following Metro Pacific's re-capitalization of the business in 1998. Group net debt remained steady at P3,723 million, while bank debt declined 12 per cent to P2,157 million.

Including a P55 million charge for the previously disclosed loss of a vessel due to an accidental fire while the ship was docked and empty of passengers, Nenaco's net loss narrowed 36 per cent to P184 million.

Operational Review

Passenger revenue grew 22 per cent in the first half to P671 million, while passenger volume increased 9 per cent. The strongest growth was registered in the Central Visayas, which rose 63 per cent in revenue and 41 per cent in volume, and in Mindanao, which rose 58 per cent in revenue and 38 per cent in volume.

However, freight revenue contracted 13 per cent to P337 million, and freight volume fell 11 per cent. This downturn stemmed principally from reorganization efforts, including the selective reduction in the number of shipping customers served, to enable the division to focus on premium accounts and improve profitability.

Following the merger of the Group's fast-ferry business, the operation has been successfully combined and has benefited from the closure of its principal competitor based in Cebu, Waterjet Shipping Corp. The operation achieved a first half profit of P15 million, despite recording a modest loss in the first half.

Nenaco's Chairman and CEO, Daniel Lacson, said: "Our Group continues to carefully review operations, focusing on improving the profitability of its vessel routes while continuing to reduce cost overheads wherever possible. Although we instituted a 12 per cent rise in our deregulated passenger fares, this was matched by our competitors while comparable air and land fares rose more significantly."

"We strongly believe further passenger fare and freight increases are required to cover higher operating costs, particularly for imported fuel and vessel spare parts. It was for this reason that the Domestic Ship-owners Association, of which we are a member, filed petitions in May and June with the Maritime Industry Authority for a combined increase of 26.75 per cent in both regulated passage fares and freight rates. We are confident the Authority will approve this increase during the third quarter.

"Looking ahead, competition in the Group's core inter-island passenger and freight transportation business is expected to remain intense. However, given that both these markets belong to the "basic need" sector, we do not foresee any major contraction in the overall market over the remainder of the year," he concluded.

Financial data

NEGROS NAVIGATION CO., INC.
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
For the period ended 30 June 1999 and 1998
(Unaudited)

(Amounts in thousand pesos)	Six months ended 30 th June		Three months ended 30 th June	
	1999	1998*	1999	1998*
Revenues	1,079,344	1,150,541	592,256	601,102
Operating cost and expenses	<u>905,949</u>	<u>957,874</u>	<u>471,256</u>	<u>526,628</u>
Net income from operations	173,395	192,667	121,000	74,473
General and administrative expenses	<u>172,086</u>	<u>130,327</u>	<u>88,731</u>	<u>66,452</u>
(Loss)/income before financing charges	1,309	62,340	32,269	8,022
Other charges	<u>180,756</u>	<u>345,165</u>	<u>65,340</u>	<u>144,576</u>
Loss before income tax	(179,447)	(282,825)	(33,071)	(136,554)
Provision for income tax				
Current	4,886	4,312	2,101	2,634
Deferred	<u>(55,472)</u>	<u>0</u>	<u>(18,504)</u>	<u>0</u>
Loss before minority interests	(128,861)	(287,137)	(16,668)	(139,188)
Minority interests	<u>255</u>	<u>222</u>	<u>77</u>	<u>154</u>
Loss before extraordinary items	(129,117)	(287,359)	(16,745)	(139,342)
Extraordinary items (less applicable taxes of P25,903)	<u>(55,044)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net loss for the period	(184,161)	(287,359)	(16,745)	(139,342)
Retained earnings (deficit), beginning	<u>(1,735,457)</u>	<u>26,012</u>	<u>0</u>	<u>0</u>
Retained deficit, end of period	<u>(1,919,618)</u>	<u>(261,348)</u>	<u>(16,745)</u>	<u>(139,342)</u>
Loss per share (Amounts in pesos)				
Loss before extraordinary items	(0.18)	(0.40)	(0.02)	(0.19)
Extraordinary item, net of tax	(0.08)	-	-	-
Net loss for the period	(0.25)	(0.40)	(0.02)	(0.19)
Weighted average number of shares	<u>723,843,750</u>	<u>723,843,750</u>	<u>723,843,750</u>	<u>723,843,750</u>

* 1998 figures have been restated to be comparable with 1999 data.

**NEGROS NAVIGATION CO., INC.
CONSOLIDATED BALANCE SHEET**

(Amounts in thousand pesos)	As at 30 June 1999 <i>(Unaudited)</i>	As at 31 December 1998 <i>(Audited)</i>
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	110,661	55,884
Receivables, net	278,135	267,472
Inventories, net	350,010	325,816
Deferred income tax assets	105,733	14,179
Other current assets	105,414	101,189
Total current assets	949,953	764,540
INVESTMENTS IN SHARES OF STOCKS OF AND ADVANCES TO AFFILIATED COMPANIES	560,692	532,163
PROPERTY AND EQUIPMENT, net	3,860,111	4,225,846
OTHER ASSETS	81,587	90,950
TOTAL ASSETS	<u>5,452,343</u>	<u>5,613,499</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Loans and notes payable	117,136	450,016
Accounts payable and accrued expenses	615,553	727,514
Accrued interest payable	106,353	127,456
Current portion of long term debts	426,116	363,707
Advances from parent company	508,897	313,611
Total current liabilities	1,774,055	1,982,304
LONG-TERM DEBTS, net of current portion	1,948,898	1,716,865
MINORITY INTEREST	620	484
STOCKHOLDERS' EQUITY	<u>1,728,770</u>	<u>1,913,846</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>5,452,343</u>	<u>5,613,499</u>