



NOL posts 2008 Net Profit of US\$83 million, after restructuring charges of US\$72 million

Fourth quarter net loss of US\$149 million reflects severe deterioration in market conditions and restructuring costs

Singapore, 10 February 2009: Global container shipping and logistics group Neptune Orient Lines (NOL) today reported a net profit for 2008 of US\$83 million, 84% lower than 2007.

The Group's 2008 Core EBIT of US\$213 million was down 64% from the prior year.

For the fourth quarter of 2008 (4Q08), the company reported a net loss of US\$149 million and a loss at Core EBIT level of US\$45 million.

The fourth quarter result includes US\$72 million of restructuring charges.

Revenue for 2008 was up 14% year-on-year to a record US\$9.29 billion.

FINANCIAL HIGHLIGHTS

| | 2008 | 2007 | Change % | 4Q08 | 4Q07 | Change % |
|-----------------------------|-------|-------|----------|-------|-------|----------|
| Revenue (US\$m) | 9,285 | 8,160 | 14 | 2,289 | 2,424 | (6) |
| Core EBIT (US\$m) | 213 | 592 | (64) | (45) | 220 | nm |
| Non-Recurring Items (US\$m) | (53) | 21 | nm | (76) | 8 | nm |
| EBIT (US\$m) | 160 | 613 | (74) | (121) | 228 | nm |
| Net profit (US\$m) | 83 | 523 | (84) | (149) | 196 | nm |

Announcing the results, NOL Group Chairman, Mr Cheng Wai Keung, said: "2008 was a year of dramatic change, in which our Group faced some of the most turbulent conditions in its long history. The impact of the difficult macro-economic environment is reflected in the fourth quarter operating results."

NOL Group President and Chief Executive Officer, Mr Ron Widdows, said: "The results we are announcing today show the impact of a severe market downturn in the latter part of 2008, caused by reduced consumer confidence in the wake of the global economic crisis."

They also take account of significant restructuring costs, which reflect actions taken in the fourth quarter to place the company on a better footing for the conditions ahead.”

“The severity of the collapse in global trade over recent months is without precedent. Since late September 2008, we have seen a consistent, week-by-week drop in shipment levels across nearly all trade routes.”

“Though we recognised early the pattern of decline in market conditions, and took decisive action to reconfigure our business, the adjustments could not fully counter the speed and dramatic nature of the downturn being experienced in global container trades.”

Mr Widdows said the company had acted during the fourth quarter to restructure operations, rationalise container shipping assets and reduce its global workforce.

“We will continue to adjust our business to ensure we weather this storm and emerge from it in the best possible shape. As we navigate through the current tough conditions, we do so with an eye to positioning our business for future growth and to take advantage of the considerable opportunities that will arise in the wake of this business downturn,” said Mr Widdows.

Continuing positive operating cash flows through 2008 have ensured the company’s balance sheet remains strong. At 26 December 2008 the Group had net debt of US\$816 million and a net gearing level of 0.33 times.

BUSINESS SEGMENTS

NOL’s Container Shipping business, APL, recorded a 5% year-on-year rise in annual volumes to 2.47 million FEU (Forty-foot equivalent unit), with particularly strong growth in volumes in the Intra-Asia trade. This, combined with enhanced bunker recoveries, saw APL achieve revenues for the year of US\$7.95 billion, 19% higher than in 2007.

However, there was a rapid deterioration in demand across all trades in the fourth quarter. This, coupled with pro-active capacity management by APL to reduce costs, led to a decline in 4Q08 volumes. APL’s 4Q08 revenues were down 2% to US\$1.96 billion.

APL recorded a Core EBIT level loss for 4Q08 of US\$84 million. As a consequence the Container Shipping segment reported a significantly reduced Core EBIT for the year of US\$73 million, compared to US\$428 million in 2007.

Despite capacity reductions, APL’s average fourth-quarter global utilisation level was 83%, compared to 93% in the equivalent quarter of the prior year.

In Container Shipping, average revenue per FEU for 4Q08 was 7% higher year-on-year. These additional revenues were derived primarily from Transpacific trade as a result of the company’s success earlier in the year in implementing floating bunker fuel surcharges on a majority of Transpacific customer contracts, which were not included in the 4Q07.

Mr Eng Aik Meng, President of APL, said: "Core freight rates (excluding bunker adjustment factors) came under extreme downward pressure during the latter part of the year.

APL's bottom line continued to be affected by significant cost pressures. During the fourth quarter, fuel costs dropped from the record levels experienced in 3Q08, but were still on average 13% higher on a year-on-year basis, excluding bunker hedging factors.

Mr Eng said: "APL took a range of steps during the fourth quarter to address costs and respond to market circumstances. We shaved capacity and reconfigured our service networks, adjusted port calls and service loops and withdrew a number of vessels from service. We announced capacity reductions of 25% in the Asia-Europe trade, 20% in the Transpacific and 16% in the Intra-Asia trade."

APL Logistics delivered 2008 Core EBIT of US\$64 million, up 5%. Logistics' Core EBIT result of US\$16 million for 4Q08 was 24% lower than in 4Q07.

Mr Brian Lutt, President of APL Logistics, said: "Continued product innovation supported by an aggressive focus on costs saw APL Logistics perform well over the year. During the final quarter the global economic slowdown severely impacted the supply chains of the multinational corporations which form the backbone of APL Logistics' customer base, and the results of the Logistics segment came under pressure, especially in the automotive and forwarding segments. APL Logistics will continue to deliver savings to customers through innovation."

The Terminals business segment reported full year Core EBIT of US\$72 million, down 23%, with 4Q08 EBIT of US\$18 million, down 33%.

Mr Steve Schollaert, President of Terminals, said: "The performance of the Terminals unit was adversely affected by large-scale capacity reduction by its liner shipping customers, combined with demand deterioration in US West Coast container trades."

DIVIDENDS

The NOL Board of Directors has recommended a final tax-exempt (one tier) dividend of 4 Singapore cents per share to be paid on 5 May 2009 to the shareholders whose names appear on the Company's share register at close of business on 21 April 2009. This is in addition to the interim tax-exempt (one-tier) dividend of 4 Singapore cents per share paid in September 2008. The total dividend for the 2008 performance year will be 8 Singapore cents per share.

NOL's current dividend policy is to pay the higher of an annual dividend of 8 Singapore cents per share net, or a full-year dividend of 20% of net profits after tax. The Directors have decided that going forward the company will pay an annual dividend of 20% of net profits after tax.

OUTLOOK

Container shipping and related businesses are in the midst of a pronounced downturn which is expected to extend through 2009. Reduced consumer demand worldwide, coupled with excess supply of new vessel tonnage is creating a very difficult business environment.

Conditions similar to those in the fourth quarter of 2008 are expected to continue through 2009. NOL anticipates reporting a loss for the year 2009.

The Group has undertaken a restructuring and will continue to lower its cost base, mitigate losses and improve productivity so as to emerge stronger when the upturn occurs.

4Q08 OPERATING PERFORMANCE (vs 4Q07)

Container Shipping

- Revenue 2% lower at US\$1.96 billion
- Average revenue per FEU up 7% to US\$3,067
- Container volumes down 14% to 574,000 FEUs
- Core EBIT loss of US\$84 million
- EBIT loss of US\$143 million
- EBIT margin of (7.3%) compared to 8.6%

Logistics

- Revenue 14% lower at US\$328 million
- Core EBIT of US\$16 million, down 24%
- EBIT of US\$6 million, down 68%
- EBIT Margin of 1.8% compared to 5.0%

Terminals

- Revenue down 9% to US\$148 million
- Average revenue per lift up 10% to US\$271
- Core EBIT of US\$18 million, down 33%
- EBIT of US\$11 million, down 59%
- EBIT Margin of 7.4% compared to 16.6%

FY08 OPERATING PERFORMANCE (vs FY07)

Container Shipping

- Revenue 19% higher at US\$7.95 billion
- Average revenue per FEU up 11% to US\$3,033
- Container volumes rose 5% to 2.47 million FEU
- Core EBIT of US\$73 million, down 83%
- EBIT of US\$34 million, down 92%
- EBIT margin of 0.4% compared to 6.8%

Logistics

- Revenue steady at US\$1.32 billion
- Core EBIT of US\$64 million, up 5%
- EBIT of US\$53 million, down 7%
- EBIT Margin of 4.0% compared to 4.3%

Terminals

- Revenue 5% lower at US\$577 million
- Average revenue per lift up 5% to US\$260
- Core EBIT of US\$72 million, down 23%
- EBIT of US\$65 million, down 30%
- EBIT Margin of 11.3% compared to 15.3%

-ENDS-

Note to editors:

Click [here](#) for the Corporate Presentation and Financial Statements.

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About NOL

Neptune Orient Lines (NOL) is a Singapore-based global container shipping, terminals and logistics company. Its container shipping arm, APL, provides world-class container shipping services and intermodal operations supported by leading-edge IT and e-commerce. Its Terminals unit has one of the world's leading container terminal networks, with key gateway facilities in Asia and North America. Its logistics business, APL Logistics, provides international, end-to-end logistics services and solutions, employing the latest IT and data connectivity for maximum supply chain visibility and control. NOL Web site: www.nol.com.sg