



CHAIRMAN'S MESSAGE

CHENG WAI KEUNG

Our company is widely regarded as one of the world's best at moving and managing containerised trade. Our high standards of service translate to very strong customer relationships.

In 2008 we saw the sudden collapse of the global banking system and a subsequent loss of confidence within the international trading community. There is little doubt the year will be judged a historic one.

In the first half-year, markets remained buoyant and our performance was solid. We were focused on efficiency, growth and profitability, with each of our businesses making positive contributions to our success. However, like many other companies across the world, NOL faced a dramatic deterioration in operating performance through the second half-year. A decade of uninterrupted growth in international trade gave way to a rapid contraction of our markets and our emphasis shifted to responding as fast as possible to worsening conditions. To their credit, our management led our industry in taking swift, decisive action to position NOL to weather the storm.

For the 2008 financial year, NOL achieved record revenue of US\$9.29 billion, an increase of 14% on the previous year. But in the face of very difficult market conditions, we reported a net profit of US\$83 million, which included restructuring charges of US\$72 million. The full year result reflected solid contributions from our Logistics and Terminals units.

Our Container Shipping business, APL, which contributes the majority of our revenue, grew its container volumes by 5% year-on-year to 2.47 million FEU, but recorded a substantial operating loss in the final quarter which severely reduced the Group's overall full year result. The shipping industry is among the first to experience the effects of reduced consumer spending, but the extent of the recent decline is well beyond the cyclic variations typical of our industry.

Rewarding Shareholders

The Directors have recommended a final dividend of 4 Singapore cents per share net, payable on 5 May 2009. This follows an interim dividend of 4 Singapore cents per share net, paid in September 2008. This will mean that the total dividend for the 2008 performance year will be 8 Singapore cents per share net. Dividends for 2008 are being paid in line

with a company policy of paying 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. Going forward the Board has decided on a change to this dividend policy. NOL will in future pay an annual dividend of 20% of net profits after tax.

A great deal of work has been done in recent years on refining and articulating NOL's strategy for creating long-term value. This strategy includes a prudent approach to investment in new capacity, which has served us well over recent months as trading activity has slowed.

Over 2008, NOL explored and closely monitored opportunities to grow our company through merger and acquisition activity. During the third quarter, we notified the market that we were an active bidder for the German-headquartered Hapag-Lloyd container line. In October we announced that our involvement in the Hapag-Lloyd bidding process had ended and that we would instead concentrate on managing through the shipping downcycle.

Our focus now is on riding out the difficult period ahead and being positioned for growth when conditions improve. By continuing a cautious, measured approach to new investment and staying focused on preserving our strong balance sheet, we will ensure that our shareholders are well-placed to benefit from future recovery.

Corporate Citizenship

NOL's commitment to our four key stakeholder groups – shareholders, customers, employees and communities – is expressed in the key Group document, Our Compass. We strive to act in accordance with the values expressed in Our Compass at all times.

We can be proud that, during the year, our company contributed meaningfully to a range of needy community organisations and responded generously to relief efforts for the Sichuan earthquake in China and Cyclone Nargis in Myanmar.

In early 2008, we distributed more than S\$1 million to a group of 10 charities in Singapore and throughout the year, we maintained an active program of community engagement across the Americas, Europe, North Asia and South Asia.

WE WILL MAINTAIN OUR FOCUS ON LONG-TERM VALUE CREATION FOR SHAREHOLDERS AS WE NAVIGATE THROUGH TURBULENT CONDITIONS.

Governance and Leadership

As a publicly listed company on the Singapore Exchange (SGX), NOL adopts best practices in corporate governance and disclosures. We comply with the Singapore Code of Corporate Governance and our Corporate Governance statement can be found at page 34 of this Report.

NOL is committed to timely disclosure and, in addition to quarterly reporting of the Group's financial results, we release operating performance metrics including freight volumes and average revenue per FEU data on a monthly basis.

We have in place a whistle-blowing policy and hotline to enable staff to raise any concerns about possible improprieties.

In July 2008, Ron Widdows was appointed Group President and CEO of NOL. Ron previously served for six years as CEO of NOL's Container Shipping business, APL. He is the key architect of the successful APL business model, which is based on the principles of keeping our asset base tight, optimising utilisations, careful analysis of the mix of trade and customers we serve, and delivery of excellent service.

We thank the previous Group CEO, Dr Thomas Held, for his contribution during his time at the helm of our company. The transition of leadership was seamless and this ensured NOL was well placed to respond to the global economic crisis as it unfolded through the second half of 2008.

In July, we welcomed Boon Swan Foo as a valuable new addition to our Board of Directors. The NOL Board of Directors embodies many decades of highly relevant industry experience which will help steer NOL through the challenging times ahead. I thank my fellow Board members for the guidance they provide.

In December, Neptune Orient Lines Limited celebrated the 40th anniversary of its incorporation in Singapore. Our history extends back even further, to the first half of the 19th century. 2008 was also the 160th anniversary of the founding of the Pacific Mail Steamship Company, a predecessor business to APL. Throughout our long history, many challenges

have been overcome and we are confident that our company will navigate successfully through this global downturn.

On behalf of the Board, I thank our employees for their efforts in delivering a profitable result in a turbulent year. There is an apt expression: "because the sea will never rest, we must learn to sail in high winds". Our people have shown great resolve in handling difficult conditions.

Finally, I thank our customers and investors for their ongoing support.



CHENG WAI KEUNG
CHAIRMAN

