

OUR FLEXIBLE AND INNOVATIVE SERVICES ADD CONSIDERABLE VALUE TO EUROPEAN CUSTOMERS' SUPPLY CHAINS.

EUROPE

The expanded European Union has significantly increased trade within Europe and with the rest of the world. The region accounts for around 30% of global Gross Domestic Product. Traditional markets such as Germany and the United Kingdom (UK) aside, Eastern European countries continued to emerge as an origin for raw materials and energy and destination for manufactured and finished goods.

For the past several years, NOL's sustained success has mirrored Europe's development, but a hardening business landscape in 2008 meant the Group took steps to restructure its business and better manage costs, while continuing to offer compelling services to its European customer base.

Full-year volumes in the trades touching Europe rose by 5% over the prior year to 589,000 FEU. Average revenue per FEU rose year-on-year by 10% to US\$3,127. However, in the fourth quarter volumes and average revenue per FEU were down by 13% and 8%, respectively. At an individual trade route level, a 3% rise in total Asia-Europe volumes was driven largely by overall trade and capacity growth in the first three quarters of 2008.

Over the year, Europe's average revenue per FEU increased by 10% due to improved bunker recovery and higher backhaul freight rates. However this was, to a large extent, offset by declining headhaul rates. By the fourth quarter, rapidly decelerating demand and the continued injection of new large ship capacity by some players drove core freight rates to unsustainable levels. NOL reacted quickly and decisively to this situation by announcing plans to remove around a quarter of its capacity from Asia-Europe. This action, coupled with the general decline in global container trade, saw fourth quarter volumes decline by 15% year-on-year.

In the Transatlantic trade, full-year volume growth of 11% was driven by greater eastbound demand in the first three quarters of 2008, riding on the back of a weak US dollar. However, as the dollar strengthened, this backhaul growth was not sustained and fourth quarter volumes fell by 8%.

APL joined New World Alliance partners, Hyundai Merchant Marine and Mitsui OSK Lines, as well as CMA CGM, to launch a new joint weekly West Mediterranean service. In the Eastern Mediterranean, NOL's strategically located operations in Turkey continued to develop as major global retailers looked to diversify their sourcing.

For example, in support of a major UK-based retailer, APL Logistics formed a joint venture with local operators to develop a Garment on Hanger facility near Istanbul, which handled around 10 million hanging garments in 2008. APL Logistics collaborates with a Turkish trucker to carry customers products by road across Europe, using trucks equipped with the latest satellite tracking systems which can be monitored in real time.

The Moscow Express rail service continued to provide large European retail customers with fast border and customs transits, as well as allowing containers to move with maximum payloads in contrast to road weight limits of 20 tonnes. The service offers shippers regular and efficient access to the Moscow hinterland from the Estonian city of Tallinn, which is also the location of a major APL customer service centre.

NOL's Benelux operations celebrated their tenth anniversary in 2008 and now handle cargo movements for some of the world's leading brands. Moving forward, Benelux will be home to the NOL Group's key European port facility at Maasvlakte 2 in Rotterdam.

APL is part of the Rotterdam World Gateway (RWG) consortium that won the 25 + 25 year concession to run the first terminal on the extended Maasvlakte site. This state-of-the-art facility will have a strong focus on innovation, efficiency and environmental sustainability.

Europe's contribution to NOL's global value proposition was recognised by the British International Freight Association in 2008, which bestowed the Supply Chain Management Award on the APL Logistics business.