



1H05 Results Briefing

Sustained Performance

11 August 2005





Forward Looking Statements

The following presentation includes forward-looking statements, which involve known and unknown risks and uncertainties, that could cause actual results or performance to differ. Forward looking information is based on current views and assumptions of management, including, but not limited to, prevailing economic and market conditions. Such statements are not, and should not be interpreted as a forecast or projection of future performance.



Contents of Presentation

1. Highlights

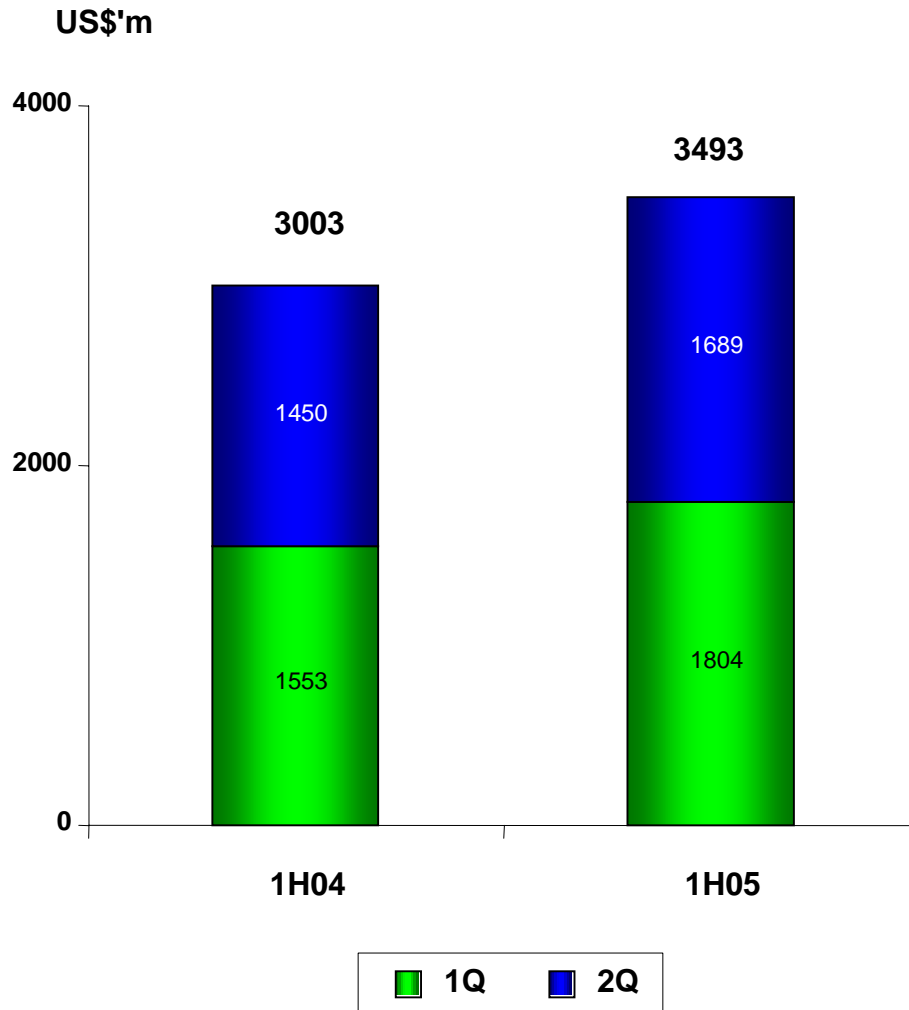
Group 1H05 Financial Highlights

- **Revenues +16% to US\$3.5b**
- **Core EBIT +10% to US\$426m**
- **Net profits +11% to US\$392m**
- **Net cash position of US\$22m**

Group Financial Highlights

Results Review

Revenues



o 1H05 +16%

o 2Q05 +16%

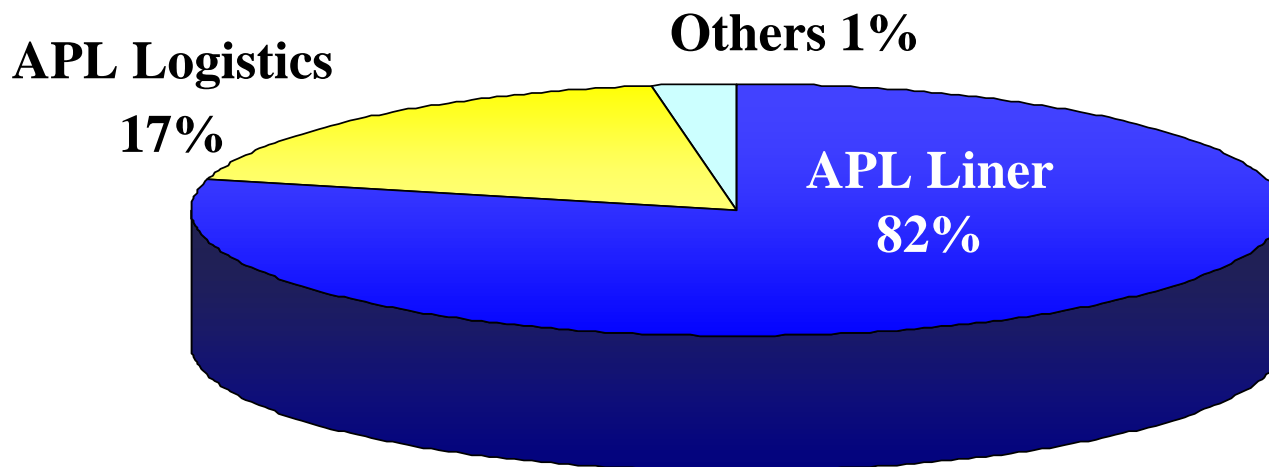
✓ Growth from both
Liner & Logistics

✓ Strong demand
conditions

✓ Capacity expansion

Group Revenue by Business Units (US\$)

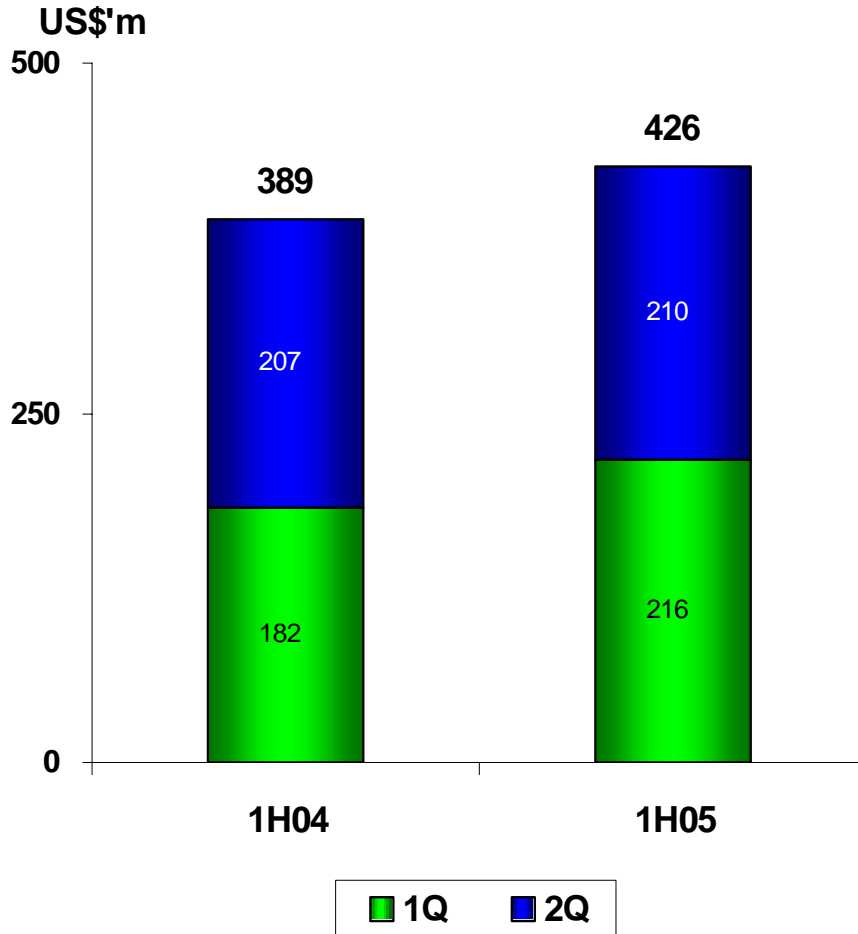
	1H05	1H04	Change	2Q05	2Q04	Change
APL Liner	\$2,868 m	\$2,403 m	19%	\$1,387 m	\$1,172 m	18%
APL Logistics	\$613 m	\$551 m	11%	\$296 m	\$263 m	13%
Others*	\$55 m	\$88 m	(38%)	\$26 m	\$33 m	(21%)
Interco Elimination	(\$43 m)	(\$39 m)	10%	(\$20 m)	(\$18 m)	11%
Total Revenue	\$3,493 m	\$3,003 m	16%	\$1,689 m	\$1,450 m	16%



* Others include Chartering turnover (NAS was sold on 16 March 2004)

Group Financial Highlights

Core EBIT



○ 1H05 +10%

○ 2Q05 +1%

✓ 1H05 Core EBIT of Liner & Logistics were up

✓ Margins were good despite cost pressures

Group Core EBIT by Business Units (US\$)

	1H05 ¹	1H04 ²	Change	2Q05	2Q04 ²	Change
APL Liner	\$403 m	\$371 m	9%	\$202 m	\$192 m	5%
APL Logistics	\$28 m	\$13 m	115%	\$12 m	\$7 m	71%
Others³	(\$5 m)	\$5 m	n.m.	(\$4 m)	\$8 m	n.m.
Total Core EBIT	\$426 m	\$389 m	10%	\$210 m	\$207 m	1%

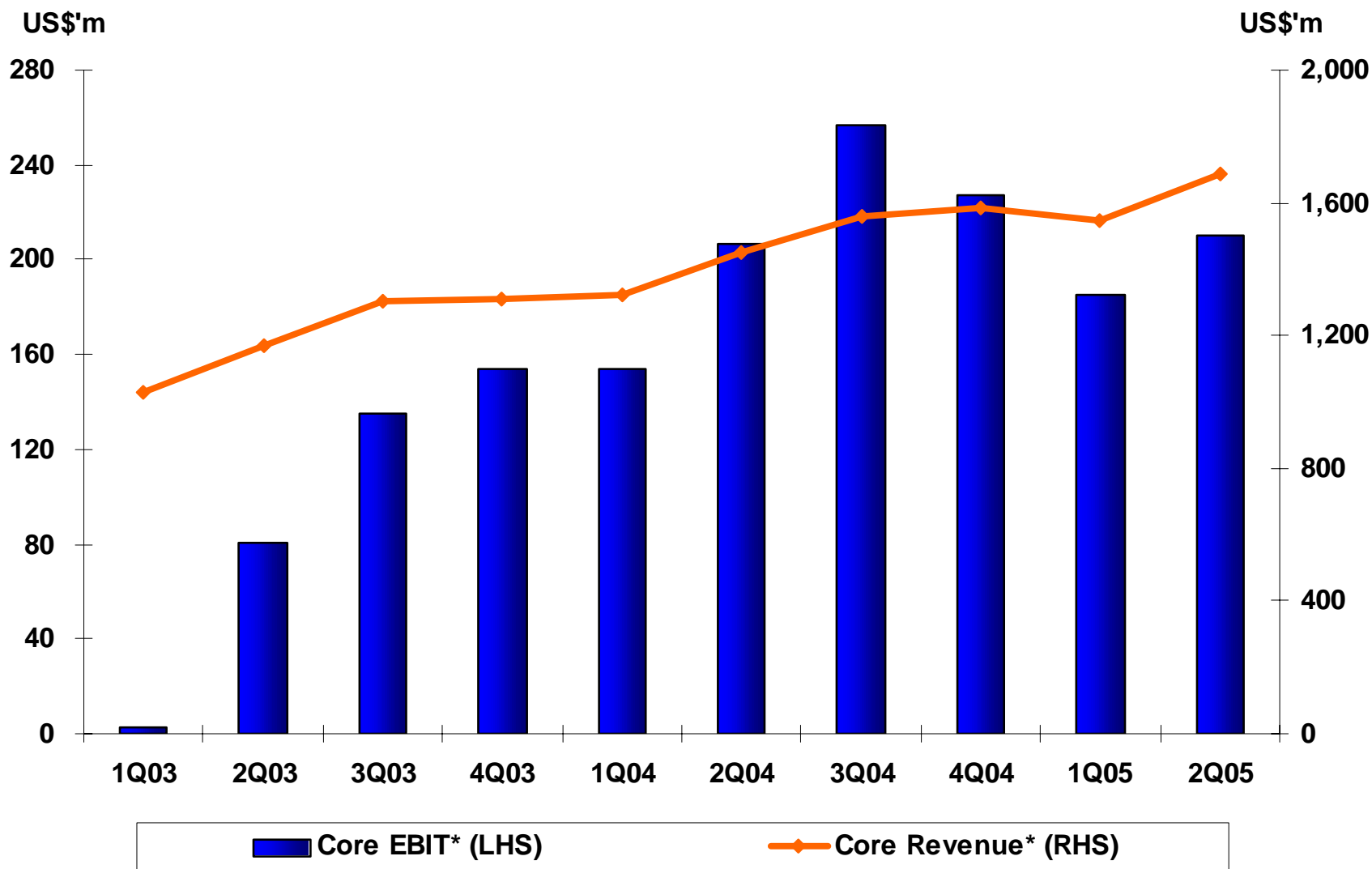
¹ Includes US\$19m in adjusted provisions for staff bonus and stock option expenses (FRS 102) for 1H05

² Restated to exclude goodwill amortisation of US\$9m in 1H04 and US\$4m in 2Q04 with the adoption of FRS103 and to include gross interest income

³ Others include Chartering operations (NAS was sold on 16 March 2004)

Group Revenue & Core EBIT Trends

Results Review



** Revenue and Core EBIT numbers exclude Chartering operations*

** Also normalised to a 12-week period as reported Q1 and Q4 have additional 2 weeks each*

➤ **Dividend policy**

- *Annual dividend of 8 Singapore cents per share net*
- *Or 20% of annual net profits, whichever is higher*
- *Sustain dividend payments through the cycle*

➤ **Interim dividend**

- *8 Singapore cents per share, tax exempt*
- *Remaining 20% payout to be declared at the final results*



Contents of Presentation

2. 1H05 & 2Q05 Group Financial Performance

Group Financial Highlights (US\$)

	1H05 ¹	1H04	Change	2Q05 ¹	2Q04	Change
➤ Turnover	\$3,493 m	\$3,003 m	16%	\$1,689 m	\$1,450 m	16%
➤ Core EBITDA	\$547 m	\$507 m	8%	\$265 m	\$261 m	2%
• Depreciation & Amortisation	(\$121 m)	(\$118 m)		(\$55 m)	(\$54 m)	
➤ Core EBIT	\$426 m ³	\$389 m ²	10%	\$210 m	\$207 m ²	1%
• Gross Interest Expense	(\$22 m)	(\$45 m)		(\$10 m)	(\$22 m)	
• Tax	(\$27 m)	(\$8 m)		(\$13 m)	(\$6 m)	
➤ Profit before NRI ⁴	\$377 m	\$336 m	12%	\$187 m	\$179 m	4%
• Non-Recurring Items	\$15 m	\$18 m		\$9 m	\$7 m	
➤ Net Profit to equity holders	\$392 m	\$354 m	11%	\$196 m	\$186 m	6%

¹ NOL's 1H05 results is for 1 Jan – 1 Jul 2005, while 2Q05 results is for 9 Apr – 1 Jul 2005

² Restated to exclude goodwill amortisation of US\$9m in 1H04 and US\$4m in 2Q04 with the adoption of FRS103 and to include gross interest income

³ Includes US\$19m in adjusted provisions for staff bonus and stock option expenses (FRS 102) for 1H05

⁴ NRI = Non-Recurring Items

Group Non-Recurring Items (US\$)

	1H05	1H04	2Q05	2Q04
1. Gain from asset disposal	\$20 m	\$9 m	\$9 m	\$1 m
2. Others	(\$5 m)	\$9 m	-	\$6 m
Total	\$15 m	\$18 m	\$9 m	\$7 m

Group Fuel and Currency Exposures

➤ Bunker

- 1H05 fuel costs increased US\$74m YoY due to business growth and higher fuel prices
- Half of the Group's increased fuel expenses are recoverable from customers through bunker adjustment factor provisions
- Target to hedge 40% of next 12 months' bunker exposures on a rolling basis

➤ Foreign exchange

- Major foreign currency exposure amounts to about US\$750m in Euro, Japanese Yen, Chinese Yuan, S\$, HK\$, Korean Won, Canadian \$, British Pound and A\$
- These are about 70% hedged as at end 1H05

Group Balance Sheet Highlights (US\$)

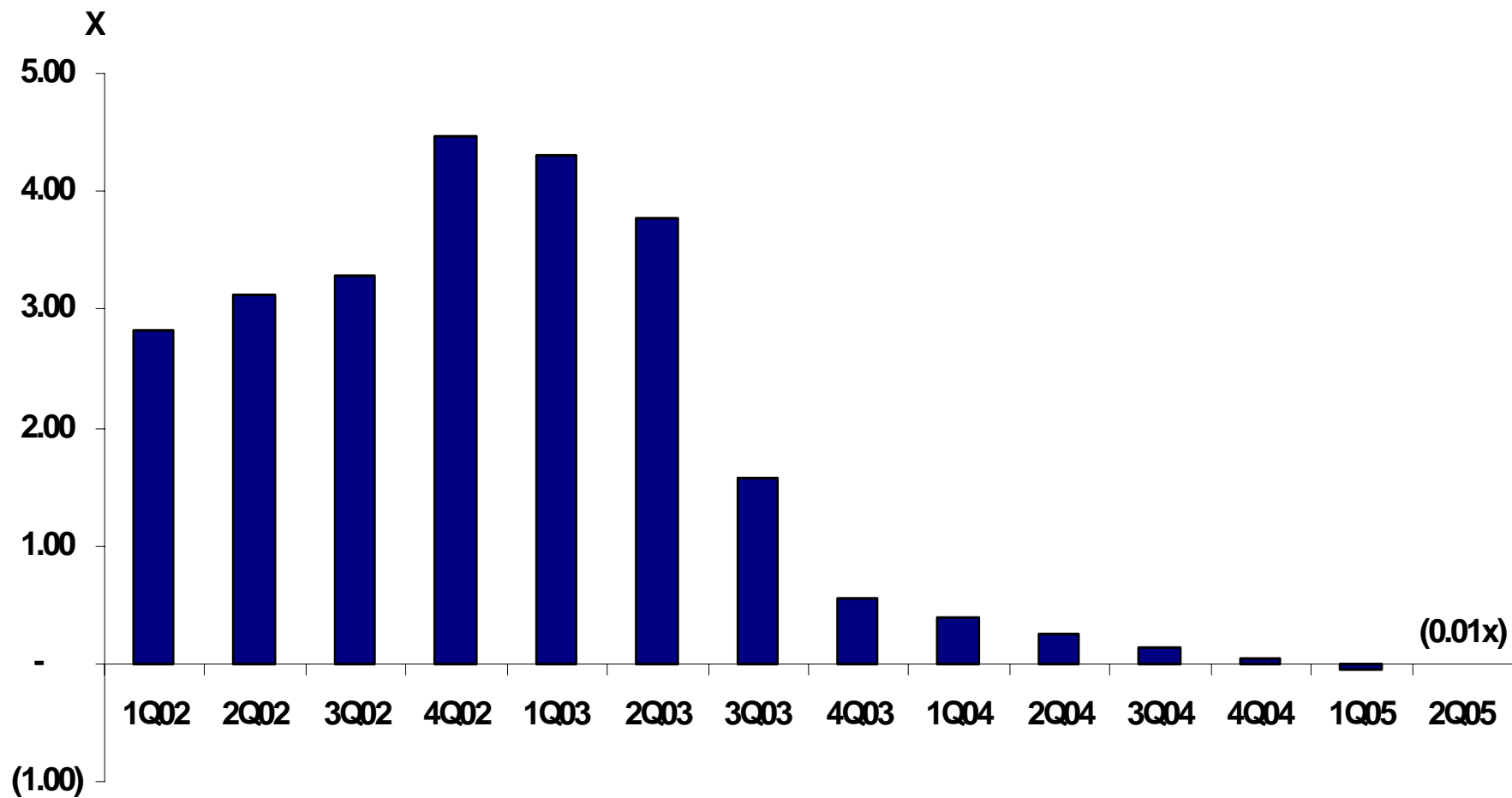
	1 Jul'05	31 Dec'04
Total Assets	\$4,212 m	\$4,369 m
Total Liabilities *	\$1,938 m	\$2,189 m
Total Shareholders' Equity	\$2,274 m	\$2,180 m
Total Debt	\$519 m	\$785 m
Gearing (Gross)	0.23 x	0.36 x
Gearing (Net)	Net Cash	0.05 x
NAV per share	\$1.56	\$1.50

* Includes minority interest

Group Net Gearing Trend

Balance Sheet

Net Cash at end 1H05



Group Capital Expenditure (US\$)



1H05 & Outlook

	1H05	2H05	FY05
1. Vessels	\$1 m	\$8 m	\$9 m
2. Equipment	\$22 m	\$222 m	\$244 m
3. Drydock	\$20 m	\$5 m	\$25 m
4. IT	\$9 m	\$41 m	\$50 m
5. Others	\$3 m	\$17 m	\$20 m
Total	\$55 m	\$293 m	\$348 m



Contents of Presentation

3. Business Performance

- **APL Liner**
- **APL Logistics**

APL Liner Performance Review

Results Review

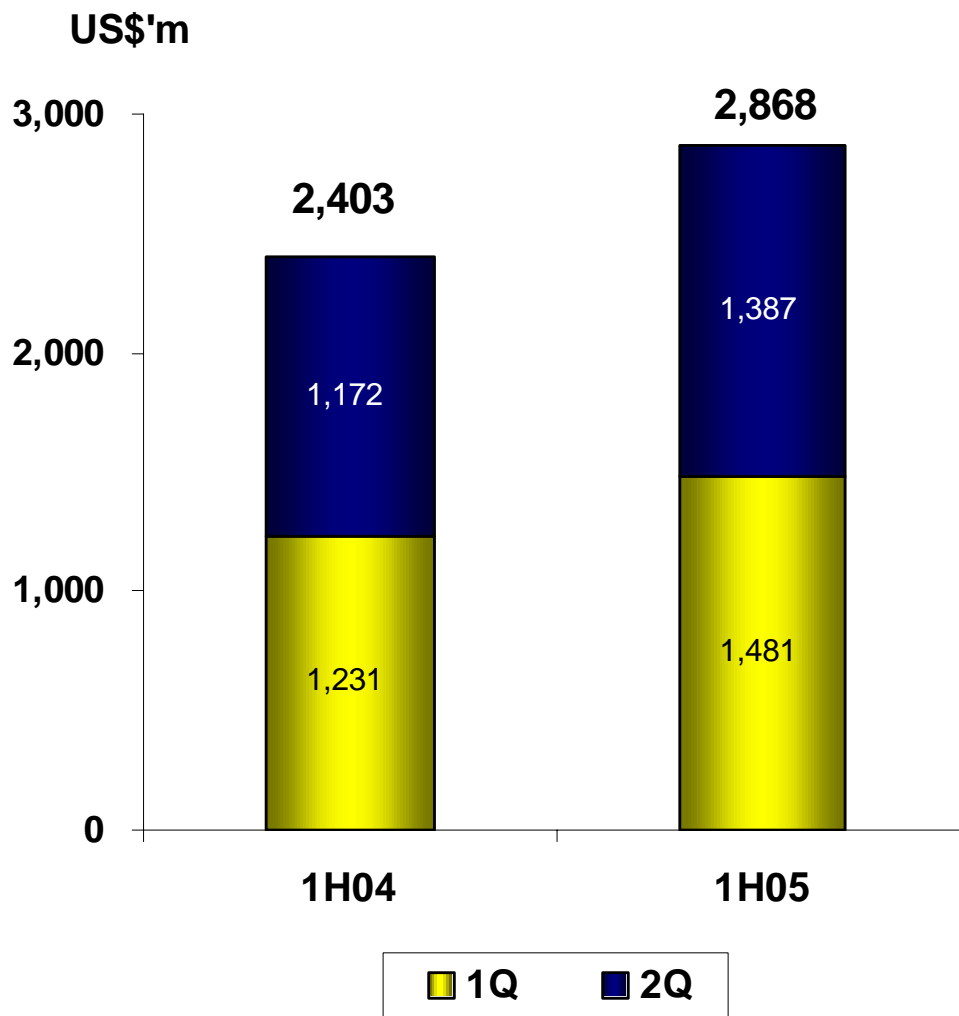
Revenues

- **1H05 +19%**
- **2Q05 +18%**

- ✓ **New capacity added; healthy utilisation rates**

- ✓ **Volumes have grown**

- ✓ **Higher average revenues/FEU**

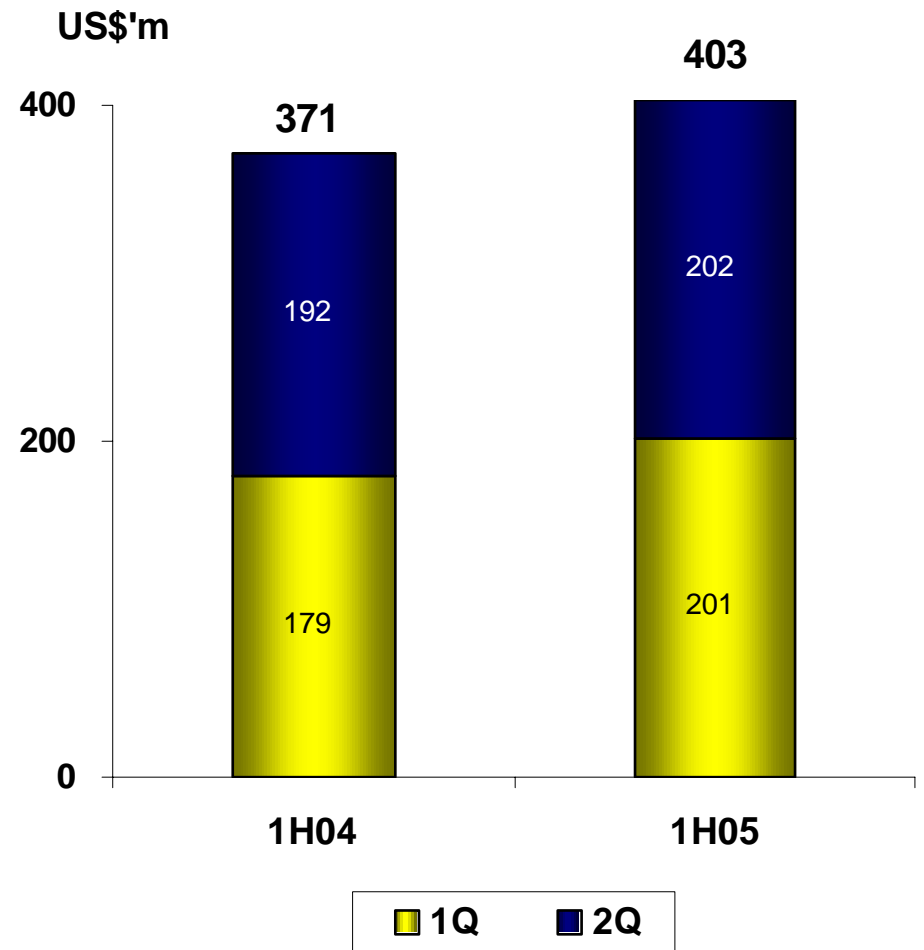


APL Liner Performance Review

Core EBIT

- 1H05 +9%
- 2Q05 +5%

- ✓ Maintain strategy of maximising yield
- ✓ Margin pressure due to higher per unit costs



APL Liner Profit & Loss Summary (US\$)

Sustained Performance

	1H05	1H04	Change	2Q05	2Q04	Change
➤ Turnover	\$2,868 m	\$2,403 m	19%	1,387 m	\$1,172 m	18%
➤ Core EBITDA	\$512 m	\$474 m	8%	\$252 m	\$240 m	5%
• Depreciation & Amortisation	(\$109 m)	(\$103 m)		(\$50 m)	(\$48 m)	
➤ Core EBIT	\$403 m ²	\$371 m ¹	9%	202 m	\$192 m ¹	5%
➤ Core EBIT Margin	14.1%	15.4%		14.6%	16.4%	

¹ Restated to exclude goodwill amortisation of US\$4m in 1H04 and US\$2m in 2Q04 with the adoption of FRS103 and to include gross interest income

² Includes adjusted provisions for staff bonus and stock option expenses (FRS 102) for 1H05

APL Liner Volume Growth

Increased Volume

Region	1H05	1H04	Change	2Q05	2Q04	Change
• Americas	413	395	5%	199	184	8%
<i>Trans-Pacific</i>	343	326	5%	166	151	10%
<i>Latin America</i>	70	69	1%	33	33	0%
• Europe	249	213	17%	119	101	18%
<i>Asia-Europe</i>	188	161	17%	90	75	20%
<i>Transatlantic</i>	61	52	17%	29	26	12%
• Asia/Middle East	298	238	25%	143	119	20%
Total	960	846	13%	461	404	14%

Note: Figures are in '000 FEUs

APL Liner Average Revenues (US\$/FEU)*

Higher Average Revenues

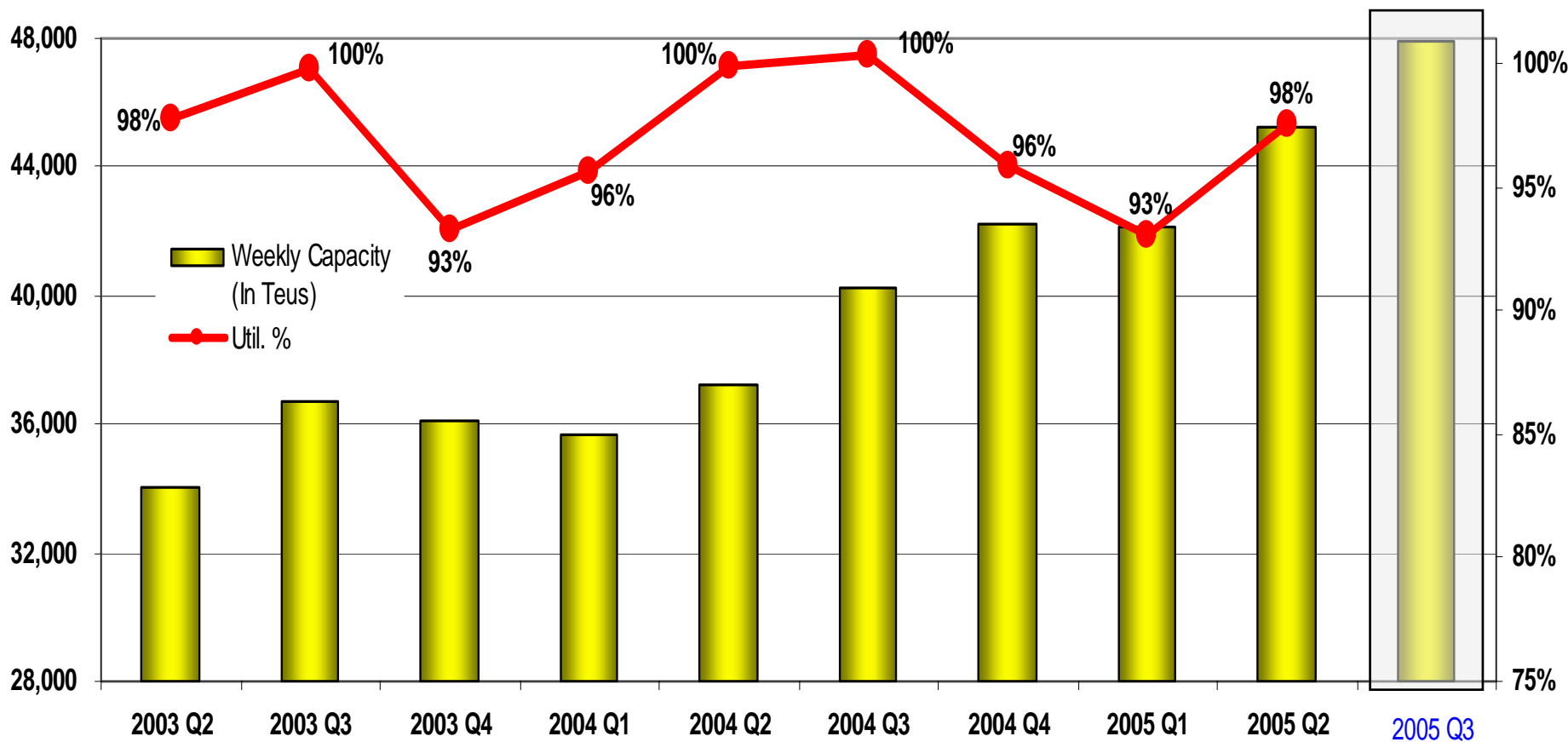
Region	1H05	1H04	Change	2Q05	2Q04	Change
• Americas	\$3,442	\$3,174	8 %	\$3,463	\$3,278	6 %
• Europe	\$2,648	\$2,460	8 %	\$2,661	\$2,486	7 %
• Asia/Middle East	\$1,942	\$1,718	13 %	\$2,026	\$1,756	15 %
Total	\$2,769	\$2,584	7 %	\$2,809	\$2,630	7 %

* Reflects both Eastbound and Westbound blended rates for all trades touching major geographies

APL Liner Network Capacity & Utilisation

Utilisation rates improved to 98% in 2Q05, despite a 16% YoY increase in headhaul capacity from new services introduced in 2H04 and new ships delivered in 1H05

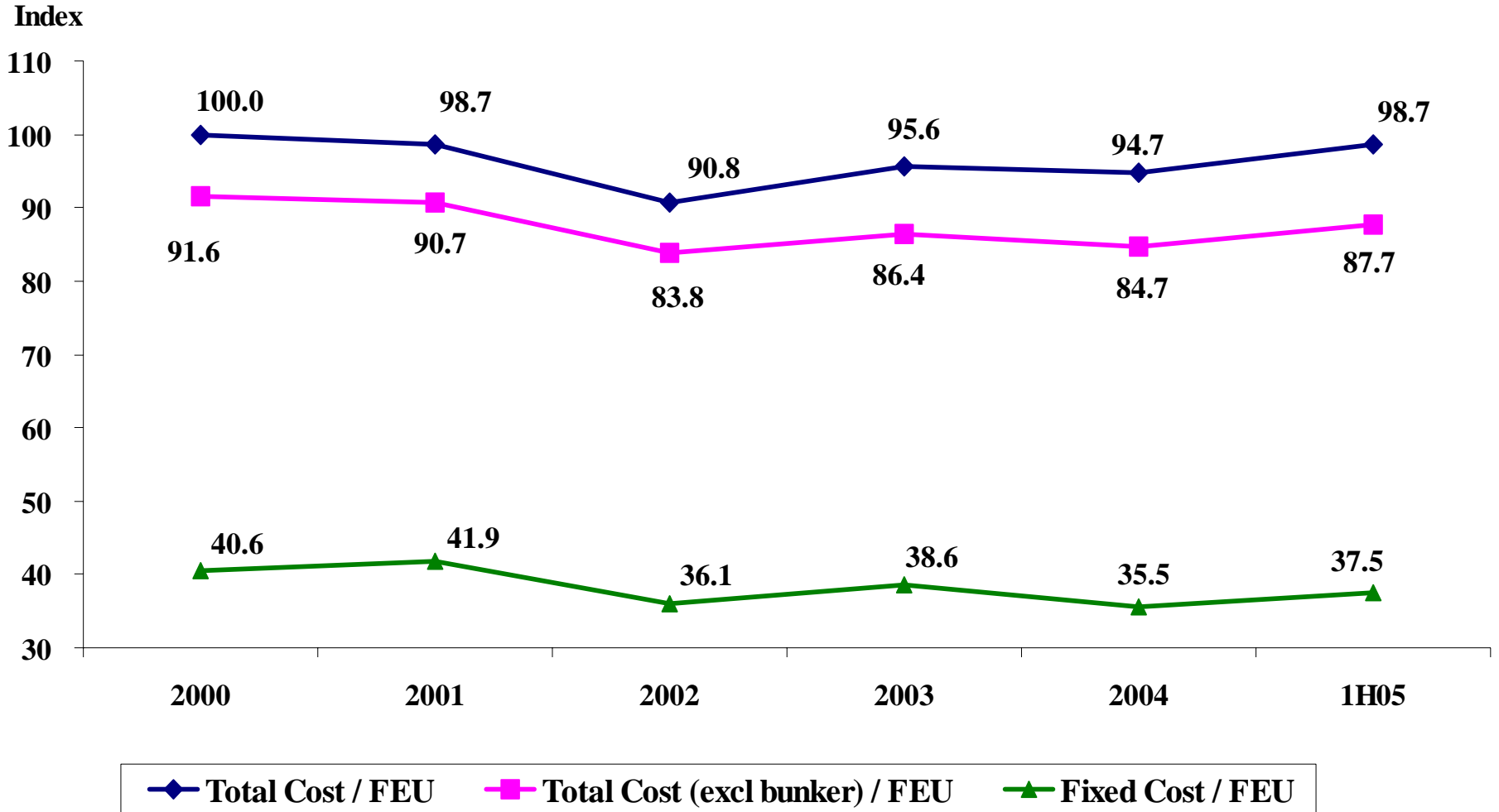
Operations Review



Note: Figures based on headhaul leg of main linehaul services

APL Liner Cost/FEU Trend

Cost/FEU in 1H05 rose 7% YoY due to higher fuel, charter hire and costs of inland transportation services especially in the US



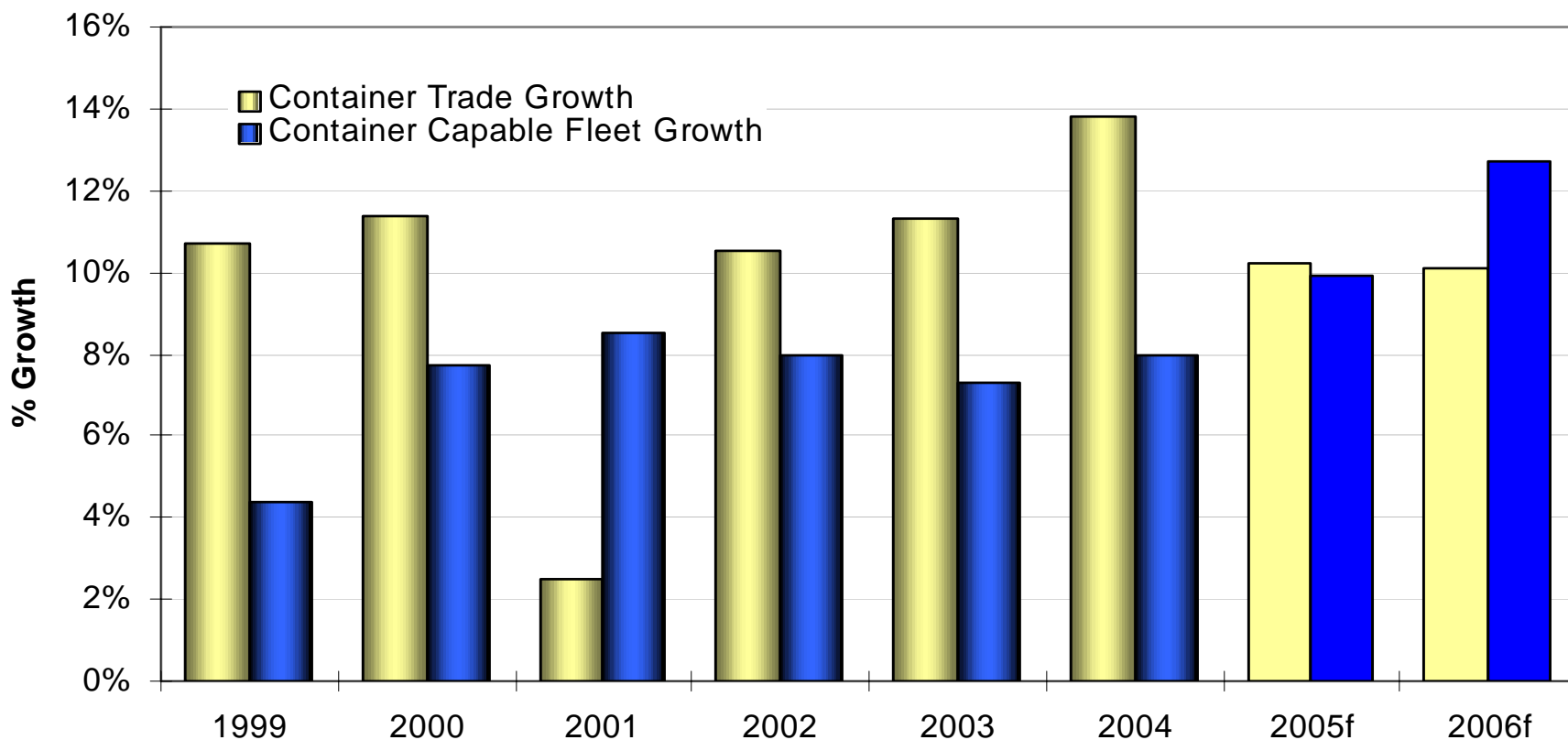
Cost Savings Achieved

- **US\$17m achieved in 1H05**
- **Efforts to cut costs will continue in 2H05**
- **Further cost savings are aimed at:**
 - *Improvements in operational efficiency*
 - *Maximising the use of assets*
 - *Control over G&A costs*

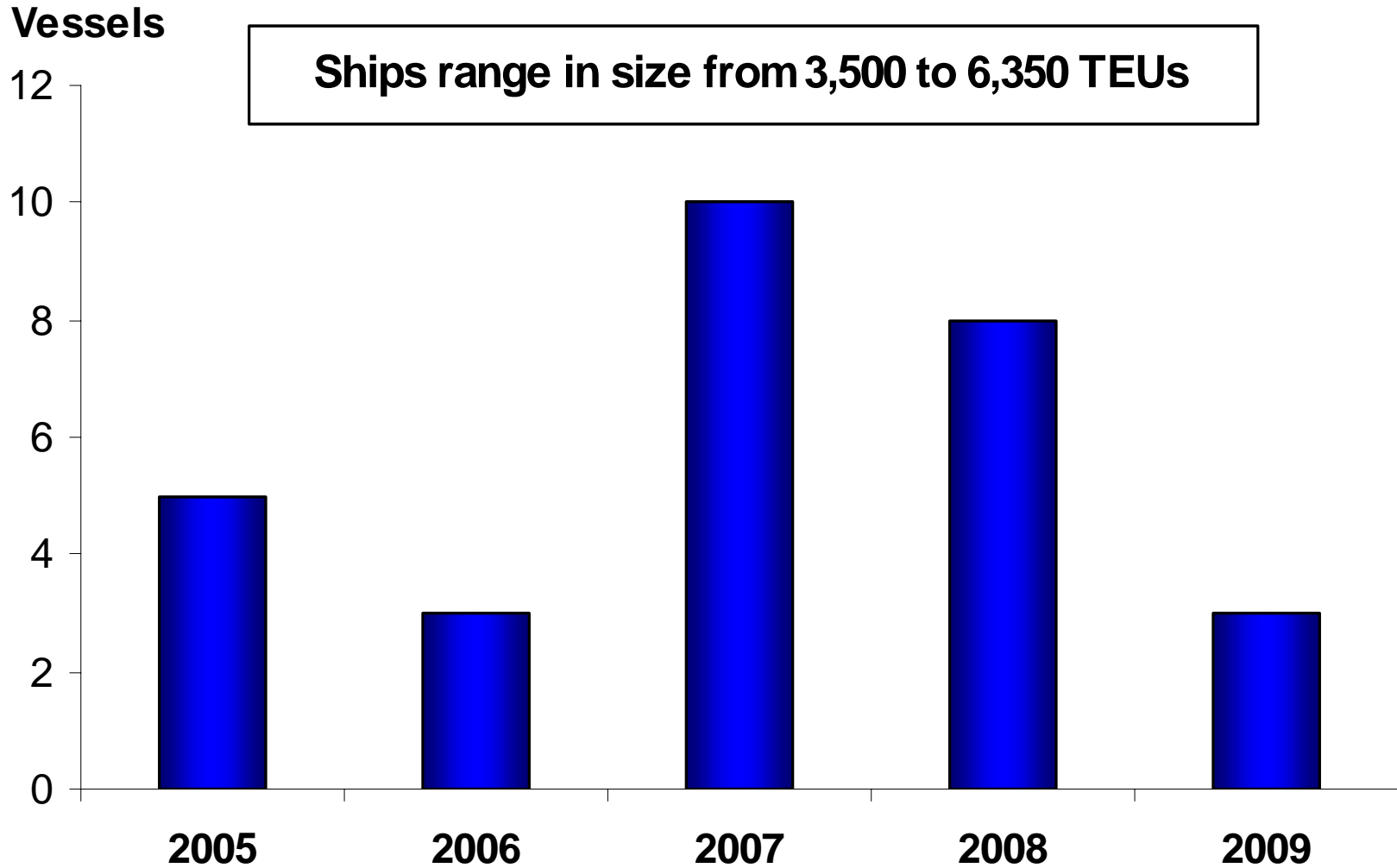
Industry Global Demand & Supply

We expect demand/supply conditions to be balanced in 2005 while nominal supply growth is forecast to be greater than demand growth in 2006.

Container Trade - Demand and Supply 1999-2006F



APL Liner New Vessel Commitments



Note: For 2005, 4 of the vessels have been delivered in 1H05

APL Liner Current Year's Prospects

- **With current supply demand conditions expected to continue for the rest of 2005, strong performance is expected for the full year.**
- **Strategies aimed at maximising yields and asset utilisation rates remain in place**
- **Costs/FEU have risen and this pressure is expected to continue**
- **Cost recovery initiatives include:**
 - Continuing cost savings efforts
 - Bunker recovery initiatives



Contents of Presentation

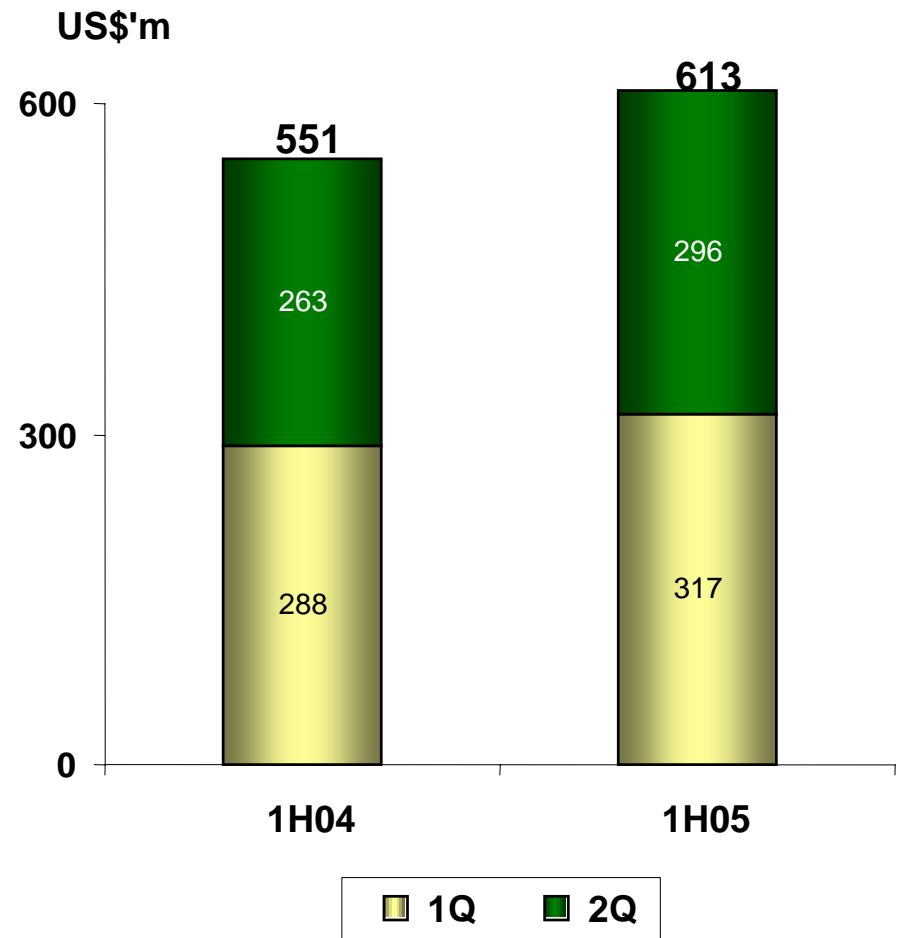
3. Business Performance

- **APL Liner**

- **APL Logistics**

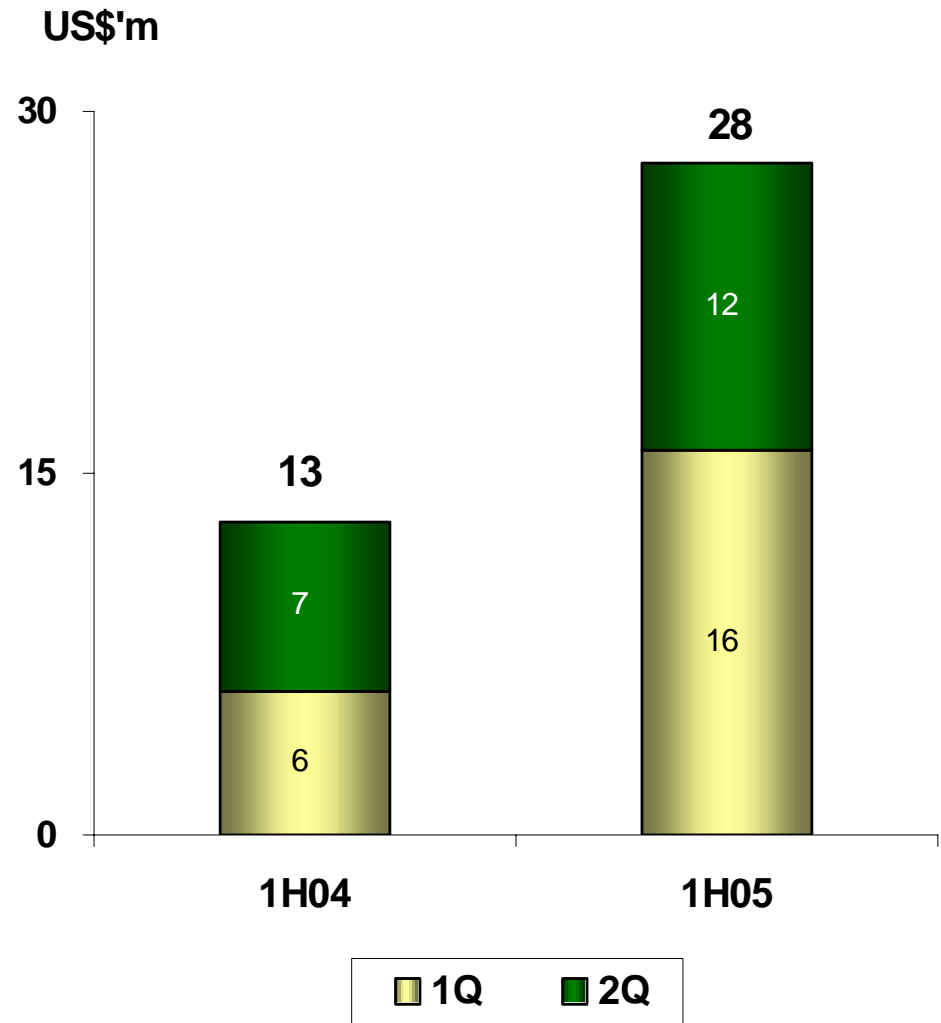
Revenues

- 1H05 +11%
- 2Q05 +13%
- ✓ Strong demand conditions
- ✓ Growth in all regions, especially Asia and Europe



Core EBIT

- 1H05 +115%
- 2Q05 +71%
- ✓ YoY improvement in margins
- ✓ Carefully managing product and customer mix



APL Logistics Profit & Loss Summary (US\$)

Improving Performance

	1H05	1H04	Change	2Q05	2Q04	Change
➤ Revenue	\$613 m	\$551 m	11%	\$296 m	\$263 m	13%
➤ Core EBITDA	\$34 m	\$20 m	70%	\$15 m	\$10 m	50%
• Depreciation & Amortisation	(\$6 m)	(\$7 m)		(\$3 m)	(\$3 m)	
➤ Core EBIT	\$28 m ²	\$13 m ¹	115%	\$12 m	\$7 m ¹	71%
➤ Core EBIT Margin	4.6%	2.4%		4.1%	2.7%	

¹ Restated to exclude goodwill amortisation of US\$5m in 1H04 and US\$2m in 2Q04 with the adoption of FRS103 and to include gross interest income

² Includes adjusted provisions for staff bonus and stock option expenses (FRS 102) for 1H05

APL Logistics Performance Review (US\$m)

Business Segment	1H05	1H04 ²	Change	2Q05	2Q04 ²	Change
• Revenue	613	551	11%	296	263	13%
<i>Contract Logistics</i>	420	397	6%	201	191	5%
<i>International Services</i>	193	154	25%	95	72	32%
• Core EBIT	28 ³	13 ¹	115%	12	7 ¹	71%
<i>Contract Logistics</i>	12	5	140%	6	2	200%
<i>International Services</i>	16	8	100%	6	5	20%
• Core EBIT Margin	4.6%	2.4%		4.1%	2.7%	
<i>Contract Logistics</i>	2.9%	1.3%		3.0%	1.0%	
<i>International Services</i>	8.3%	5.2%		6.3%	6.9%	

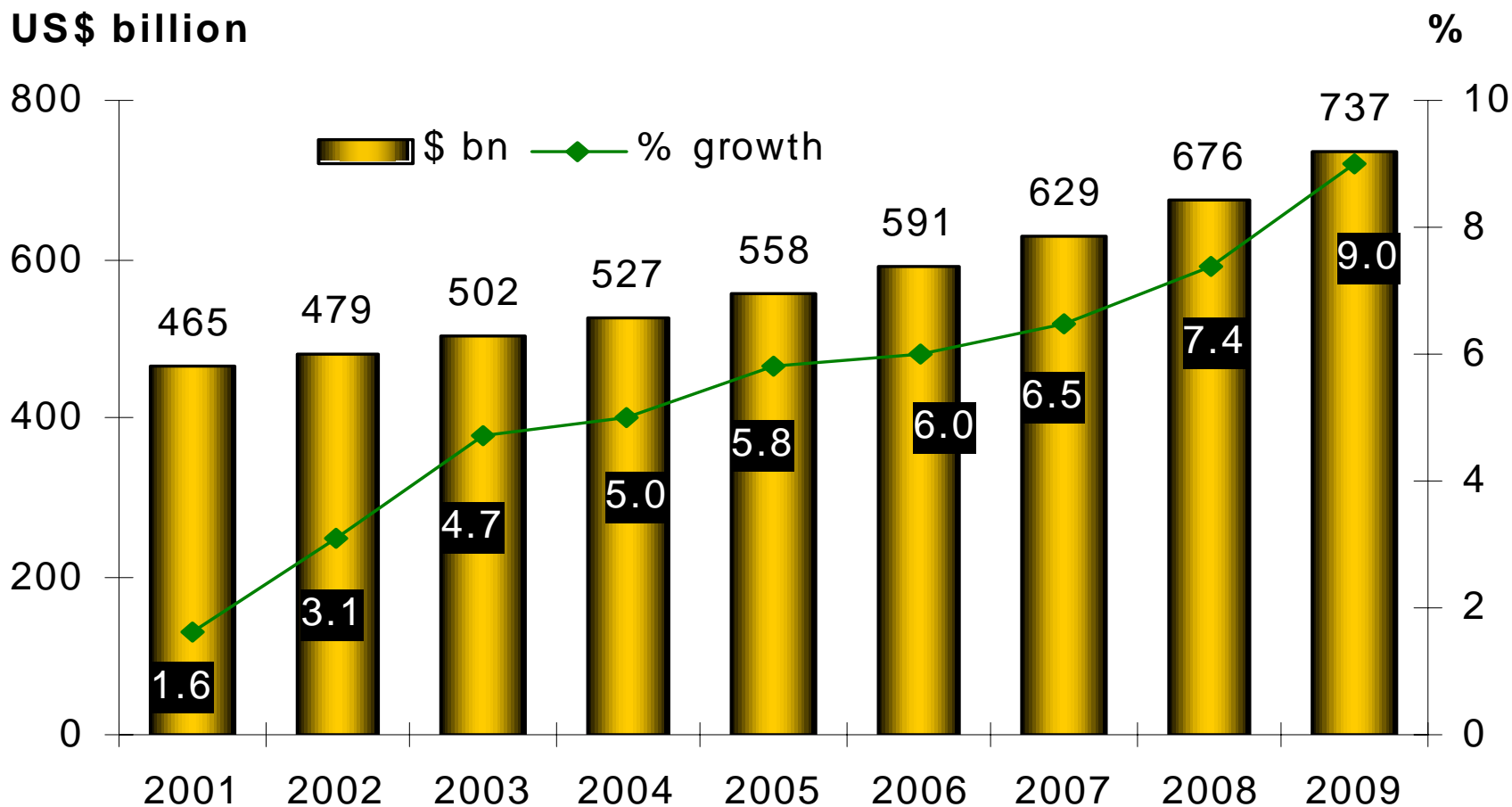
¹ Restated to exclude goodwill amortisation of US\$5m in 1H04 and US\$2m in 2Q04 with the adoption of FRS103 and to include gross interest income

² Revenues and Core EBIT have been reclassified between Contract Logistics & International Services

³ Includes adjusted provisions for staff bonus and stock option expenses (FRS 102) for 1H05

Market Size & Potential

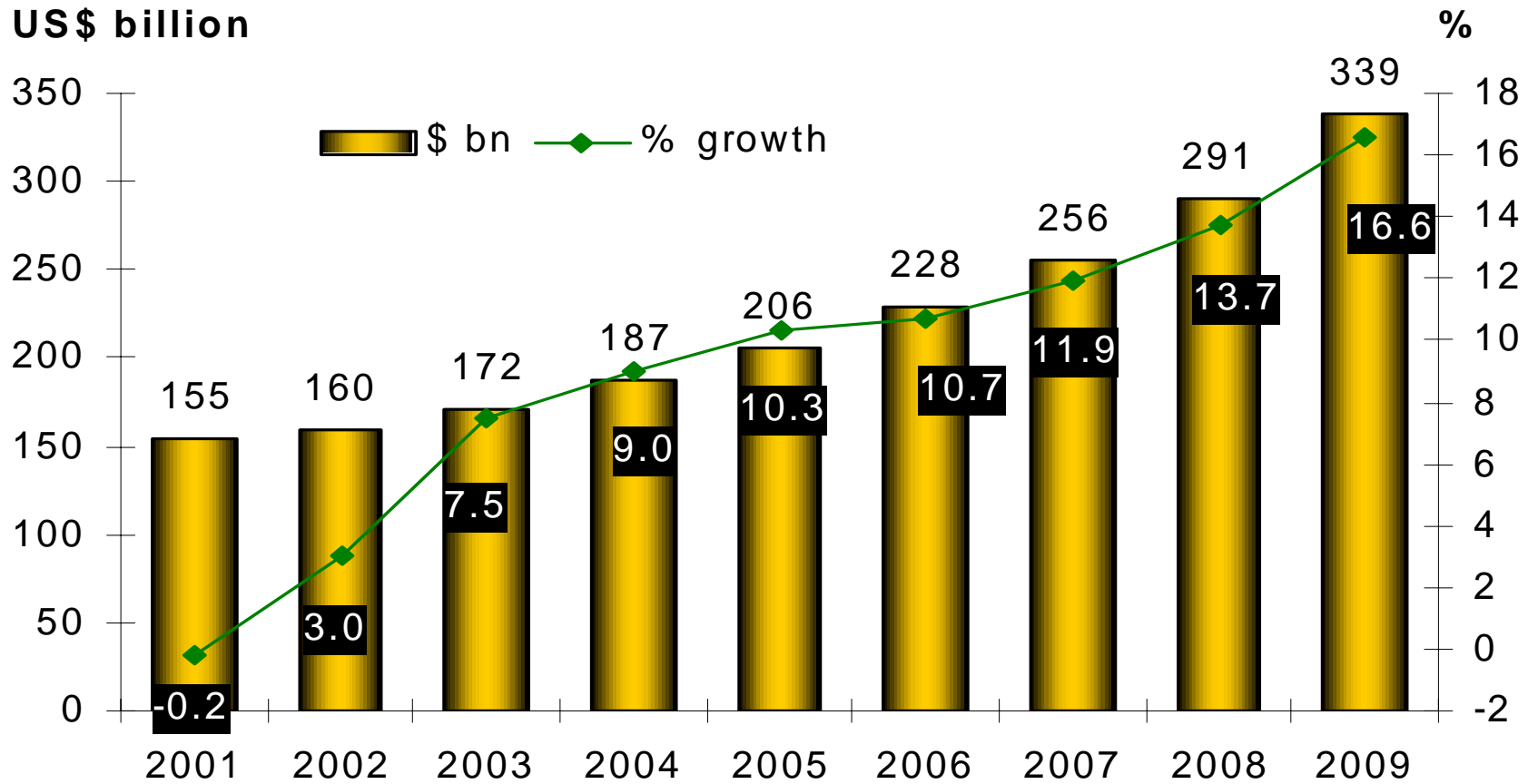
Global Logistics Market Value Forecast



Source : Datamonitor

Market Size & Potential

Asia Pacific Logistics Market Value Forecast



Source : Datamonitor

APL Logistics Current Year's Prospects

➤ **Contract Logistics:**

- Improved operational efficiency
- Higher warehouse utilisation, strong yard management business

➤ **International Services:**

- Strong demand for consolidation/deconsolidation services to continue

➤ **Integrated services and solutions**

- Grow via more integrated services with the Liner business



Contents of Presentation

4. Group Outlook for 2005

- **Barring unforeseen circumstances, the Group expects to achieve a strong performance in 2005:**
 - *Business environment remains good*
 - *Continued focus on asset utilisation, yield management, cost containment as well as growing and integrating the Logistics business*
 - *But there remain rising cost pressures*



1H 2005 Results Briefing

Q &A session



End of Presentation

Thank You

*Neptune Orient Lines Ltd
456 Alexandra Road, NOL Building
Singapore 119962
Tel: (65) 6278 9000, Fax: (65) 6278 4900
Company registration number : 196800632D
Website: www.nol.com.sg*



Appendix

Sustained Performance

Highlights	1H05	1H04	Change	2Q05	2Q04	Change
Revenue (US\$m)	3,493	3,003	16%	1,689	1,450	16%
Core EBIT (US\$m)	426 ¹	389 ³	10%	210	207 ³	1%
NRI ⁴ (US\$m)	15	18	(17%)	9	7	29%
Net Profit ² (US\$m)	392	354	11%	196	186	6%
EPS (US cts per share)	26.96	24.71	9%	13.51	12.95	4%
Ending number of shares (m)	1,453	1,437	1%	1,453	1,437	1%

¹ Includes US\$19m in adjusted provisions for staff bonus and stock option expenses (FRS 102) for 1H05

² Net Profit refers to amounts attributable to equity holders ie. shareholders, excluding minority interest

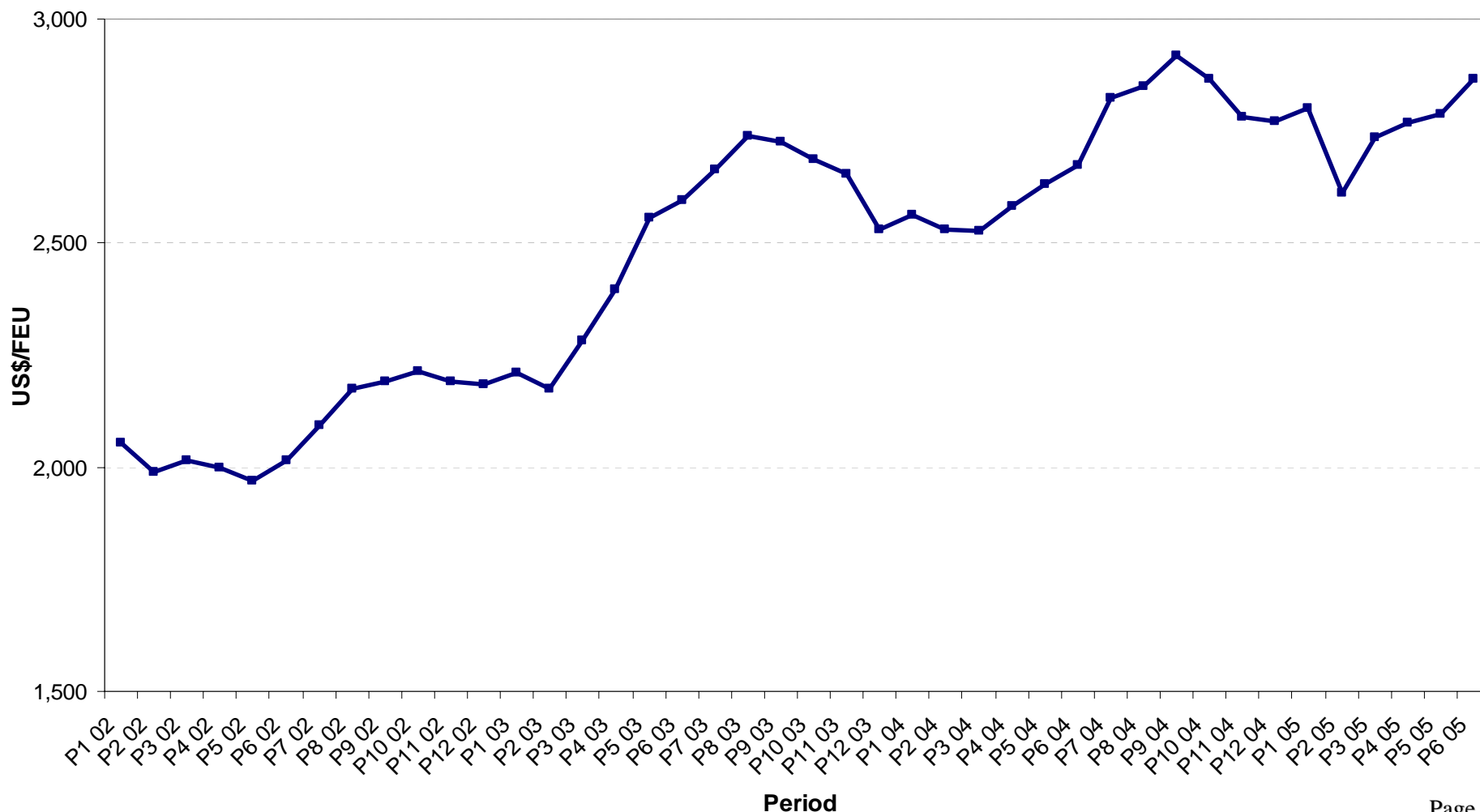
³ Restated to exclude goodwill amortisation of US\$9m in 1H04 and US\$4m in 2Q04 with the adoption of FRS103 and to include gross interest income; ⁴ NRI = Non-Recurring Items

APL Liner 1H05 Trade Review

- **Trans-Pacific:** Volumes improved, especially in the 2Q, with the start of the peak season while revenues benefited from recent rate increases
- **Latin America:** 1H volumes were flat while revenues improved from rate revisions
- **Asia-Europe:** Volume growth was strong under favourable market conditions
- **Transatlantic:** Benefited from Euro strength, strong demand conditions and recent rate improvements
- **Asia/Middle East:** Continuing robust demand in the Middle East and Indian Subcontinent markets

APL Liner Average Revenue/FEU Trend

- Average revenues per FEU were 7% higher YoY on the back of continued yield management efforts and general rate increases



APL Liner Trade Imbalance

- **Imbalances on the Trans-Pacific and Asia-Europe trades remained in line with previous years**
- **The Transatlantic trade was balanced in the 1H05, as Euro strength helped boost backhaul volumes**

No. of FEUs that are full backhaul for every 10 FEUs full headhaul

<u>Trade</u>	<u>2003</u>	<u>2004</u>	<u>1H05</u>
▪ Trans-Pacific	5	5	5
▪ Asia-Europe	7	8	7
▪ Transatlantic	8	9	10

APL Liner 1H05 Performance Review

- **Revenues have grown:**
 - Favourable demand conditions
 - Headhaul capacity increased 16% YoY
 - High utilisation rates
- **Higher profits; margins are lower but still healthy:**
 - Yield maximising efforts remain in place
 - Cost savings efforts continue
- **Cost per unit has increased**
 - Existing cost pressures from fuel, charter rates and inland transportation services especially in the US
 - Congestion remains an issue and is likely to put further pressure on costs

APL Logistics 1H05 Performance Review

- **Revenues increased 11% in 1H05:**
 - Main growth contributors were the Asia/Middle East and Europe regions
 - Within customer sub-segments, retail and high-tech recorded the strongest YoY growth

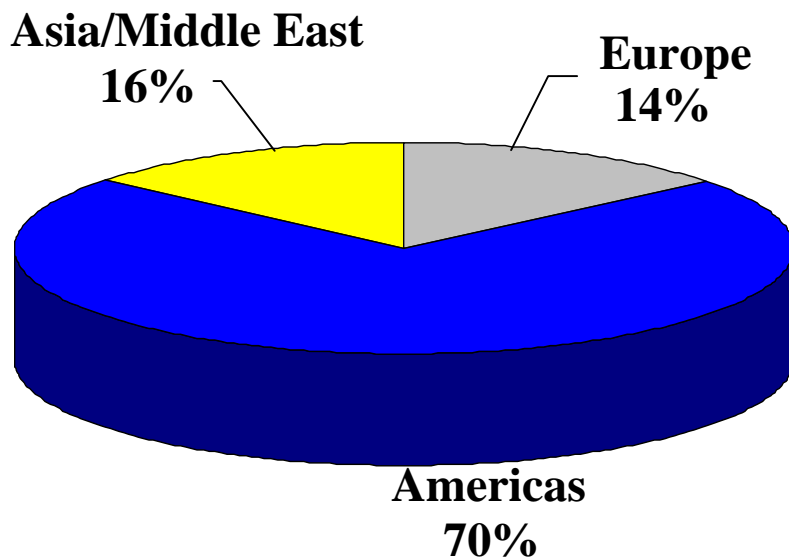
- **Core EBIT improvement:**
 - Higher Core EBIT on the back of margin improvements at both the Contract Logistics and International Services units
 - Improved customer and product mix

APL Logistics Revenue Breakdown

Operations Review

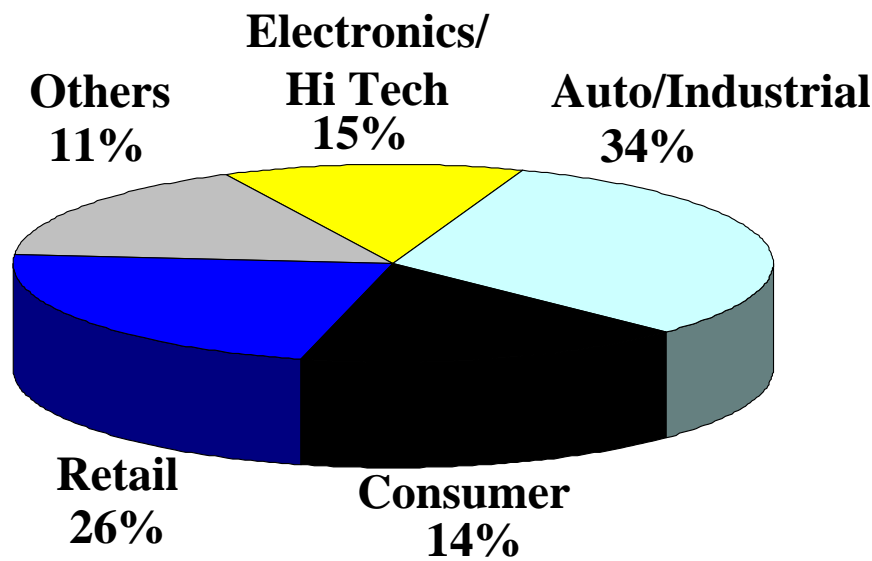
1H05 Revenue: US\$613m, up 11%

Region



<u>1H04 Breakdown :</u>		
Americas	:	72%
Asia/Middle East	:	15%
Europe	:	13%

Customer Segment



<u>1H04 Breakdown :</u>		
Auto/Industrial	:	34%
Consumer	:	15%
Retail	:	22%
Electronics/Hi Tech	:	14%
Others	:	15%