



SUSTAINED PERFORMANCE IN 1H05

Singapore, 11 August 2005: - Global transportation and logistics company, Neptune Orient Lines (NOL), today reported net profits¹ of US\$392 million for the first half (1H) of 2005, an 11% year-on-year (YoY) increase. NOL achieved a second quarter (2Q) net profit of US\$196 million.

Revenues in the 1H rose 16% YoY to US\$3.5 billion, with both the Liner and Logistics businesses registering revenue improvement. Core Earnings Before Interest Expense, Tax and Non-Recurring Items (EBIT) in the 1H reached US\$426 million, a 10% increase over the same period last year.

KEY FINANCIAL / 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 ³	389	10%	210	207	1%
Net profit before NRI (US\$m) ¹	377	336	12%	187	179	4%
NRI (US\$m) ²	15	18	(17%)	9	7	29%
Net profits (US\$m)	392	354	11%	196	186	6%
EPS (US cts per share)	26.96	24.71	9%	13.51	12.95	4%
Ending no. of shares (m)	1,453	1,437	1%	1,453	1,437	1%

¹ Net profits refer to amounts attributable to equity holders ie. shareholders, excluding minority interest

² NRI = Non-Recurring Items

³ Includes US\$19 million in adjusted provisions for staff bonus and stock option expenses (with the adoption of FRS 102) for 1H05

NOL Chairman, Mr Cheng Wai Keung, said, "Both the Liner and Logistics businesses generated revenue and profit growth despite rising cost pressures within a competitive marketplace. In light of the strong first half performance, the Group will pay an interim dividend of 8 Singapore cents per share, tax exempt. This is 1 cent more than the 7 Singapore cents per share, net of tax, that was paid at the interim last year." NOL's dividend policy is to maintain an annual dividend of 8 Singapore cents per share net, or a full year dividend payout of 20% of net profits, whichever is higher.

1H05 OPERATING PERFORMANCE

Mr David Lim, Group President and CEO, said, "Continuing strong demand conditions helped APL to grow the business further, accompanied by higher profits. Margins were good, but were under some pressure due to rising costs, which we continue to manage tightly. Congestion also remains an issue, with some locations experiencing worse delays than others. We remain focused on making optimal use of our assets and managing our costs to make sure that we continue to offer a cost effective and high quality of service to our customers throughout our global transportation network. The Logistics business continues to make improvements to its operating margins compared to last year, a trend we aim to continue."

Liner

APL, NOL's Liner business, achieved further profit growth despite some rising cost pressures. Core EBIT improved 9% over the corresponding period last year to US\$403 million in 1H05.

Business volumes have also grown. Container shipments in the 1H totalled 960,261 FEUs (forty-foot equivalent units), a 13% YoY increase. This was due largely to the introduction of a 16% growth in capacity arising from new services introduced in the second half of 2004 and the delivery of four new vessels in 1H05. We will continue to grow our capacity going forward taking into consideration market conditions.

Utilisation rates remain healthy on the back of continued strong demand with most of the major trade lanes contributing to volume growth. Revenues per FEU also increased 7% YoY in the 1H driven by a combination of rate improvement in a number of trades and continuing focus on yield. The overall revenue increase reflected the increased volumes, the overall average increase in rates and mix improvement.

Mr Ron Widdows, APL CEO, said, "Maximising the use of our assets, keeping our network tight and doing what we can to control costs remains a top priority. This explains the improvement in profit for the Liner business and the healthy margins despite a rising cost environment."

Overall Liner costs per unit increased 7% in the 1H of 2005, mainly due to higher fuel, charter hire and costs of inland transportation services, especially in the US. Charter expenses, as a result of higher charter rates, were US\$14 million more than the 1H of last year, and are expected to be US\$35 million higher for the full year. (See over for fuel cost impact.)

Cost saving efforts are part of an ongoing cost management strategy to mitigate rising cost pressures. Savings totalled US\$17 million at the end of the 1H05.

Logistics

Continued growth in both International Services and Contract Logistics boosted APL Logistics' 1H revenues by 11% over the same period last year to US\$613 million.

Core EBIT also improved further, at US\$28 million, more than double the amount last year.

Mr David Lim said, "Operating margins for the Logistics business continued to improve on a YoY basis. We continue to grow, especially our International Services, by combining integrated services and solutions together with our Liner business. The key priority is to provide improved services for customers in a market that faces increasingly complex supply chain networks."

BALANCE SHEET

Ms Pat Leung, Group Chief Financial Officer, said "At the end of 1H05, the Group's balance sheet comprised a net cash balance of US\$22 million, after the payment of the 2004 final and special dividend in May 2005." Cash and cash equivalents totalled US\$541 million, while total borrowings have fallen to US\$519 million.

Capital expenditure in the 1H was US\$55 million. Total capital expenditure for the full year is projected at US\$348 million, as the bulk of new container equipment is scheduled for delivery in the second half of the year.

FUEL AND CURRENCY EXPOSURES

Bunker costs in 1H05 were US\$74 million higher YoY, a result of higher fuel prices as well as overall business expansion. Approximately 50% of the Group's increased fuel exposures are recoverable from customers through Bunker Adjustment Factor (BAF) provisions. Forward buying activities will continue to be made to minimise the risk of sudden changes to bunker costs. On average, we target to hedge about 40% of our next 12 months' bunker exposures on a rolling basis.

The Group's revenues and costs are largely denominated in US\$. The Group's currency exposure for the year is estimated to be about US\$750 million in the major currencies of Euro, Japanese Yen, Hong Kong Dollar, Singapore Dollar, Chinese Yuan, Korean Won, Canadian Dollar, British Pound and Australian Dollar, due to local operating costs. These exposures are about 70% hedged as at the end of 1H05.

We do not expect the appreciation of the Yuan so far to have a significant impact on China's exports as China remains highly competitive as a production base for manufactured goods. Consequently, we do not see it impacting our business volume for the rest of the year.

DIVIDEND POLICY & INTERIM DIVIDENDS

NOL's dividend policy is to maintain an annual dividend of 8 Singapore cents per share net, or a full year dividend payout of 20% of net profits, whichever is higher.

For 1H05, the Board of Directors has declared an interim dividend of 8 Singapore cents per share, tax exempt, which is payable on 15 September 2005.

GROUP OUTLOOK FOR 2005

The business environment remains good. With our continued focus on asset utilisation, yield management, cost containment as well as growing and integrating the Logistics business, the Group expects to achieve a strong performance in 2005, barring any unforeseen circumstances.

Note to editors:

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

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About NOL



NOL is a Singapore-based global transportation and logistics company. Its container transportation arm, APL, provides customers around the world with container transportation services that combine high quality inter-modal operations with state-of-the-art information technology. Its supply chain services arm, 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

About APL



APL is a global container transportation company offering more than 60 weekly services and nearly 300 calls at more than 90 ports in Asia, Europe, the Middle East and North America. It combines world-class intermodal operations with leading IT tools and e-commerce. APL is a unit of Singapore-based Neptune Orient Lines (NOL), a global logistics and transportation company. APL Web site: www.apl.com

About APL Logistics



APL Logistics provides international, end-to-end supply chain services and solutions in more than 50 countries, including both origin and destination services such as freight consolidation, warehousing and distribution management. It uses innovative IT for maximum supply chain visibility and control. APL Logistics is a unit of Singapore-based Neptune Orient Lines (NOL), a global logistics and transportation company. APL Logistics Web site: www.apllogistics.com