



1H & 2Q 2006 Performance Review

14 August 2006



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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.



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Discussion Topic

Presented By

1. Group Highlights

Cheng Wai Keung

2. Performance Review

David Lim

3. Group Financial Performance

Pat Leung

4. APL Liner Performance

Ron Widdows

5. APL Logistics Performance

Brian Lutt

6. Group Outlook

David Lim

1. Group Highlights

**By Cheng Wai Keung
Chairman**



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Financial Highlights (US\$)



US\$m	1H06 ¹	1H05	% ▲ YoY	2Q06 ¹	2Q05	% ▲ YoY
Revenues	3,520	3,493	1	1,637	1,689	(3)
Core EBIT	227	426	(47)	84	210	(60)
Net profit before NRI ²	181	377	(52)	63	187	(66)
Net profits ³	187	392	(52)	67	196	(66)

¹ NOL's 1H06 results is from 31 Dec 2005 - 30 Jun 2006; 2Q06 results is from 8 Apr 2006 – 30 Jun 2006

² NRI – Non-Recurring Items

³ Net profits refer to amounts attributable to equity holders, ie shareholders, excluding minority interest

**Committed to sustaining dividend payments
through the cycle**

Interim dividend

- 4 Singapore cents per share, tax exempt
- Remaining dividend to be declared at the final results

Dividend policy

- Annual dividends of 20% of net profits or 8 Singapore cents per share net, whichever is higher

- Ongoing global executive search for a new CEO
- Expect to have David Lim's successor in place before the year end

2. 1H / 2Q 2006 Performance Review

**By David Lim
Group President & CEO**



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- **Industry demand strong; volumes increased, healthy utilisation levels**
- **Average revenues/FEU declined**
- **Continuing efforts to mitigate cost pressures**
- **Investing to grow capacity**

- **Logistics business is not performing as well as we had anticipated**
- **Continuing investments to grow capability and enhance service offerings**
- **Investments are expected to take time to bear fruit**

3. 1H06 Group Financial Performance

By Patricia Leung
Group CFO



Group Financial Highlights



US\$m	1H06 ¹	1H05	% ▲	2Q06 ¹	2Q05	% ▲
Turnover	3,520	3,493	1	1,637	1,689	(3)
Core EBITDA	348	547	(36)	140	265	(47)
• Depreciation & Amortisation	(121)	(121)	-	(56)	(55)	2
Core EBIT	227	426	(47)	84	210	(60)
• Gross Interest Expense	(21)	(22)	(5)	(10)	(10)	-
• Tax	(25)	(27)	(7)	(11)	(13)	(15)
Profit before NRI²	181	377	(52)	63	187	(66)
• Non-Recurring Items	6	15	(60)	4	9	(56)
Net Profit to equity holders	187	392	(52)	67	196	(66)

¹ NOL's 1H06 results is from 31 Dec 2005 - 30 Jun 2006; 2Q06 results is from 8 Apr 2006 – 30 Jun 2006

² NRI – Non-Recurring Items

Group Non-Recurring Items

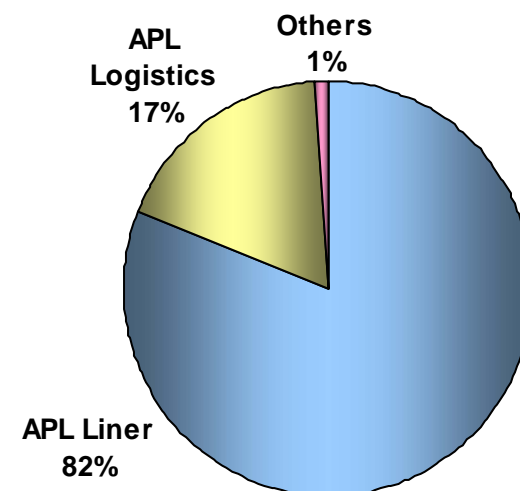


US\$m	1H06	1H05	2Q06	2Q05
1. Gain from asset disposals	4	20	2	9
2. Others	2	(5)	2	-
Total	6	15	4	9

Group Revenue Breakdown



US\$m	1H06	1H05	% ▲	2Q06	2Q05	% ▲
APL Liner	2,877	2,868	0	1,341	1,387	(3)
APL Logistics	636	613	4	292	296	(1)
Others	65	55	18	31	26	19
Interco Elimination	(58)	(43)	35	(27)	(20)	35
Total Revenue	3,520	3,493	1	1,637	1,689	(3)



Group Core EBIT Breakdown



US\$m	1H06	1H05	% ▲	2Q06	2Q05	% ▲
APL Liner	194	403	(52)	71	202	(65)
APL Logistics	26	28	(7)	10	12	(17)
Others	7	(5)	nm	3	(4)	nm
Total Core EBIT	227	426	(47)	84	210	(60)

Cash Flow Highlights



US\$m	1H06	1H05	2Q06	2Q05
Cash & Cash Equivalents - Beginning	1,161	675	449	933
<i>Cash Inflow/(outflow)</i>				
Operating Activities	238	502	100	233
Investing/Capex Activities	(98)	(21)	(46)	(24)
Financing Activities	(1,103) ^{1,2}	(615)	(305) ²	(601)
Cash & Cash Equivalents - Closing	198	541	198	541



1 Comprises the US\$0.82b payout in Feb '06 for the capital reduction and cash distribution exercise

2 Includes the redemption of the S\$540m 4.09% Notes in Jun '06

Balance Sheet Highlights



US\$m	30 Jun '06	7 Apr '06	30 Dec '05
Total Assets	3,873	4,138	4,815
Total Liabilities	1,846	2,180	2,189
Total Equity¹	2,027	1,958	2,626
Total Debt	394	737	707
Total Cash	198	449	1,161
Gearing (Gross)	0.19 x	0.38 x	0.27 x
Gearing (Net)	0.10 x ²	0.15 x ²	Net cash
NAV per share (US\$)	\$1.37	\$1.32	\$1.79



1 Includes minority interest

2 After the US\$0.82b payout in Feb '06 for the capital reduction and cash distribution exercise

- **Term loan facility arranged post 1H06 balance sheet date**
- **Quantum : US\$350m**
- **Proceeds primarily to refinance redemption of S\$540m MTN**
- **Balance sheet remains healthy; proforma net gearing remains steady at 0.1x**

Capital Expenditure



US\$m	1H06	2H06	FY06
1. Vessels	4	101	105
2. Equipment / Facilities	50	135	185
3. Drydock	34	0	34
4. IT	5	15	20
5. Others	8	8	16
Total	101	259	360

Bunker

- 1H06 fuel costs increased US\$132m due to business growth and higher fuel prices
- The Group continues to recover part of its fuel exposures 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\$1 bn in Euro, Japanese Yen, Chinese Yuan, S\$, HK\$, Korean Won, Canadian \$, British Pound, A\$, Indian Rupee and Taiwan Dollar
- These exposures continue to be hedged in 2006



4. Business Performance APL Liner

By Ron Widdows
CEO, APL Liner



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- **Volumes increased 5%**
- **Headhaul utilisation remained healthy at 95%**
- **Average revenues/FEU declined 4%**
- **Fuel prices continued to rise, resulting in sharply higher costs**
- **Cost mitigation totalled US\$55m in 1H06**

- Demand remained strong in key tradelanes
- Profit decline due mainly to the impact of higher fuel prices and rate softening
- Cost/FEU increased 3%
- Excluding the impact of higher fuel prices, which amounted to US\$60m, cost/FEU in 2Q06 declined 2% YoY

APL Liner Profit & Loss Summary



US\$m	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Revenue	2,877	2,868	0	1,341	1,387	(3)
Core EBITDA	303	512	(41)	121	252	(52)
• Depreciation & Amortisation	(109)	(109)	-	(50)	(50)	-
Core EBIT	194	403	(52)	71	202	(65)
Core EBIT Margin	6.7%	14.1%		5.3%	14.6%	

APL Liner Volume Growth



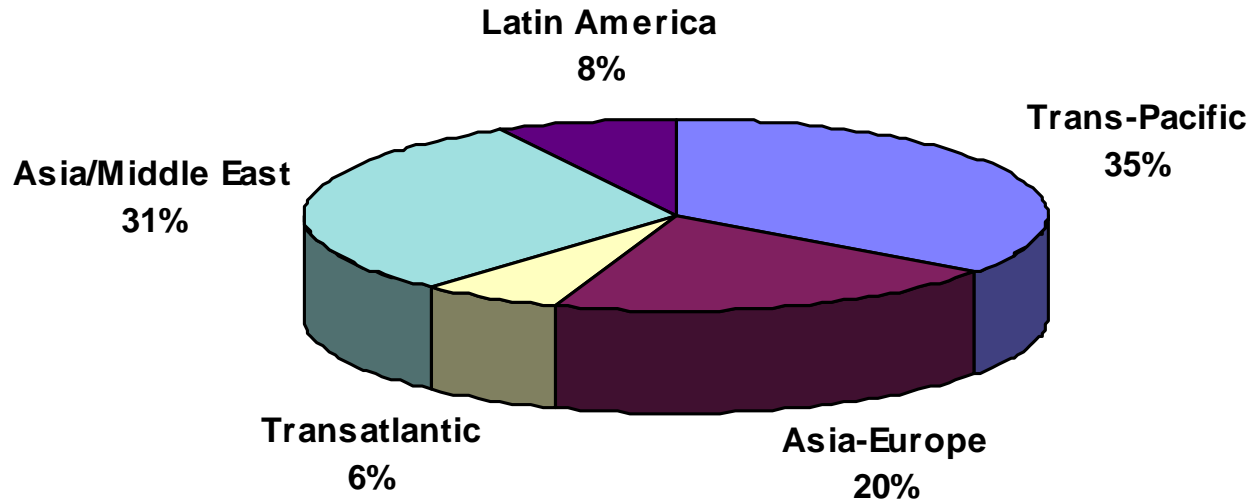
'000 FEUs	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Americas	435	413	5	203	199	2
<i>Trans-Pacific</i>	356	343	4	166	166	0
<i>Latin America</i>	79	70	13	37	33	12
Europe	265	249	6	124	119	4
<i>Asia Europe</i>	204	188	9	96	90	7
<i>Transatlantic</i>	61	61	0	28	29	(3)
Asia/Middle East	312	298	5	155	143	8
Total	1,012	960	5	482	461	5

APL Liner Average Revenues/FEU



US\$	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Americas	3,430	3,442	(0)	3,376	3,463	(3)
Europe	2,447	2,648	(8)	2,444	2,661	(8)
Asia/Middle East	1,734	1,942	(11)	1,691	2,026	(17)
Total	2,650	2,769	(4)	2,595	2,809	(8)

- Mix of volumes in the key trades is largely unchanged
- Mix continues to be managed to maximise yields

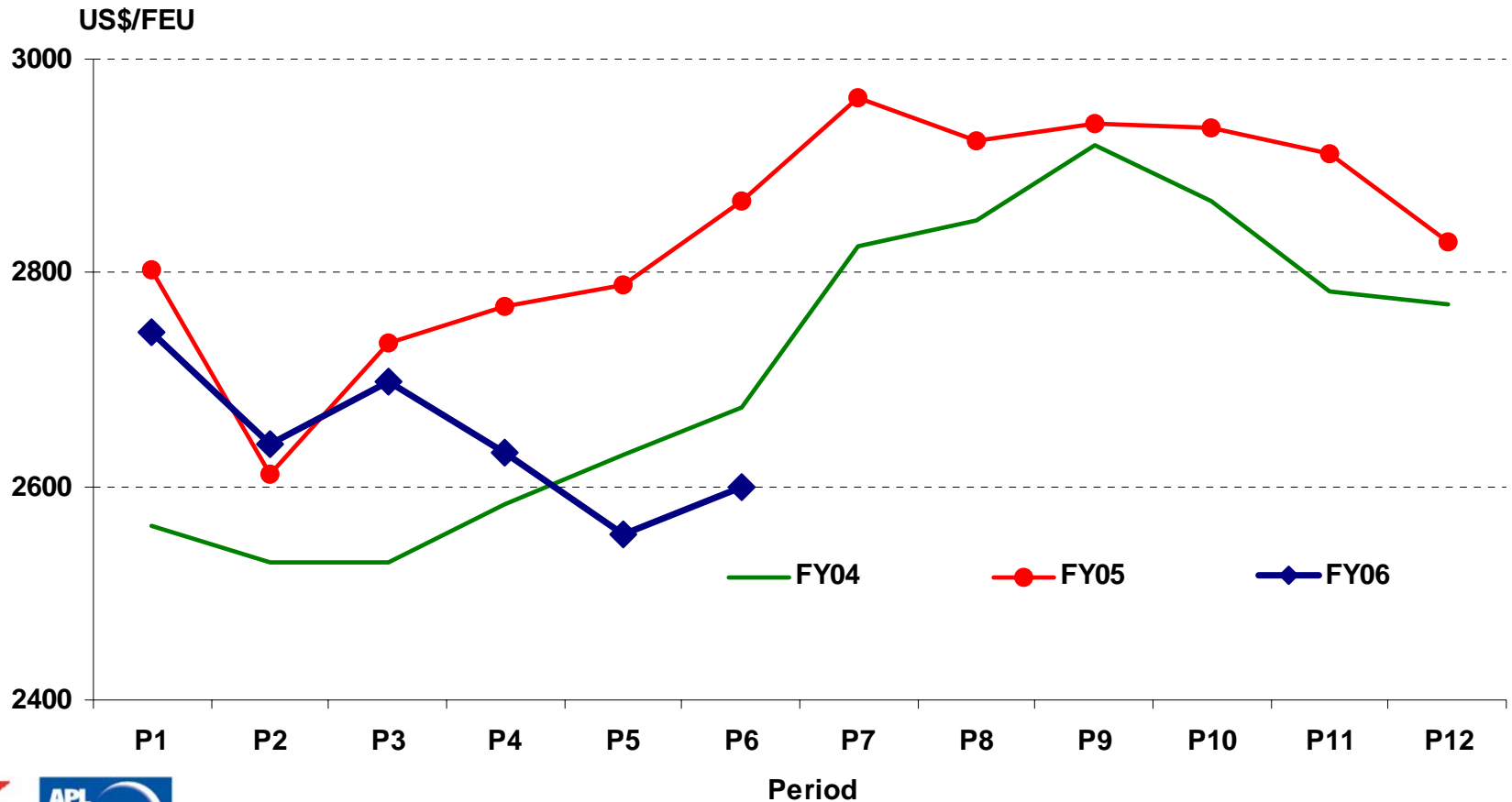


1H06 Volume breakdown

APL Liner Average Revenue/FEU Trend



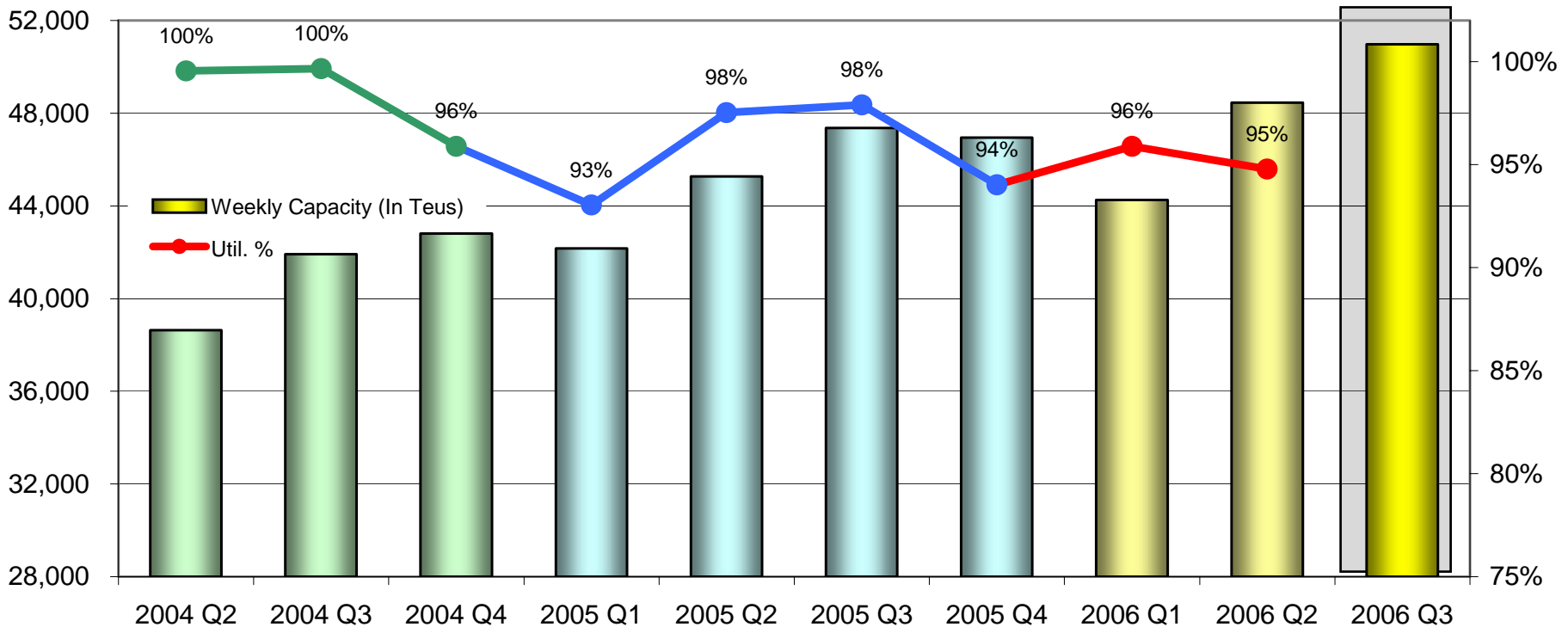
Average revenue/FEU reflects seasonal strength in Period 6. Active yield management strategies continue to be deployed - rates have held up better in some tradelanes.



APL Liner Network Capacity & Utilisation



- Utilisation rates averaged a healthy 95% in 2Q06, slightly lower than the 98% average recorded in the same period last year.
- Ongoing yield management strategy; gave up volume with a focus on rates
- Capacity increased 8% in 1H06



* Planned seasonal capacity increase in 3Q06

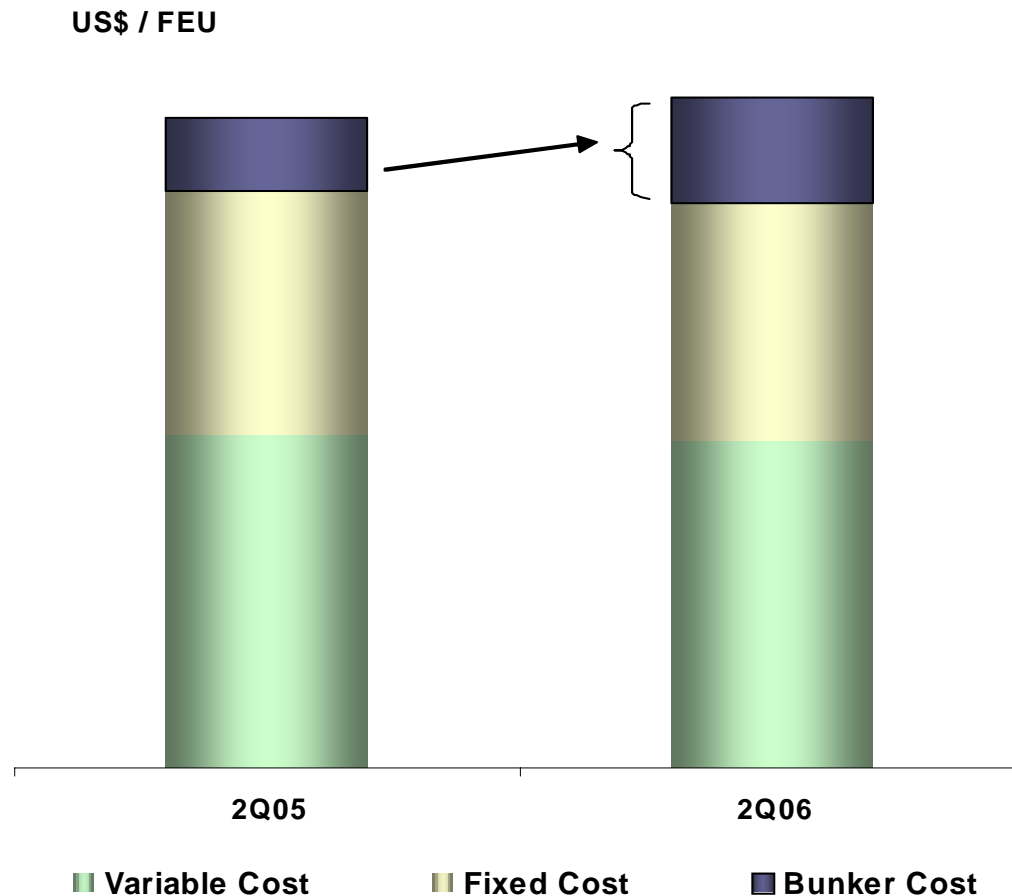
Note: Figures are based on the headhaul leg of main linehaul services



APL Liner Cost/FEU Trend



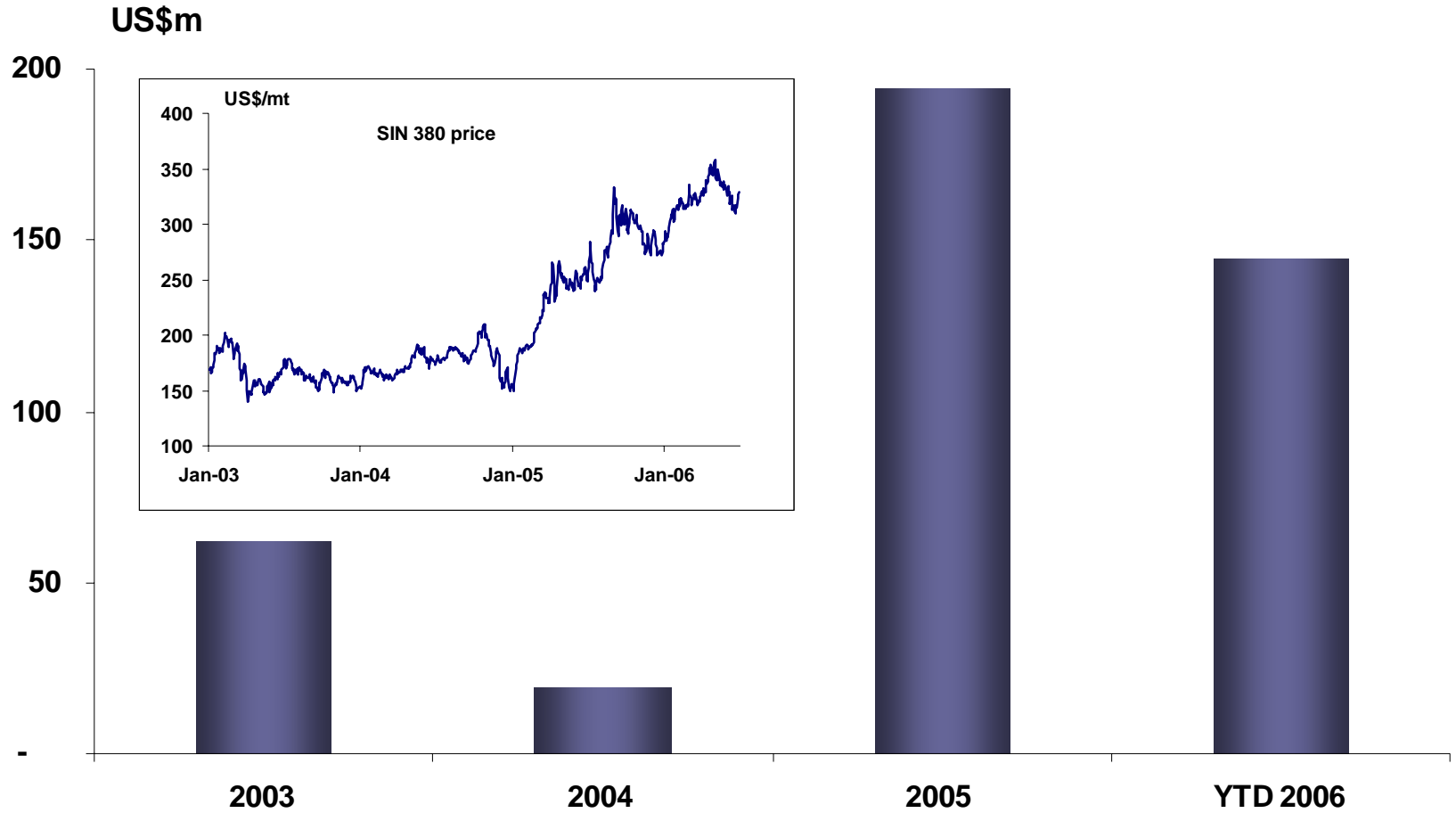
- Cost/FEU increased 3% YoY in 2Q06 as fuel prices remained high which, in turn, resulted in high bunker expenses & land transport fuel surcharges.
- Excluding the impact of higher fuel prices, Cost/FEU fell by 2% YoY



APL Liner Fuel Cost Increases



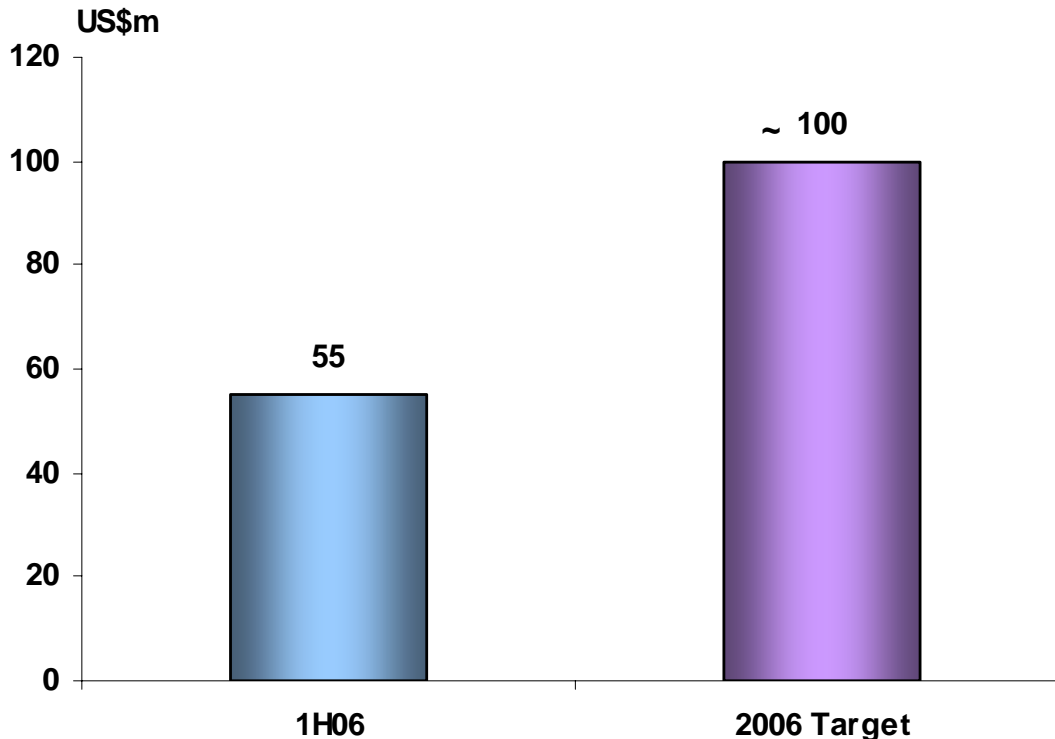
Higher fuel prices have added US\$420m to APL Liner costs between 2003-1H06



APL Liner Cost Mitigation



- US\$55m achieved in 1H06
- On track to achieve full year cost mitigation target of ~US\$100m

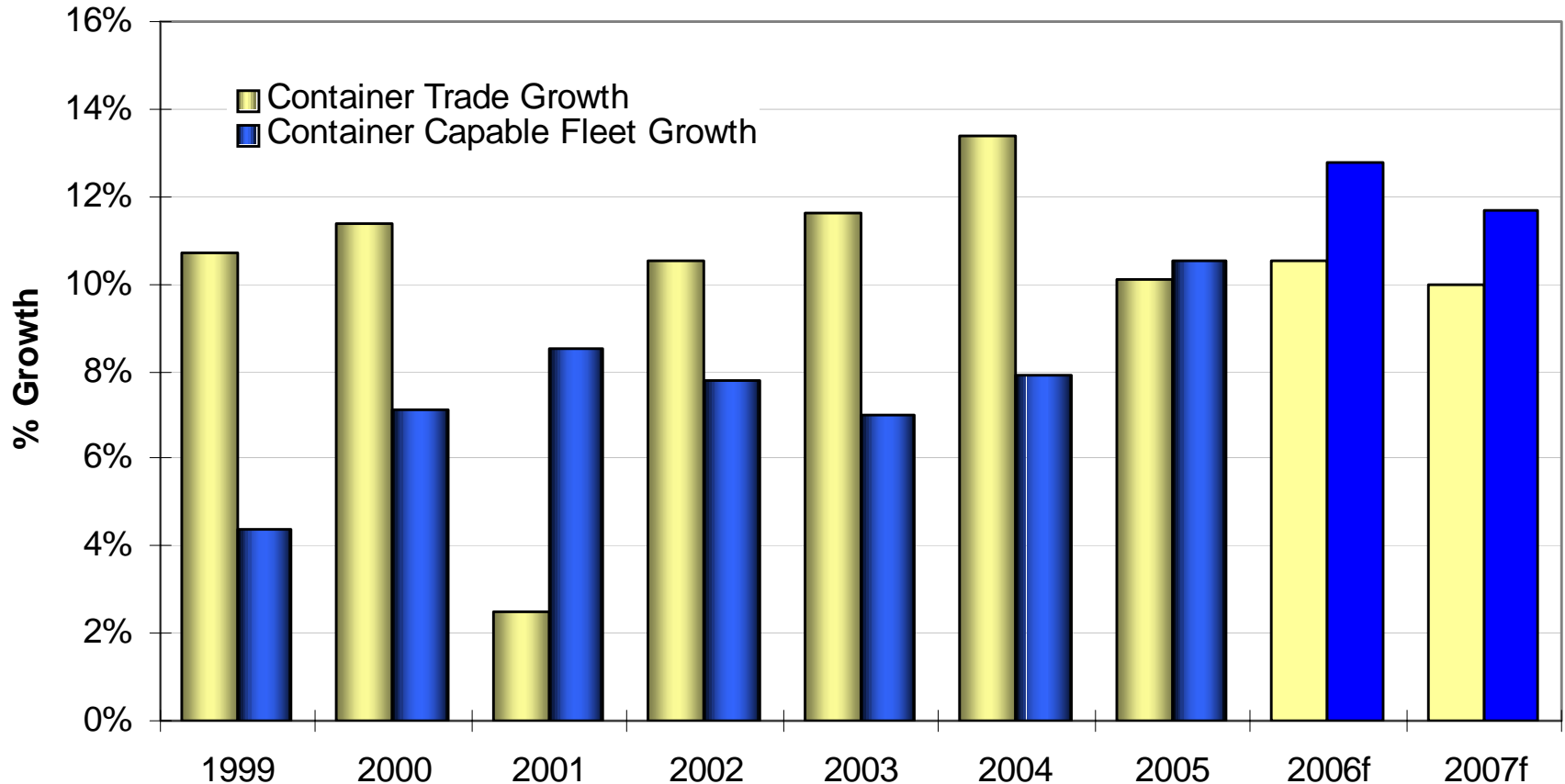


- ✓ *Improved network configuration*
- ✓ *Fuel efficiencies*
- ✓ *Improved management of container equipment*

Industry Global Demand & Supply



While nominal supply growth is forecast to be greater than demand growth in both 2006 and 2007, the gap is expected to narrow.



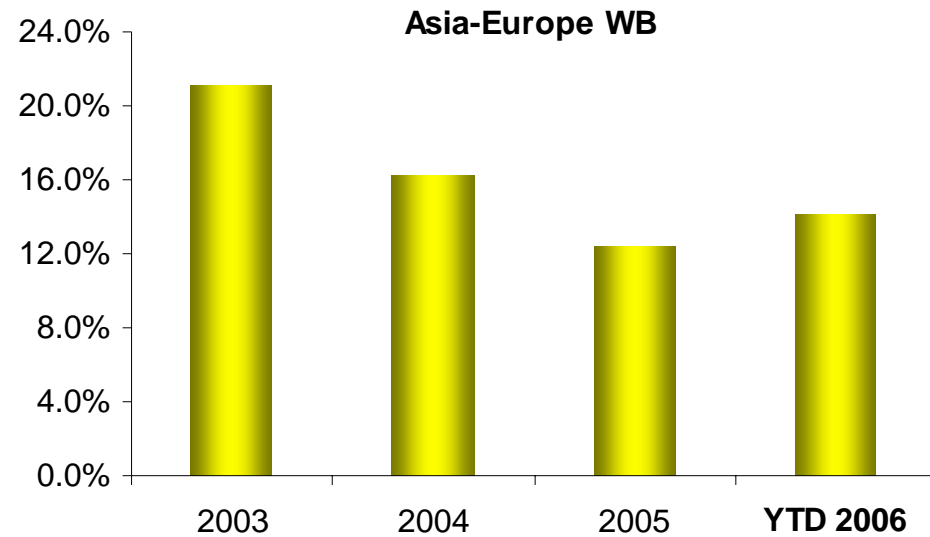
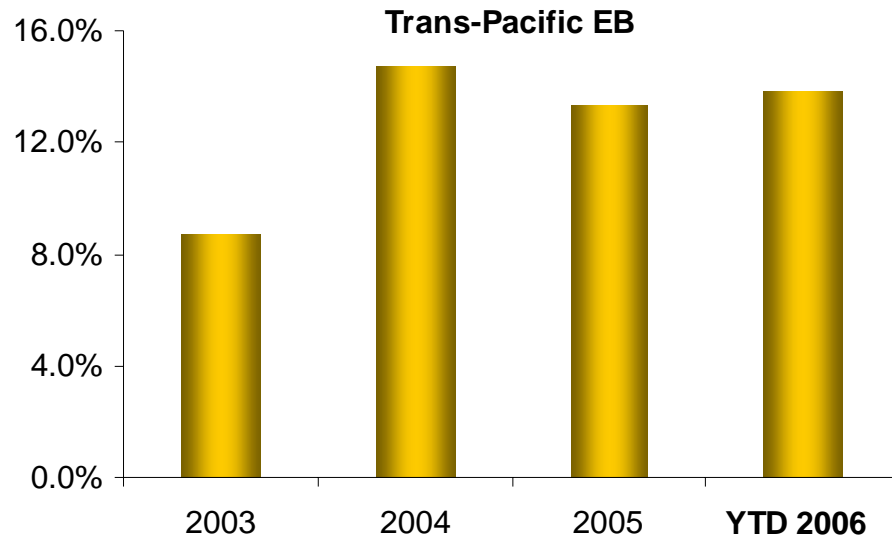
Source: Clarkson Research Studies June 06

Industry Growth by Tradelane



● Demand growth has been strong

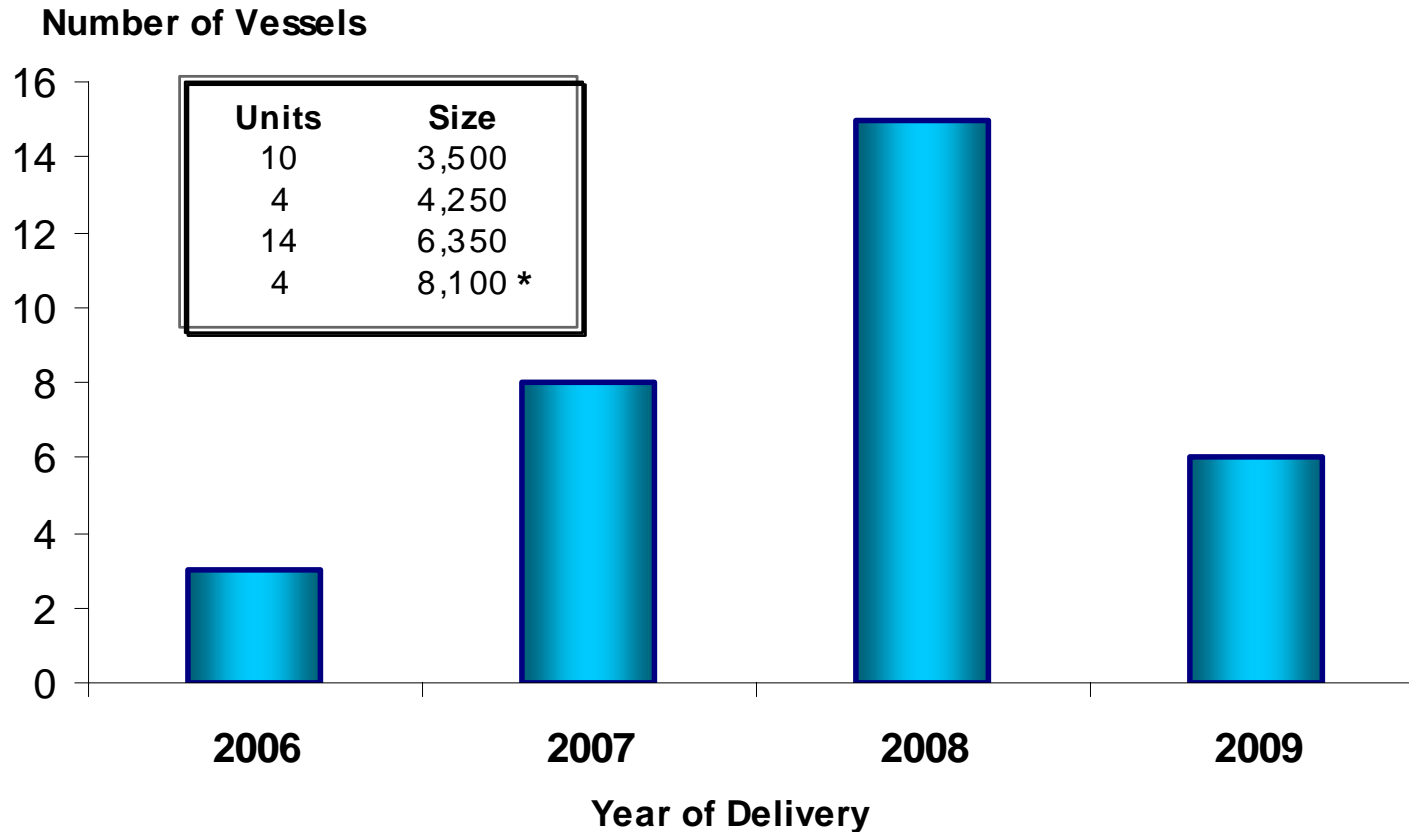
- *Trans-Pacific Eastbound registered 14% growth from Jan-May this year*
- *Asia-Europe Westbound also saw 14% volume increase in 1H06*



APL Liner New Vessel Commitments



NOL aims to grow capacity in line with market demand. We have increased new vessel commitments with a total of 32 vessels due for delivery over the next 4 years, of which only 3 are scheduled in 2006



* The 4 x 8,100 ships are part of a joint service loop with MOL in Asia-Europe, scheduled for 2008

Despite few new vessel commitments in 2006, APL has been able to grow capacity as well as broaden its business scope and service offerings through cooperation with others

Partnerships/collaborations include:

Trans-Pacific

- *The New World Alliance (TNWA) and Grand Alliance provides a combined service loop from Asia to US East Coast via the Panama Canal*

Asia-Europe

- *TNWA and Grand Alliance exchange slots in the Asia-Europe and Asia-Mediterranean trades*
- *Cooperation with CMA*

Asia/Middle East

- *Cooperate with a number of global and regional shipping lines*

- **Operating conditions in the liner industry remain challenging**
 - *Demand growth has been strong*
 - *Prospects depend on the demand-supply relationship later in 2006*
 - *Continuing pressure on bunker and land transportation costs as fuel prices remain high*

- **Ongoing strategy**
 - *Optimise cargo yields*
 - *Maintain high utilisation levels*
 - *Actively manage costs*
- **To grow fleet capacity at least at the level of growth in the marketplace**
- **Increase efforts with partners and customers to manage global transportation infrastructure issues**
- **Focus on integrated approach with APL Logistics**
- **Looking to expand terminal network**



5. Business Performance APL Logistics

By Brian Lutt
President, APL Logistics



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- **Both Contract Logistics and International Services contributed to growth in revenues**
- **Asia and Middle East Region posted the strongest growth**

- **More challenging business conditions in the Contract Logistics segment impacted revenue growth**
- **Lower utilisation levels at multi-user warehouse facilities**
- **New business did not materialise at the rate anticipated**
- **Investments in sales & engineering capabilities and IT systems resulted in higher costs**

APL Logistics P&L Summary



US\$m	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Revenue	636	613	4	292	296	(1)
Core EBITDA	31	34	(9)	12	15	(20)
• Depreciation & Amortisation	(5)	(6)	(17)	(2)	(3)	(33)
Core EBIT	26	28	(7)	10	12	(17)
Core EBIT Margin	4.1%	4.6%		3.4%	4.1%	

Performance Breakdown

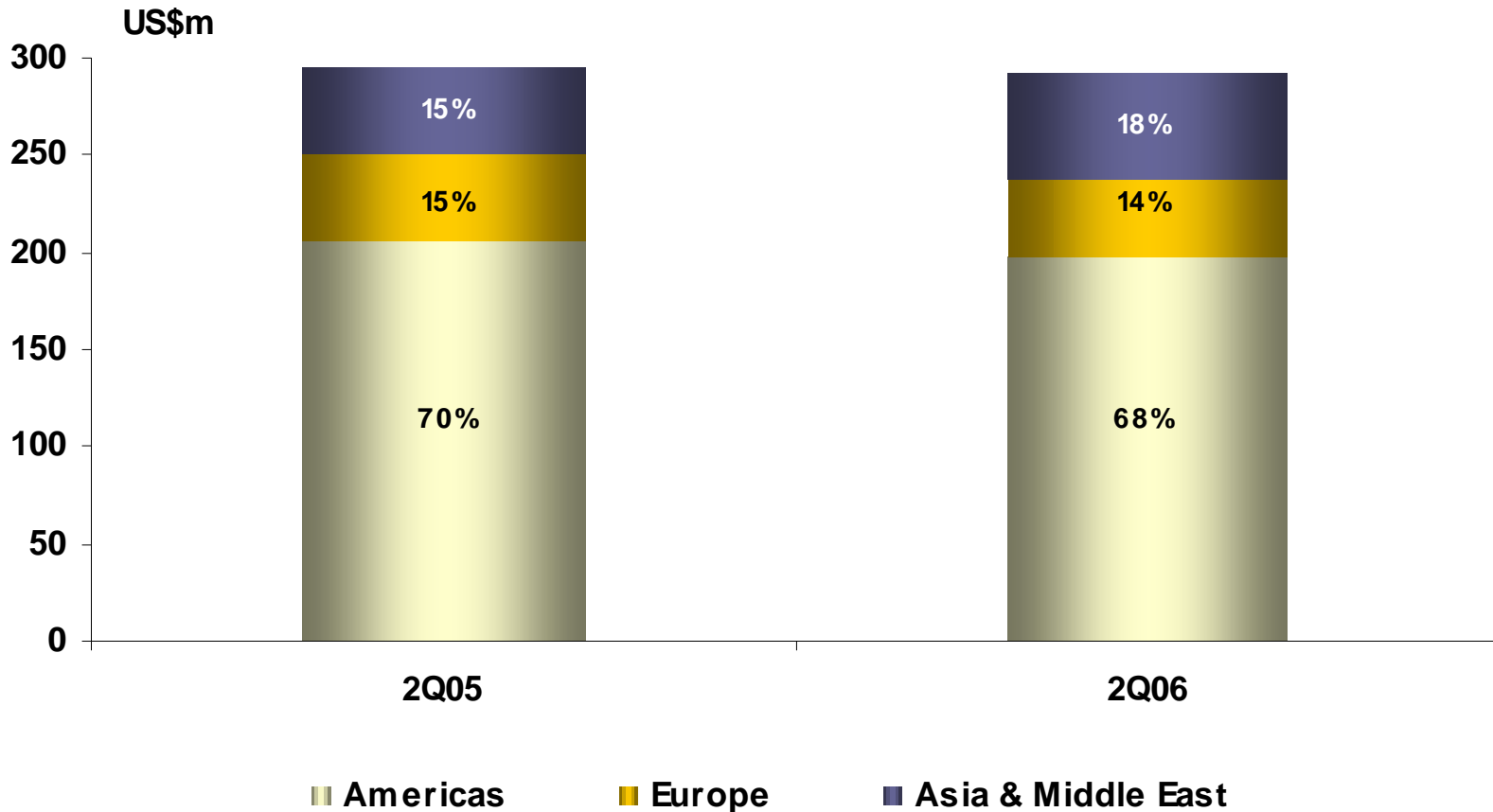


Business Segment	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Revenue	636	613	4	292	296	(1)
<i>Contract Logistics</i>	437	420	4	197	201	(2)
<i>International Services</i>	199	193	3	95	95	-
Core EBIT	26	28	(7)	10	12	(17)
<i>Contract Logistics</i>	11	12	(8)	5	6	(17)
<i>International Services</i>	15	16	(6)	5	6	(17)
Core EBIT Margin	4.1%	4.6%		3.4%	4.1%	
<i>Contract Logistics</i>	2.5%	2.9%		2.5%	3.0%	
<i>International Services</i>	7.5%	8.3%		5.3%	6.3%	

APL Logistics' 2Q06 Revenue Trend – By Region



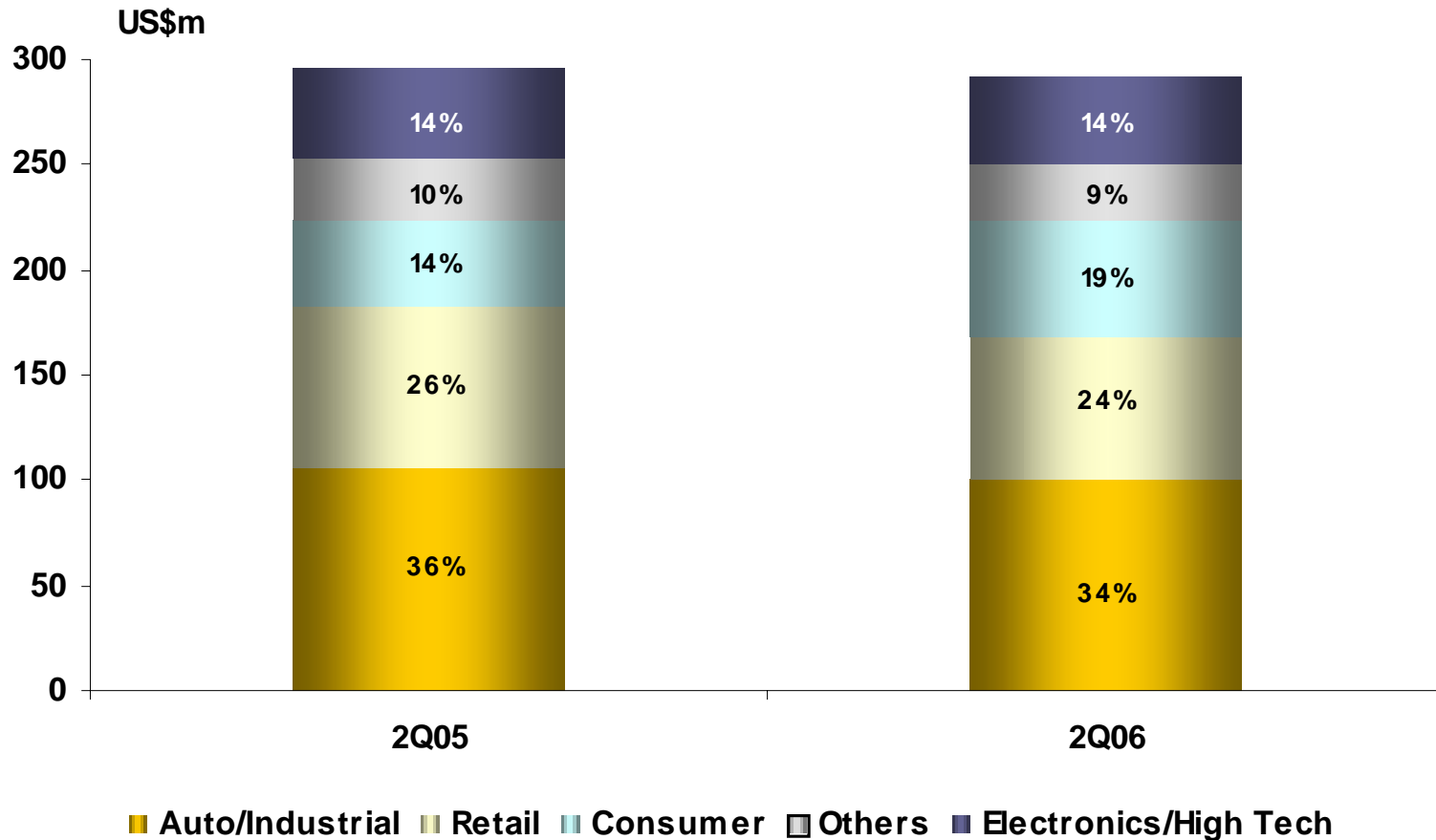
The Asia/Middle East region registered the strongest YoY revenue growth in 2Q06 while revenues in Americas and Europe declined



2Q06 Revenue Trend – By Customer Segment



The Consumer segment registered the strongest revenue growth in 2Q06.



- **We expect challenging business conditions to continue through 2006**
- **Committed to ongoing investment in new capabilities**
- **Expect investments made this year to begin to add to group revenue and profits next year**
- **Solid new product pipeline, eg time definite guaranteed LCL service**
- **Further integration of liner and logistics capabilities**



6. Group Outlook



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- **NOL expects the more difficult operating environment in the liner industry to continue over the next 12 months**
 - *Freight rate outlook will largely depend on whether the strong demand seen in the 1H continues and the extent to which it keeps pace with expected supply*
 - *Forward fuel prices remain high, hence, we expect fuel will continue to place significant pressure on bunker and land transportation costs*
 - *Will continue with proven strategy of keeping to a tight network, optimising asset utilisation, focusing on yield management and finding opportunities to mitigate costs*

- **APL Logistics' investments in new capabilities to expand its business expected to begin to add to group revenues and profits next year**
 - *Global market for third-party logistics continues to grow*

- **Focus on aligning and integrating logistics and liner capabilities**



Q & A



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Appendix



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	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Total Volumes	435	413	5	203	199	2
• <i>Trans-Pacific</i>	356	343	4	166	166	0
• <i>Latin America</i>	79	70	13	37	33	12
Average Revenues (US\$/FEU)	3,430	3,442	(0)	3,376	3,463	(3)

- **Trans-Pacific** : Active yield management strategies adopted which helped to buffer the extent of rate pressures
- **Latin America** : Healthy demand conditions resulted in volume improvements in both 1H and 2Q 2006

	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Total Volumes	265	249	6	124	119	4
• Asia Europe	204	188	9	96	90	7
• Transatlantic	61	61	0	28	29	(3)
Average Revenues (US\$/FEU)	2,447	2,648	(8)	2,444	2,661	(8)

- **Asia-Europe** : Demand remained strong, resulting in high utilisation levels and higher volumes.
- **Transatlantic** : Yield maximising strategies were maintained in a healthy trade environment

	1H06	1H05	% ▲	2Q06	2Q05	% ▲
Total Volumes	312	298	5	155	143	8
Average Revenues (US\$/FEU)	1,734	1,942	(11)	1,691	2,026	(17)

- **Asia/Middle East** : Healthy demand conditions prevail, especially in short sea trades, resulting in improved volumes. Rates were lower due to competitive pressures.

Imbalances on all of the key tradelanes remained similar to previous years

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

<u>Trade</u>	<u>2004</u>	<u>2005</u>	<u>1H06</u>
• Trans-Pacific	5	5	5
• Asia-Europe	8	8	7
• Transatlantic	9	10	9



End of Presentation

Thank You

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