



NOL Posts First Half Net Loss of US\$391 million

Singapore, 6 August 2009: Global container shipping, terminals and logistics group Neptune Orient Lines (NOL) today announced a net loss for the first half of 2009 (1H09) of US\$391 million, compared with a net profit of US\$196 million for the same period of 2008 (1H08).

For the second quarter of 2009 (2Q09), NOL recorded a net loss of US\$146 million.

At the Core EBIT level NOL posted a loss of US\$353 million for 1H09.

Revenue for 1H09 was down year-on-year by 37% to US\$2.931 billion.

FINANCIAL PERFORMANCE

	1H09	1H08	Change %	2Q09	2Q08	Change %
Revenue (US\$m)	2,931	4,643	(37)	1,388	2,236	(38)
Core EBIT (US\$m)	(353)	209	nm	(131)	90	nm
EBIT (US\$m)	(350)	229	nm	(129)	92	nm
Net (loss)/profit (US\$m)	(391)	196	nm	(146)	76	nm

NOL Group Chairman, Mr Cheng Wai Keung, said: "In the first half of 2009, NOL's performance continued to be impacted by the global economic recession."

"Through ongoing business adjustments we have strengthened our position to deal with the challenging marketplace. A key initiative was a major share rights issue. This initiative has taken the Group's pro forma net gearing close to zero. The Group's enhanced financial flexibility arising from a stronger balance sheet will provide an important source of differentiation in the current credit-constrained environment."

NOL Group President and Chief Executive Officer, Mr Ronald D. Widdows, said: "Although volumes and operating performance improved in the latter months of the first half, business conditions remained depressed, and this continued to impact our financial performance."

"We continued to adjust our business to these tough conditions – with measures taken to rationalise our network, equipment, terminal handling and land transport expenses and reduce general and administrative costs - while maintaining high service levels."

BUSINESS SEGMENTS

1H09 revenue from NOL's Container Shipping business, APL, was down year-on-year by 37% at US\$2.48 billion. 2Q09 revenue of US\$1.18 billion was 39% less than the same period of 2008.

APL posted a Core EBIT loss of US\$379 million for the first half of 2009. For 2Q09 the Core EBIT loss was US\$142 million.

APL's first half volumes were down year-on-year by 24% to 970,000 FEUs (forty-foot equivalent unit). In the second quarter, volumes dropped by 19% compared with the prior year, to 489,000 FEUs.

In the second quarter, there were some shifts in the volume mix, with the Intra Asia trade contributing 39% of total volumes compared with 34% in the same period of the prior year.

Lower bunker fuel cost recovery and continued freight rate deterioration in key trades saw average revenue per FEU decrease by 20% and 24% in 1H09 and 2Q09, respectively.

APL President, Mr Eng Aik Meng, said: "While negative market conditions continued to depress container shipping earnings, we saw positive improvement in APL container volumes and utilisations through the latter part of the second quarter."

In light of continued low freight rate levels, APL continued to push for freight rate recovery in 1H09.

NOL's Logistics and Terminals business units both made positive Core EBIT contributions for 1H09.

APL Logistics' first half Core EBIT of US\$24 million was 20% lower than the same period last year.

Operating and general and administrative costs for the Logistics segment reduced in the first half, by 39% and 25% respectively.

APL Logistics President, Mr Jim McAdam, said: "Despite the depressed market conditions in the first half, APL Logistics managed to generate positive earnings and improved margins."

Continued cost management discipline and focus on revenue quality compensated somewhat for the decline in revenue and resulted in an overall improvement in Core EBIT margin to 5.5% in 1H09 compared with 4.4% in the same period of 2008.

In the Terminals business segment, first half Core EBIT was US\$7 million, compared with US\$31 million in the same period of 2008.

"The Terminals business continued to be adversely affected by global container trade dynamics, and is focused on achieving additional operational efficiencies and cost reductions," said Terminals President, Mr Steve Schollaert.

OUTLOOK

For the rest of the year, NOL anticipates a continuation of adverse business operating conditions. This is notwithstanding the cost saving measures that have been undertaken. NOL reiterates that it expects to post a significant full year loss. The Group will continue to focus on improving asset utilisation, yields and productivity.

Following the completion of its rights issue, the Group is better positioned to weather the downturn.

1H09 OPERATING PERFORMANCE (vs 1H08)

Container Shipping

- Revenue US\$2.48 billion, down 37%
- Core EBIT loss of US\$379 million
- EBIT loss of US\$376 million
- Average revenue per FEU was 20% lower at US\$2,375
- Volumes down 24% to 970,000 FEUs
- Headhaul utilisation averaged 84%

Logistics

- Revenue US\$436 million, down 36%
- Core EBIT and EBIT of US\$24 million, down 20%
- Core EBIT Margin 5.5%, compared to 4.4% previously

Terminals

- Revenue US\$212 million, down 25%
- Core EBIT and EBIT of US\$7 million, down 77%
- Core EBIT Margin 3.3%, compared to 11.0% previously

-ENDS-

Note to editors:

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

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About NOL

Neptune Orient Lines (NOL) is a Singapore-based global container shipping, terminals and logistics company. Its container shipping arm, APL, provides world-class container shipping services and intermodal operations supported by leading-edge IT and e-commerce. Its terminals unit has one of the world's leading container terminal networks, with key gateway facilities in Asia and North America. Its logistics business, 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