

Company Announcements

NEPTUNE ORIENT LINES LIMITED

Unaudited Quarterly Financial Statements

For the 2nd Quarter Ended 27 June 2003

	Group			Group		
	US\$'000 YTD 2003	US\$'000 YTD 2002	% Increase/ (Decrease)	US\$'000 Q2 2003	US\$'000 Q2 2002	% Increase/ (Decrease)
1.(a)(i) Revenue	2,634,367	2,207,432	19	1,292,549	1,052,215	23
Cost of sales	(2,190,249)	(1,964,539)	11	(1,045,147)	(918,063)	14
Gross profit	444,118	242,893	83	247,402	134,152	84
Other operating income	27,702	14,086	97	9,550	7,306	31
Administrative expenses	(265,309)	(273,059)	(3)	(126,068)	(132,604)	(5)
Other operating expenses	(42,528)	(64,314)	(34)	(21,261)	(35,404)	(40)
Operating profit/(loss)	163,983	(80,394)	N/M	109,623	(26,550)	N/M
Finance and investment income	6,346	6,174	3	781	3,105	(75)
Finance costs	(66,615)	(69,034)	(4)	(30,017)	(33,935)	(12)
Share of results of associated companies	(58)	(1,904)	(97)	(59)	(66)	(11)
Share of results of joint ventures	381	875	(56)	(832)	385	N/M
Profit/(loss) before tax	104,037	(144,283)	N/M	79,496	(57,061)	N/M
Tax	(12,253)	(9,851)	24	(9,514)	(6,788)	40
Profit/(loss) from ordinary activities before minority interests	91,784	(154,134)	N/M	69,982	(63,849)	N/M
Minority interest	(3,027)	(1,584)	91	(1,505)	(401)	275
Net profit/(loss) for the period	88,757	(155,718)	N/M	68,477	(64,250)	N/M

	Company			Company		
	US\$'000 YTD 2003	US\$'000 YTD 2002	% Increase/ (Decrease)	US\$'000 Q2 2003	US\$'000 Q2 2002	% Increase/ (Decrease)
Revenue	5,880	7,904	(26)	2,726	2,696	1
Cost of sales	(8,116)	(10,049)	(19)	(3,735)	(3,036)	23
Gross loss	(2,236)	(2,145)	4	(1,009)	(340)	197
Other operating income	3,292	13,487	(76)	1,662	2,847	(42)
Administrative expenses	(5,437)	(7,112)	(24)	(2,352)	(4,538)	(48)
Other operating expenses	(32,193)	(4,127)	680	(30,642)	(253)	12,011
Operating (loss)/profit	(36,574)	103	N/M	(32,341)	(2,284)	1,316
Finance and investment income	8,386	3,704	126	523	3,154	(83)
Finance costs	(23,772)	(31,915)	(26)	(10,302)	(16,363)	(37)
Loss before tax	(51,960)	(28,108)	85	(42,120)	(15,493)	172
Tax	(1,993)	(1,955)	2	(200)	(2,833)	(93)
Net loss for the period	(53,953)	(30,063)	79	(42,320)	(18,326)	131

N/M : not meaningful

YTD : Year to Date

1.(a)(ii) Notes to the Income Statement

	Group			Group		
	US\$'000 YTD 2003	US\$'000 YTD 2002	% Change	US\$'000 Q2 2003	US\$'000 Q2 2002	% Change
(A) Investment Income	168	75	124	67	4	1,575
(B) Other Income Including Interest Income	31,144	15,792	97	8,796	7,527	17
(C) Interest on Borrowings	(63,891)	(65,201)	(2)	(29,005)	(31,630)	(8)
(D) Depreciation and Amortisation	(157,313)	(154,673)	2	(72,707)	(74,462)	(2)
(E) Allowance for Doubtful Debts and Bad Debts Written Off	(8,409)	(9,909)	(15)	(5,264)	(6,042)	(13)
(F) Provision for Impairment in Value of Investments	(2,909)	(142)	1,949	(2,923)	(16)	18,169
(G) Foreign Exchange Gain	6,534	1,384	372	3,330	290	1,048
(H) Adjustment for Over/(Under) Provision for Tax in Prior Years	7,880	1,465	438	(581)	0	N/M
(I) Profit/(Loss) on Sale of Investments, Properties and Plant, Property and Equipment	12,434	1,838	576	(117)	995	N/M
	Company			Company		
	US\$'000 YTD 2003	US\$'000 YTD 2002	% Change	US\$'000 Q2 2003	US\$'000 Q2 2002	% Change
(A) Investment Income	7,387	2,162	242	65	2,162	(97)
(B) Other Income Including Interest Income	4,292	15,028	(71)	2,121	3,838	(45)
(C) Interest on Borrowings	(23,064)	(30,488)	(24)	(10,030)	(15,600)	(36)
(D) Depreciation and Amortisation	(762)	(852)	(11)	(351)	(308)	14
(E) Allowance for Doubtful Debts and Bad Debts Written (Off)/Back	(1,178)	3,016	N/M	(411)	3,467	N/M
(F) (Provision)/Write-back for Impairment in Value of Investments	(30,112)	(1,173)	2,467	(29,783)	153	N/M
(G) Foreign Exchange (Loss)/Gain	(61)	144	N/M	35	78	(55)
(H) Adjustment for Under Provision for Tax in Prior Years	0	(955)	(100)	0	(2,196)	(100)
(I) Profit on Sale of Investments, Properties and Plant, Property and Equipment	424	11,241	(96)	1	1,585	(100)

N/M : not meaningful

YTD : Year to Date

1.(b)(i) Balance Sheet

	Group			Company		
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
	27 Jun 2003	31 Dec 2002	Increase / (Decrease)	27 Jun 2003	31 Dec 2002	Increase / (Decrease)
Current Assets						
Cash and cash equivalents	101,645	334,530	(70)	14,775	3,109	375
Trade and other receivables	673,973	597,023	13	158,120	433,828	(64)
Inventories at cost	75,147	68,551	10	448	448	0
Other current assets	56,748	51,441	10	1,911	2,096	(9)
Total current assets	907,513	1,051,545	(14)	175,254	439,481	(60)
Non-current Assets						
Investment in subsidiaries	-	-	0	1,232,430	1,263,404	(2)
Investment in associated companies	9,929	10,406	(5)	612	1,349	(55)
Investment in joint ventures	3,356	2,975	13	-	-	0
Long term investments	19,485	24,294	(20)	5,063	10,332	(51)
Property, plant and equipment	3,227,648	3,169,440	2	7,226	7,640	(5)
Deferred charges	8,000	8,271	(3)	368	402	(8)
Intangible assets	53,566	58,196	(8)	287	393	(27)
Goodwill arising on consolidation	277,185	291,853	(5)	-	-	0
Deferred tax assets	29,470	32,464	(9)	-	-	0
Other non-current assets	107,638	121,604	(11)	44,040	44,610	(1)
Total non-current assets	3,736,277	3,719,503	0	1,290,026	1,328,130	(3)
TOTAL ASSETS	4,643,790	4,771,048	(3)	1,465,280	1,767,611	(17)
Current Liabilities						
Trade and other payables	655,257	627,013	5	46,831	34,001	38
Provision for current tax	39,130	31,368	25	10,060	9,724	3
Borrowings	296,113	263,736	12	50,148	40,653	23
Provisions	25,600	35,287	(27)	8,444	13,003	(35)
Other current liabilities	127,660	105,424	21	-	-	0
Total current liabilities	1,143,760	1,062,828	8	115,483	97,381	19
Non-current Liabilities						
Borrowings	2,241,667	2,550,275	(12)	858,760	1,131,085	(24)
Provisions	92,614	88,986	4	38,392	38,392	0
Deferred income	27,931	30,509	(8)	-	-	0
Deferred tax liabilities	277,469	284,748	(3)	10,921	10,921	0
Other non-current liabilities	180,187	166,518	8	40,028	35,129	14
Total non-current liabilities	2,819,868	3,121,036	(10)	948,101	1,215,527	(22)
TOTAL LIABILITIES	3,963,628	4,183,864	(5)	1,063,584	1,312,908	(19)
NET ASSETS	680,162	587,184	16	401,696	454,703	(12)
Share Capital and Reserves						
Share capital	655,548	654,623	0	655,548	654,623	0
Reserves	(9,022)	(98,570)	(91)	(253,852)	(199,920)	27
Interests of shareholders of the Company	646,526	556,053	16	401,696	454,703	(12)
Minority interests	33,636	31,131	8	-	-	0
	680,162	587,184	16	401,696	454,703	(12)
Net current (liabilities)/assets	(236,247)	(11,283)	1,994	59,771	342,100	(83)

1.(b)(ii) Borrowings

	As at 27 June 2003			US\$'000 Total
	US\$'000	US\$'000	US\$'000	
	Secured Bank Loans*	Unsecured Bank Loans	Unsecured Deferred Liabilities	
Amount repayable in one year or less, or on demand	120,621	141,959	33,533	296,113
Amount repayable on or before 27 June :				
2005	124,498	5,000	35,021	164,519
2006	241,730	293,124	37,303	572,157
2007	273,307	50,000	39,677	362,984
2008	122,946	297,275	35,196	455,417
Thereafter	298,552	198,014	190,024	686,590
	<u>1,181,654</u>	<u>985,372</u>	<u>370,754</u>	<u>2,537,780</u>

	As at 31 December 2002			US\$'000 Total
	US\$'000	US\$'000	US\$'000	
	Secured Bank Loans*	Unsecured Bank Loans	Unsecured Deferred Liabilities	
Amount repayable in one year or less, or on demand	96,827	133,871	33,038	263,736
Amount repayable in :				
2004	119,245	6,000	34,822	160,067
2005	225,330	307,945	36,304	569,579
2006	266,707	221,000	38,384	526,091
2007	133,000	1,000	39,716	173,716
Thereafter	243,519	671,605	205,698	1,120,822
	<u>1,084,628</u>	<u>1,341,421</u>	<u>387,962</u>	<u>2,814,011</u>

* The loans are secured either on vessels or properties.

1.(b)(iii) Operating Lease Commitments

The aggregate minimum lease payments under non-cancellable operating leases are as follows:

As at 27 June 2003	Vessels US\$'000	Containers US\$'000	Terminals US\$'000	Chassis US\$'000	Others** US\$'000	Total US\$'000
Amount repayable in 2003	171,217	43,115	40,959	12,775	38,423	306,489
Amount repayable in :						
2004	282,455	65,092	81,039	25,805	64,964	519,355
2005	221,306	56,228	80,853	25,319	49,198	432,904
2006	150,548	41,497	81,330	25,178	39,197	337,750
2007	116,048	34,010	72,015	22,610	26,905	271,588
Thereafter	630,974	25,983	1,339,270	27,359	73,129	2,096,715
	<u>1,572,548</u>	<u>265,925</u>	<u>1,695,466</u>	<u>139,046</u>	<u>291,816</u>	<u>3,964,801</u>

As at 31 December 2002	Vessels US\$'000	Containers US\$'000	Terminals US\$'000	Chassis US\$'000	Others** US\$'000	Total US\$'000
Amount repayable in one year or less	296,759	85,513	81,574	25,706	70,123	559,675
Amount repayable in :						
2004	258,582	58,044	80,857	25,425	57,737	480,645
2005	226,804	41,246	80,758	25,425	45,885	420,118
2006	155,697	25,254	81,237	25,280	37,701	325,169
2007	120,337	17,861	72,015	22,660	24,733	257,606
Thereafter	645,876	4,134	1,339,595	27,158	64,131	2,080,894
	<u>1,704,055</u>	<u>232,052</u>	<u>1,736,036</u>	<u>151,654</u>	<u>300,310</u>	<u>4,124,107</u>

** Others relate mainly to warehouse space, warehouse equipment, office space and land.

The present value for the aggregated operating lease commitments as at 27 June 2003 is US\$2.46 billion (2002: US\$2.62 billion). The present values are computed based on the Group's weighted average cost of capital of 7.0%.

1.(c)(i) Consolidated Cash Flow Statement

	Group			
	US\$'000 YTD 2003	US\$'000 YTD 2002	US\$'000 Q2 2003	US\$'000 Q2 2002
Cash Flows from Operating Activities				
Profit/(loss) before tax	104,037	(144,283)	79,496	(57,061)
Adjustments for :				
Amortisation of non-current assets and deferred income	19,808	23,470	8,733	11,916
Depreciation of property, plant and equipment	137,505	131,203	63,974	62,546
Interest expense	63,891	65,201	29,005	31,630
Interest income	(6,149)	(4,301)	(714)	(1,412)
Investment income	(168)	(75)	(67)	(4)
Net (profit)/loss on disposal of property, plant and equipment	(119)	91	38	(385)
Write-off of property, plant and equipment	120	0	0	0
Net (profit)/loss on disposal of subsidiaries	(93)	(594)	79	(594)
Net profit on disposal of associates	0	(48)	0	0
Net profit on disposal of long term investments	(12,222)	(1,287)	0	(16)
Net (profit)/loss on early extinguishment of debts	(28)	689	0	689
Net provision for diminution in value of long term investments	22	783	7	503
Net provision for diminution in value of investment in, doubtful loans and non-trade debts to associates	6,718	5,928	2,984	3,773
Net (write-back)/provision for doubtful loans receivable	(142)	67	18	67
Net provision for impairment in value of property, plant and equipment	2,909	142	2,923	16
Net provision for restructuring and termination costs	398	0	398	0
Net provision for drydocking costs	2,327	0	1,881	0
Net provision for associates	1,746	1,672	312	475
Share of results of associated companies	58	1,904	59	66
Share of results of joint ventures	(381)	(875)	832	(385)
Exchange difference	332	(2,083)	5,061	(2,010)
Operating cashflow before working capital changes	320,569	77,604	195,019	49,814
Changes in operating assets and liabilities, net of effects from purchase and disposal of subsidiaries :				
Deferred charges	(772)	(1,807)	(757)	(5)
Deferred income	157	19	34	(1,138)
Debtors	(81,622)	101,397	(13,671)	(18,262)
Inventories	(6,596)	(8,064)	5,121	(5,675)
Creditors	49,880	17,429	3,163	21,873
Net amount due (to)/from associated companies	(851)	(6,251)	947	(1,774)
Trading securities	2,279	3,501	1,439	355
Cash generated from operations	283,044	183,828	191,295	45,188
Interest paid	(59,966)	(58,155)	(30,295)	(31,997)
Interest received	6,319	4,381	845	1,389
Net income tax paid	(8,773)	(21,904)	(19,025)	(13,075)
Net cash generated from operating activities	220,624	108,150	142,820	1,505
Cash Flows from Investing Activities				
Acquisition of subsidiaries, net of cash acquired *	0	(18,000)	0	(18,000)
Additional payments to seller of subsidiary acquired	0	(1,643)	0	(1,262)
Dividends to minority interests	(666)	0	(630)	0
Net proceeds/(repayments) of loans receivable	98	(1,964)	(87)	(2,498)
Investment income received	168	75	67	4
Additions in long term investments	0	(793)	0	(468)
Purchase of property, plant and equipment	(202,021)	(118,719)	(97,265)	(77,533)
Purchase of intangible assets	(2,263)	(9,102)	(425)	(5,672)
Proceeds from disposal of property, plant and equipment	3,647	3,210	2,145	2,811
Proceeds from disposal of long term investments	23,482	4,213	0	1,290
Proceeds from disposal of associates	0	29	0	29
Proceeds (net of transaction cost) from disposal of subsidiaries *	2	316	0	316
Net cash used in investing activities	(177,553)	(142,378)	(96,195)	(100,983)
Cash Flows from Financing Activities				
Proceeds from borrowings	196,290	77,438	169,290	22,711
Capital contribution by minority interests	135	0	0	0
Proceeds from issue of new ordinary shares	946	36	890	1
Repayment of borrowings	(473,327)	(396,989)	(367,521)	74,158
Net cash used in financing activities	(275,956)	(319,515)	(197,341)	96,870
Net change in cash and cash equivalents	(232,885)	(353,743)	(150,716)	(2,608)
Cash and cash equivalents at beginning of the period	334,530	450,829	252,361	99,694
Cash and cash equivalents at end of the period	101,645	97,086	101,645	97,086

YTD : Year to Date

1.(c)(i) Consolidated Cash Flow Statement (continued)

	US\$'000 YTD 2003	Group US\$'000 YTD 2002	US\$'000 Q2 2003	US\$'000 Q2 2002
* Summary of Effect of Changes On Acquisition And Disposal Of Subsidiaries				
Net assets acquired :				
Property, plant and equipment	0	13,698	0	13,698
Current assets	0	158	0	158
Current liabilities	0	(2,535)	0	(2,535)
Net attributable assets acquired	0	11,321	0	11,321
Goodwill arising on consolidation	0	6,679	0	6,679
Cost of acquisition of subsidiaries	0	18,000	0	18,000
Less : Cash of subsidiaries acquired	0	0	0	0
Cash outflow on acquisition of subsidiaries, net of cash acquired	0	18,000	0	18,000
Net assets disposed :				
Current assets	650	670	(619)	670
Current liabilities	(18)	(116)	515	(116)
Net attributable assets disposed	632	554	(104)	554
Less : Minority interest	0	(273)	0	(273)
Less : Foreign currency translation reserve	441	(559)	183	(559)
	1,073	(278)	79	(278)
Profit on disposal of subsidiaries	93	594	(79)	594
Net proceeds from disposal of subsidiaries	1,166	316	0	316
Less : Cash of subsidiaries disposed	(1,164)	0	0	0
Net cash inflow on disposal of subsidiaries, net of cash disposed	2	316	0	316

YTD : Year to Date

1.(d)(i) Statement of Changes in Equity

	Share Capital	Share Premium	Translation Reserves	Accumulated Losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
GROUP					
Balance at 1 January 2003	654,623	376,754	5,517	(480,841)	556,053
Currency translation differences	-	-	770	-	770
Net gains not recognised in income statement	-	-	770	-	770
Net profit for the period	-	-	-	88,757	88,757
Total gains recognised for the financial period	-	-	770	88,757	89,527
Issue of new ordinary shares	925	21	-	-	946
Balance at 27 June 2003	655,548	376,775	6,287	(392,084)	646,526
Balance at 1 January 2002					
- as previously reported	654,589	376,752	4,821	(136,887)	899,275
- effect of adopting SAS 12	-	-	-	(13,798)	(13,798)
- as restated	654,589	376,752	4,821	(150,685)	885,477
Currency translation differences	-	-	696	-	696
Net gains not recognised in income statement	-	-	696	-	696
Net loss for the year	-	-	-	(330,156)	(330,156)
Total gains/(losses) recognised for the financial year	-	-	696	(330,156)	(329,460)
Issue of new ordinary shares	34	2	-	-	36
Balance at 31 December 2002	654,623	376,754	5,517	(480,841)	556,053
COMPANY					
Balance at 1 January 2003	654,623	376,754	-	(576,674)	454,703
Net loss for the period	-	-	-	(53,953)	(53,953)
Issue of new ordinary shares	925	21	-	-	946
Balance at 27 June 2003	655,548	376,775	-	(630,627)	401,696
Balance at 1 January 2002					
- as previously reported	654,589	376,752	-	(541,099)	490,242
- effect of adopting SAS 12	-	-	-	(12,162)	(12,162)
- as restated	654,589	376,752	-	(553,261)	478,080
Net loss for the year	-	-	-	(23,413)	(23,413)
Issue of new ordinary shares	34	2	-	-	36
Balance at 31 December 2002	654,623	376,754	-	(576,674)	454,703

1.(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the previous period of the immediately preceding financial year.

As at 27 June 2003, the Company's issued and paid-up capital comprised 1,177,744,191 (31 December 2002 : 1,176,133,887) ordinary shares of S\$1.00 each.

During the period, the Company issued 1,610,304 ordinary shares of par value S\$1.00 each fully paid to participants of the NOL Group Share Option Plan ("SOP") who exercised their options to purchase ordinary shares at the subscription price of between S\$1.00 to S\$1.37 per share.

As at 27 June 2003, options to subscribe for 44,358,395 (31 December 2002 : 51,975,543) ordinary shares remain outstanding under the SOP.

2. **Audit or Review of Figures**

The figures have not been audited nor reviewed by our auditors.

3. **Auditors' Report (including any qualifications or emphasis of matter)**

N.A.

4. **Accounting Policies**

Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, to disclose what has changed, as well as the reasons for and the effect of the change.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2002.

5.(a) **Changes in accounting policies and methods of computation, including any required by an accounting standard. To include reasons for, and the effect of, the change.**

N.A.

5.(b) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

6.	<u>YTD 2003</u>	<u>YTD 2002</u>	<u>Q2 2003</u>	<u>Q2 2002</u>		
GROUP						
Earnings/(Loss) per ordinary share after deducting any provision for preference dividends						
a) Based on the weighted average number of ordinary shares on issue						
	7.54 US cts	(13.24) US cts	5.82 US cts	(5.46) US cts		
b) On a fully diluted basis (detailing any adjustments made to the losses)						
	7.53 US cts	(13.24) US cts	5.81 US cts	(5.46) US cts		
7.	<u>Group</u>			<u>Company</u>		
	<u>27 Jun 2003</u>	<u>31 Dec 2002</u>	<u>Inc / (Dec)</u>	<u>27 Jun 2003</u>	<u>31 Dec 2002</u>	<u>Inc / (Dec)</u>
	US\$	US\$	%	US\$	US\$	%
	Net Asset Value per ordinary share based on issued share capital of the issuer					
	0.55	0.47	16	0.34	0.39	(12)

YTD : Year to Date

8. Review of the Performance of the Group

YTD 2003 vs YTD 2002

NOL Group recorded a 19% increase in turnover to US\$2.63 billion as turnover improved for all its business units.

The Group achieved a net profit of US\$88.7 million (2002 : loss of US\$155.7 million). Both Liner and Chartering achieved net profits in Q2 while Logistics managed to reduce net losses.

Q2 2003 vs Q2 2002

The Group recorded a 23% increase in turnover to US\$1.29 billion and a net profit of US\$68.5 million (2002 : loss of US\$64.3 million). The improvement came from all 3 business units.

	Q2 2003 US\$m	Q1 2003 US\$m	Q2 2002 US\$m	Q1 2002 US\$m
(a) Turnover				
Liner	937	957	794	861
Logistics	223	231	177	196
Chartering	122	141	78	79
Others	44	44	34	51
Elimination	(34)	(31)	(31)	(32)
Total	1,292	1,342	1,052	1,155
(b) Core EBIT*				
Liner	82	5	(18)	(53)
Logistics	4	(1)	(4)	(7)
Chartering	27	44	2	7
Others	(3)	(6)	(5)	(4)
Total	110	42	(25)	(57)

* Earnings before Interest, Tax and Exceptional Items

(c) Analysis by Business Units

(c)(i) Liner

YTD 2003 vs YTD 2002

The year 2003 began with a marked improvement in the US and European economies. This combined with the strong demand seen in all markets and the successful implementation of General Rate Increase, resulted in the total turnover increase of 14% over the corresponding period in 2002. Core EBIT was up by US\$158 million compared to the same period in 2002, as a result of cost savings and the recovery in average freight rates.

Q2 2003 vs Q2 2002

The liner business benefited from strong demand and higher rates. Turnover increased by 18%, due to improved freight rates and higher volumes in Asia Europe and Trans-Pacific markets. Average freight rates rose by 26% from corresponding quarter last year.

Cost savings initiatives, better productivity, network rationalisation and measures to minimise trade imbalance increased net contribution.

	Q2 2003	Q1 2003	Q2 2002	Q1 2002
Load Factors %				
Trans-Pacific East Bound	96%	98%	93%	82%
Trans-Pacific West Bound	74%	99%	101%	85%
Trans-Pacific Trade	87%	98%	96%	83%
Latin America - North Bound	64%	67%	86%	85%
Latin America - South Bound	61%	55%	72%	75%
Latin America Trade	63%	61%	79%	80%
Asia-Europe	90%	103%	100%	92%
Europe-Asia	102%	95%	99%	86%
Asia-Europe Trade	96%	99%	100%	89%
Trans-Atlantic - East Bound	78%	74%	58%	70%
Trans-Atlantic - West Bound	104%	98%	100%	92%
Trans-Atlantic Trade	91%	86%	79%	81%

APL Q2 RESULTS 2003 and 2002

Unaudited

	Q2 2003	Q1 2003	Q2 2002	Q1 2002
Volume (000s FEU)				
<u>Americas</u>				
Trans-Pacific	132	163	147	142
Latin America	27	29	29	31
	159	192	176	173
<u>Europe</u>				
Asia-Europe	68	78	62	81
Trans-Atlantic	24	27	18	21
	92	105	80	102
<u>Asia/Middle East</u>				
Intra-Asia	88	100	105	118
Total Volume	339	397	361	393
Operating Expenses (US\$m)				
<u>Americas</u>				
Trans-Pacific	446	505	427	468
Latin America	80	88	77	77
	526	593	504	545
<u>Europe</u>				
Asia-Europe	150	161	130	168
Trans-Atlantic	49	59	39	47
	199	220	169	215
<u>Asia/Middle East</u>				
Intra-Asia	130	139	139	154
Total Operating Expenses	855	952	812	914
Analysis of Expenses (US\$m)				
Operating Cost	723	808	675	764
General and Administrative	85	89	90	97
Depreciation and Amortisation	46	53	45	51
Others *	1	2	2	2
Total Operating Expenses	855	952	812	914

* Others consists of minority interest and share of results of associated companies.

(c)(ii) LogisticsYTD 2003 vs YTD 2002

Total turnover increased by 22% to US\$454 million and Core EBIT improved by US\$14 million to US\$3 million (2002 : loss of US\$11 million). 55% of the revenue growth was from the Americas region primarily in the Contract Logistics operation, while the Core EBIT improvement came from warehousing operation and transportation management.

Q2 2003 vs Q2 2002

Logistics achieved a turnover of US\$223 million, an improvement of 26%. Strong revenue growth was achieved in Contract Logistics in Americas region while the International Services contributed to the revenue growth in Asia and Europe.

Core EBIT was US\$4 million (2002 : loss of US\$4 million). Improved warehousing operation, new business secured in late 2002 and the divestment of loss making Direct Logistics in Americas contributed to the improvement in Core EBIT.

Core EBIT: Earnings before Interest, Tax and Exceptional Items

APLL Q2 RESULTS 2003 and 2002

Unaudited
US\$ millions

	Q2 2003	Q1 2003	Q2 2002	Q1 2002
BY REGION				
Revenue				
Americas	160	174	135	154
Europe	31	22	16	14
Asia & Middle East	32	35	26	28
Total Revenue	223	231	177	196
BY BUSINESS SEGMENT				
Revenue				
Contract Logistics Services	165	177	134	151
International Services	58	54	43	45
Total Revenue	223	231	177	196
Operating Expenses				
Contract Logistics Services	163	183	141	161
International Services	56	49	40	42
Total Operating Expenses	219	232	181	203
Core EBIT*				
Contract Logistics Services	1	(6)	(7)	(8)
International Services	3	5	3	1
Total Core EBIT	4	(1)	(4)	(7)
Analysis of Expenses				
Operating Cost	179	187	140	160
General and Administrative	34	36	32	34
Depreciation and Amortisation	6	8	9	9
Others**	0	1	0	0
Total Operating Expenses	219	232	181	203

* Earnings before Interest, Tax and Exceptional Items

** Others consist of minority interest and share of results of associated companies.

(c)(iii) CharteringYTD 2003 vs YTD 2002

Chartering recorded a turnover of US\$263 million, a 68% increase. This was due to a significant improvement in TCE rates for Aframax, VLCC and Product Tankers. The improvement in TCE rates resulted in the Core EBIT improving to US\$71 million, a 689% increase.

The strong TCE rates resulted from the disruption of oil supply in Venezuela, a continued build up of inventory in USA and the premium for double hulled tankers due to the vessel Prestige incident off the coast of Spain in November 2002.

Q2 2003 vs Q2 2002

Chartering recorded a turnover of US\$122 million in Q2 2003, an improvement of 56%. Core EBIT was US\$27 million (2002 :US\$2 million).

The strong TCE rates resulting from the factors discussed above contributed to the improved results in Q2 2003.

CHARTERING Q2 RESULTS 2003 and 2002

Unaudited
US\$ millions

	Q2 2003	Q1 2003	Q2 2002	Q1 2002
Revenue	122	141	78	79
Operating Expenses	95	97	76	72
Core EBIT*	27	44	2	7
Analysis of Expenses				
Operating Cost	74	78	61	55
General and Administrative	5	3	2	3
Depreciation and Amortisation	15	16	14	13
Others**	1	0	(1)	1
Total Operating Expenses	95	97	76	72

* Earnings before Interest, Tax and Exceptional Items

** Others consist of minority interest and share of results of associated companies.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

N.A.

10. **A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

Group

The sale of AET was completed on 22 July 2003. As a result, the Group's balance sheet will improve considerably. The Group will continue to explore various options to further reduce gearing and strengthen its balance sheet. It will also continue its efforts to manage costs and improve revenue in all areas of the businesses.

With the recovery in container freight rates and continuing implementation of cost cutting measures, the Group expects to achieve significantly better results in the second half of 2003, barring unforeseen circumstances.

Liner

Liner remains focused on various initiatives for cost containment, yield improvements and freight rates restoration.

Trans-Pacific and Asia Europe trades are expected to remain healthy throughout the second half of 2003. With volumes seasonally strong compared with the corresponding period of 2002, turnover is expected to increase significantly. Fuel price for the second half of 2003 is forecast to be slightly higher than the corresponding period in 2002.

Liner is on track to achieve significantly better results in the second half of 2003, barring unforeseen circumstances.

Logistics

The outlook for the remainder of 2003 is positive. Logistics secured more contracts late in 2002 and early in 2003 and will see the benefits from these contracts in the second half of 2003. Despite the weak global economy, volumes are increasing in all regions and in most sectors. Logistics remains optimistic that the actions taken to improve operating costs and return to operational profitability will be on track.

Chartering

Outlook for the crude tanker market remains positive. However, with the sale of American Eagle Tankers completed on 22 July 2003, Chartering has exited this segment of the tanker market.

The Product Tanker market peaked in May 2003. However, TCE rates are expected to remain firm with the continued push by the European Union to speed up the phasing out of single hulled vessels. However, rate spikes are unlikely with the Iraqi situation stabilised. Demand for second half of 2003 is expected to remain strong as inventory levels are low and replenishments will continue for the remainder of 2003.

11. **Dividend**

- 11.(a) **Any dividend recommended for the current financial period reported on?**

Nil

- 11.(b) **Any dividend declared for the corresponding period of the immediately preceding financial year?**

Nil

- 11.(c) **Date payable**

N.A.

11.(d) Books closure date

N.A.

PART II - ADDITIONAL INFORMATION REQUIRED FOR QUARTERLY ANNOUNCEMENT

12. Interested Person Transactions

<u>Aggregate value of transactions</u>	<u>US\$'000</u> <u>YTD 2003</u>	<u>US\$'000</u> <u>YTD 2002</u>	<u>US\$'000</u> <u>Q2 2003</u>	<u>US\$'000</u> <u>Q2 2002</u>
Transactions for the Sale of Goods and Services				
Keppel Corporation Limited and its associates	135	159	60	72
Sembcorp Industries Limited and its associates	16	116	2	19
Transactions for the Purchase of Goods and Services *				
Keppel Corporation Limited and its associates	272	773	73	659
PSA Corporation Limited and its associates	46,106	54,744	20,011	25,806
Sembcorp Industries Limited and its associates	1,869	1,927	639	933

* conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual

YTD : Year to Date

13. Subsequent Events

On 22 July 2003, Neptune Orient Lines (NOL) announced it had completed the sale of American Eagle Tankers (AET) to Malaysia International Shipping Corporation Berhad (MISC). Under the terms of the agreement, MISC paid a purchase price for equity of US\$445 million in cash at closing for the acquisition. MISC also funded a US\$75 million cash dividend from AET to NOL. The purchase price is also subject to adjustment on a dollar-to-dollar basis for the profits earned from February 8, 2003 to the closing date. MISC has agreed as well to increase the equity price should AET achieve certain performance milestones over the next two years.

BY ORDER OF THE BOARD

MARJORIE WEE
Company Secretary

Dated this 21 August 2003