



1st Quarter 2003 Performance Review

26 May 2003





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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 assumption of the 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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- 1. 1Q03 Group Financial Performance**

Financial Highlights (US\$)

1Q03 Financial Performance

	<u>1Q03</u>	<u>1Q02</u>	<u>Change</u>
➤ Turnover	\$1,342m	\$1,155 m	16%
➤ Core EBITDA	\$124 m	\$21 m	490%
• Depreciation & Amortization*	(\$82 m)	(\$78 m)	
➤ Core EBIT	\$42 m	(\$57 m)	n.m.
• Net Interest Expense	(\$29 m)	(\$31 m)	
• Tax	(\$3 m)	(\$3 m)	
➤ Profit (Loss) before EI**	\$9 m	(\$90 m)	n.m.
• Exceptional Items	\$11 m	(\$1 m)	
➤ Net Profit (Loss)	\$20 m	(\$91 m)	n.m.

* Part of the amortization has been classified under exceptional items - US\$2m in 1Q02 & 1Q03

** EI = Exceptional Items

Summation may not add up due to rounding

Exceptional Items (US\$)

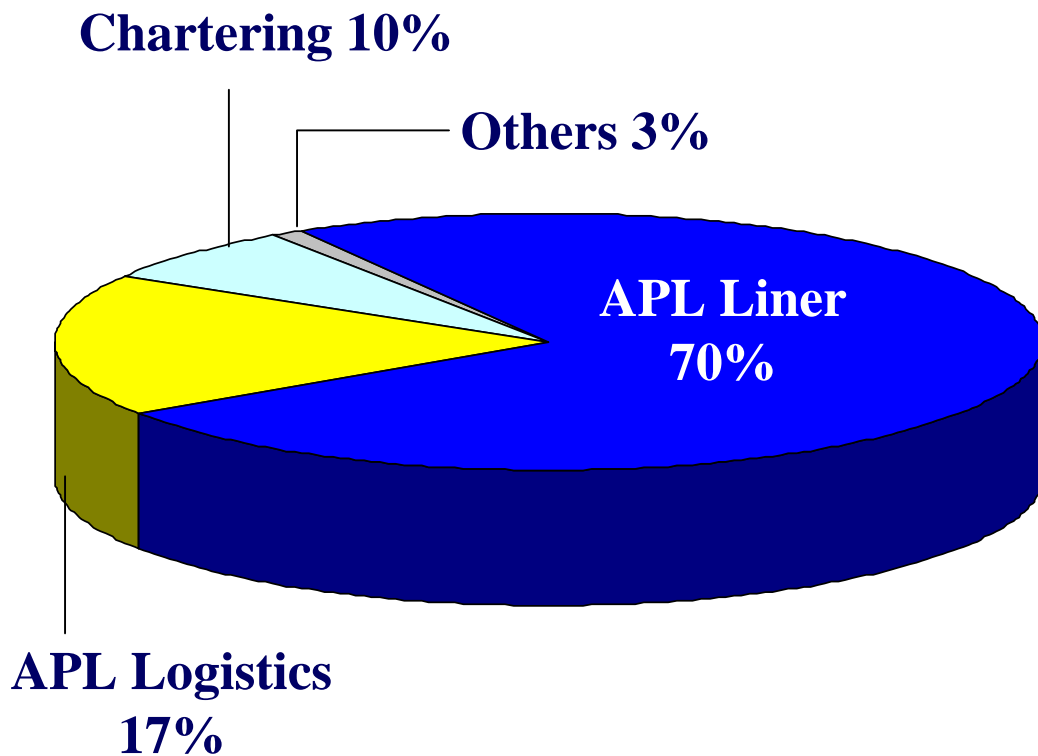
	1Q03	1Q02
1. (Loss)/Gain from asset disposal	\$13 m	\$2 m
2. Provisions for diminution in assets	-	(\$1 m)
3. Additional write-down of goodwill	(\$2 m)	(\$2 m)
Total	\$11 m	(\$1 m)

NOL Group Balance Sheet (US\$)

	4 Apr'03	31 Dec'02
Total Assets	\$4,774 m	\$4,771 m
Total Liabilities	\$4,197 m	\$4,215 m
Total Equity	\$577 m	\$556 m
Total Debt	\$2,736 m	\$2,814 m
Gearing (Gross)	4.74	5.06
Gearing (Net)	4.30	4.46

Turnover by Business Units

Total Turnover : US\$1,342 million, up 16%



1Q02 Turnover Breakdown:
(Total = US\$1,155 m)

APL Liner	:	73%
APL Logistics	:	17%
Chartering	:	7%
Others	:	3%

Note: The % breakdown is based on gross revenue (includes intercompany revenue)

Turnover by Business Units (US\$)

	1Q03	1Q02	Change
➤ APL Liner	\$957 m	\$861 m	11%
➤ APL Logistics	\$231 m	\$196 m	18%
➤ Chartering	\$141 m	\$79 m	78%
➤ Others	\$44 m	\$51 m	(14%)
➤ Interco Elimination	(\$31 m)	(\$32 m)	3%
➤ Total Turnover	\$1,342 m	\$1,155 m	16%

Core EBIT by Business Units (US\$)

1Q03 Financial Performance

	1Q03	1Q02	Change
➤ APL Liner	\$5 m	(\$53 m)	n.m.
➤ APL Logistics	(\$1 m)	(\$7 m)	86%
➤ Chartering	\$44 m	\$7 m	529%
➤ Others	(\$6 m)	(\$4 m)	(50%)
➤ Total Core EBIT	\$42 m	(\$57 m)	n.m.

NOL Group: Capital Expenditure (US\$)

1Q03 & Outlook

	1Q03	2Q03 - 4Q03	FY03
1. Vessels	\$76 m	\$95 m	\$171 m
<i>i) Containerships</i>	-	<i>\$8 m</i>	<i>\$8 m</i>
<i>ii) Tankers</i>	<i>\$76 m</i>	<i>\$87 m</i>	<i>\$163 m</i>
2. Equipment	\$5 m	\$22 m	\$27 m
3. Drydock	\$22 m	\$10 m	\$32 m
4. IT	\$2 m	\$27 m	\$29 m
5. Others	\$2 m	\$18 m	\$20 m
Total	\$107 m	\$172 m	\$279 m

Note: Projected Capex for Tankers included progressive payment for the 3 new VLCCs



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2. Business Segment Review

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

APL Liner Profit & Loss Summary (US\$)



1Q03 Financial Performance

	<u>1Q03</u>	<u>1Q02</u>	<u>Change</u>
➤ Turnover	\$957 m	\$861 m	11%
➤ Core EBITDA	\$58 m	(\$2 m)	n.m.
• Depreciation & Amortization	(\$53 m)	(\$51 m)	
➤ Core EBIT	\$5 m	(\$53 m)	n.m.

APL Liner: Volume Handled ('000 FEUs)

Region	1Q03	1Q02	Change
• Americas	192	173	11%
<i>Trans-Pacific</i>	<i>163</i>	<i>142</i>	<i>15%</i>
<i>Latin America</i>	<i>29</i>	<i>31</i>	<i>(6%)</i>
• Europe	105	102	3%
<i>Asia Europe</i>	<i>78</i>	<i>81</i>	<i>(4%)</i>
<i>Transatlantic</i>	<i>27</i>	<i>21</i>	<i>29%</i>
• Asia / Middle East*	100	118	(15%)
Total	397	393	1%

- *Some equipment re-allocated to higher yield Trans-Pacific trade as a result of industry-wide equipment shortage*

Full Backhaul for every 10 FEUs Full Headhaul

<u>Trade</u>	<u>FY01</u>	<u>FY02</u>	<u>1Q03</u>
• Trans-Pacific	7	6	6
• Latin America	5	7	8
• Asia-Europe	8	8	8
• Transatlantic	6	7	8

APL Liner: Average Freight Rates (US\$/FEU)



Region	1Q03	1Q02	Change
• Americas	\$2,639	\$2,672	(1%)
• Europe	\$2,180	\$1,693	29%
• Asia / Middle East	\$1,466	\$1,366	7%
Total	\$2,223	\$2,024	10%

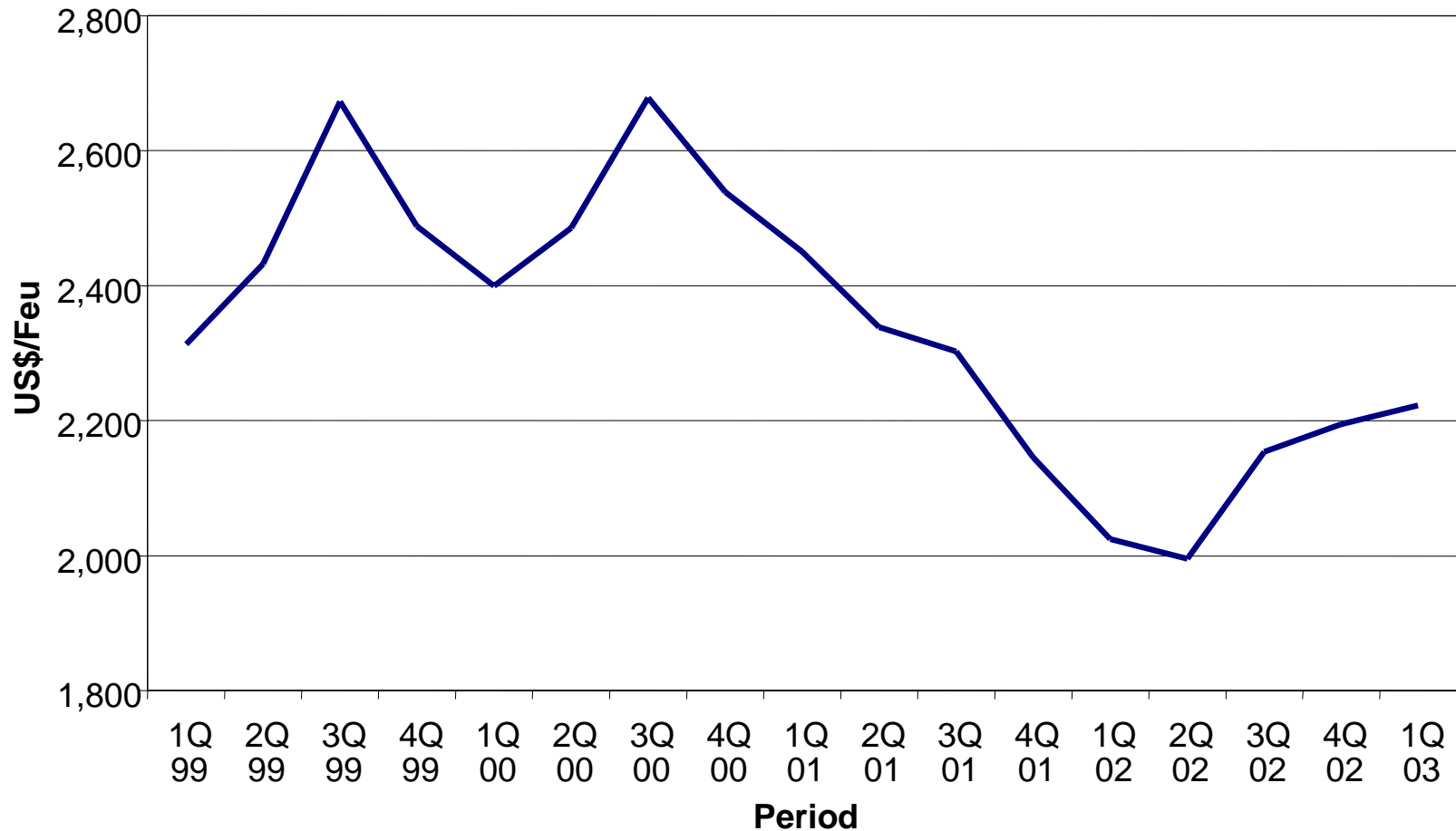
APL Liner: Rates Development



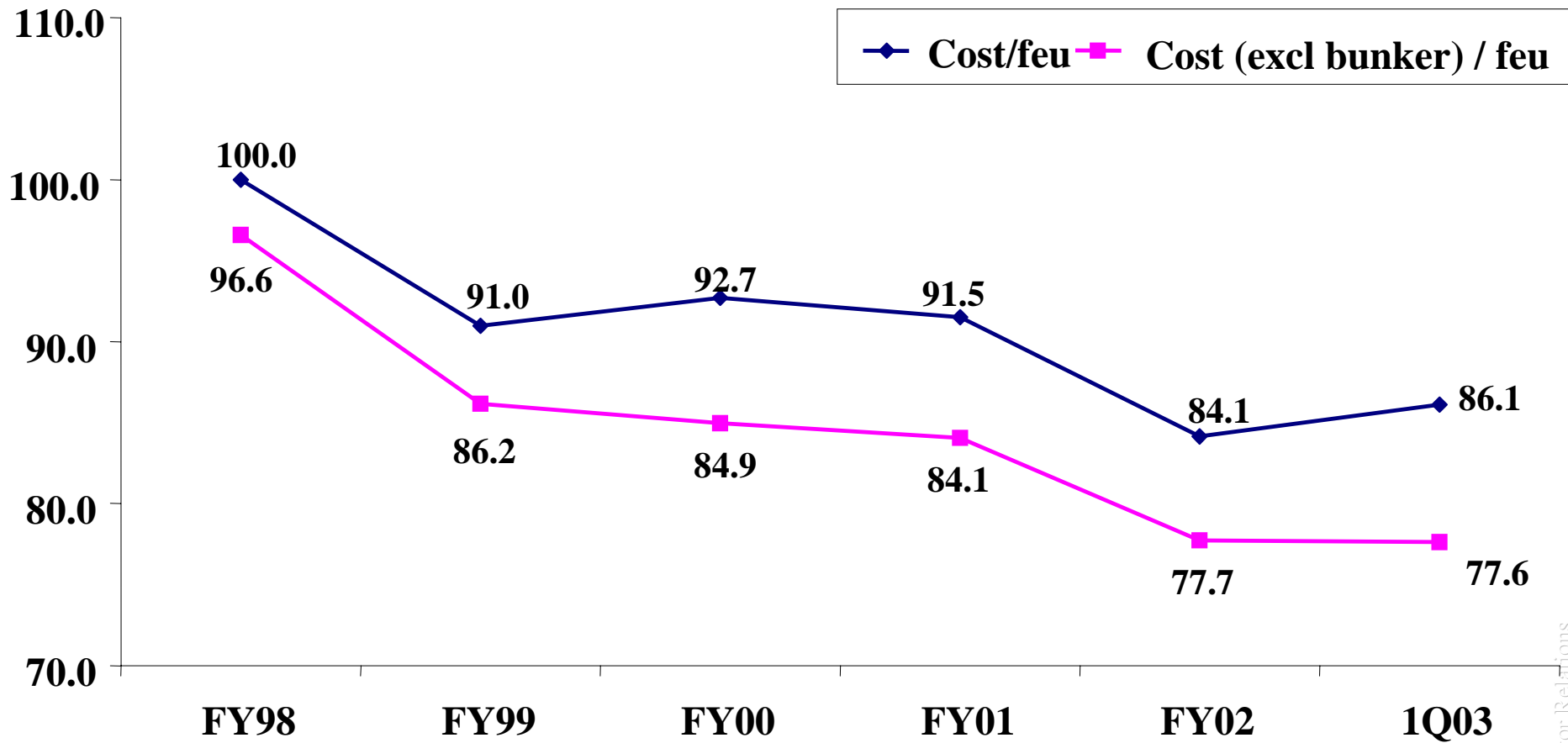
Freight rates continue to show recovery, up 1.3% from 4Q02

Operations Review

APL Average Freight Rates



TREND ANALYSIS FOR COST (INDEXED)



- **Turnover was up 11% due mainly to:**
 - *Improvement of freight rates in Asia-Europe, and*
 - *Exceptionally strong volume in Trans-Pacific in the traditional weak 1st Quarter*

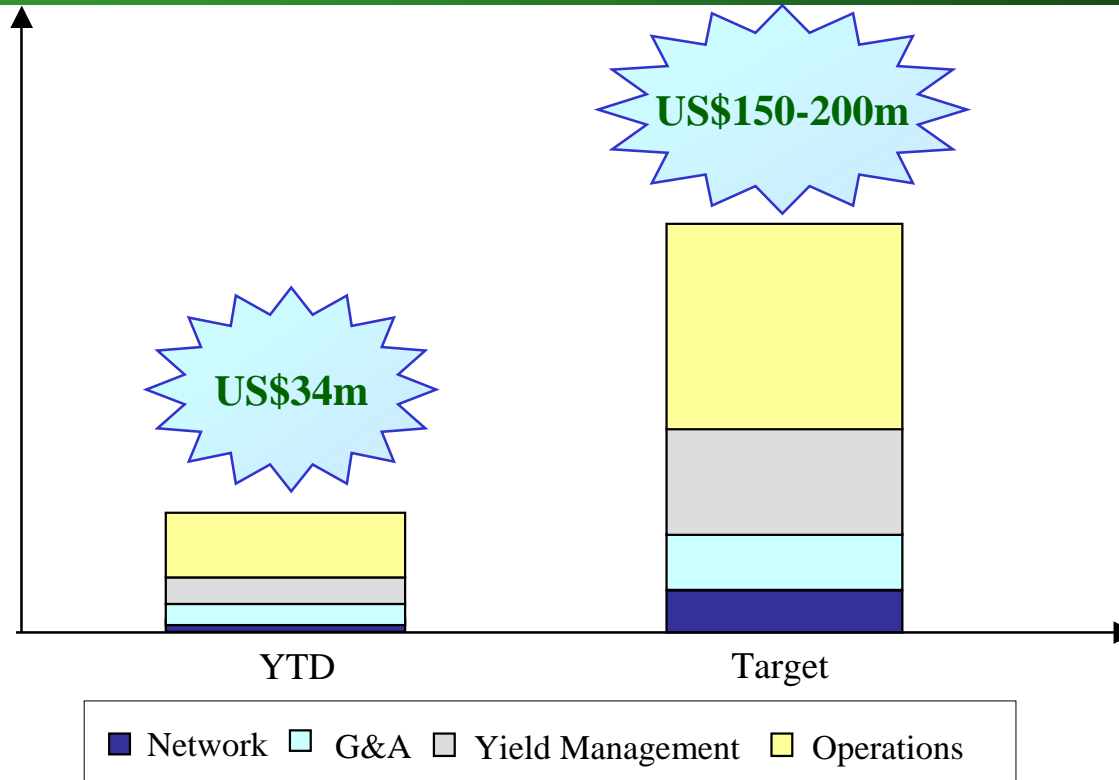
- **Yield was higher across all trades due to better cargo/yield mix.**

- **As a result of further cost savings achieved, cost per FEU (excluding bunker costs) was down 4% over 4Q02.**



Trade Review:

- Trans-Pacific achieved strong volume growth of 15% with no significant change in deployed capacity. Freight rates were flat.
- Latin America's volume was down 6% due to fall in demand. Freight rates remained relative unchanged.
- Asia-Europe's volume was impacted by lower deployed capacity but freight rates improved by 40% as a result of rate restoration and yield mix.
- We continued our expansion in Transatlantic trade with volume growing 29% year-on-year.
- Intra-Asia's short-sea volume was lower due to the reallocation of equipment and capacity to the Trans-Pacific trade.

APL Liner: Cost Savings Achieved in 1Q03



Achieved 23% of total Cost Savings Target for FY03 through

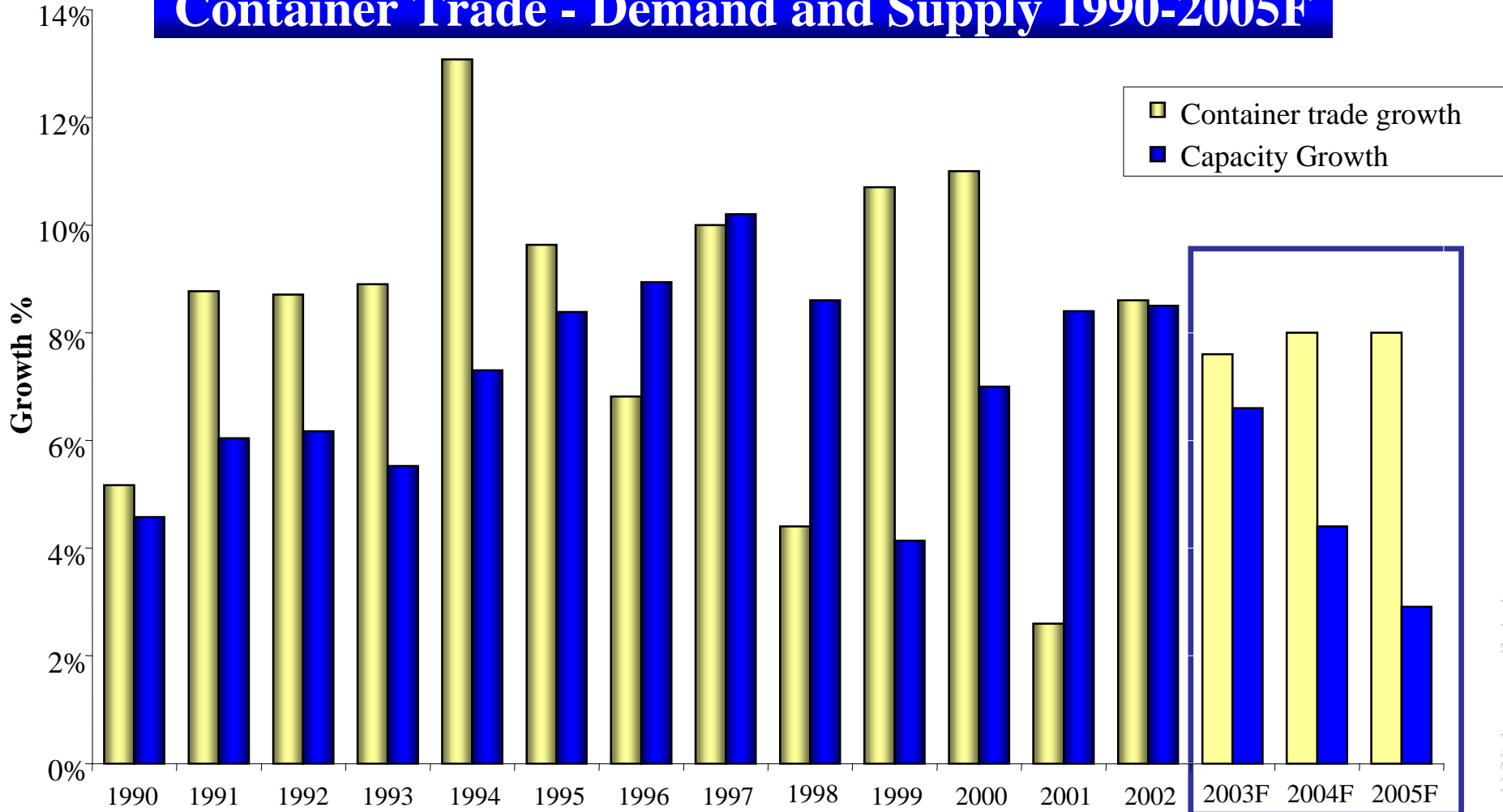
-  *Contract re-negotiations*
-  *Productivity improvements*
-  *Network rationalisation*
-  *Improvement in trade imbalance*

→ Cost Savings are on Track

APL Liner: Global Demand & Supply

- Demand/Supply Growth expected to improve in 2003
- Changes to outsourcing pattern will drive trade growth over the next few years

Container Trade - Demand and Supply 1990-2005F



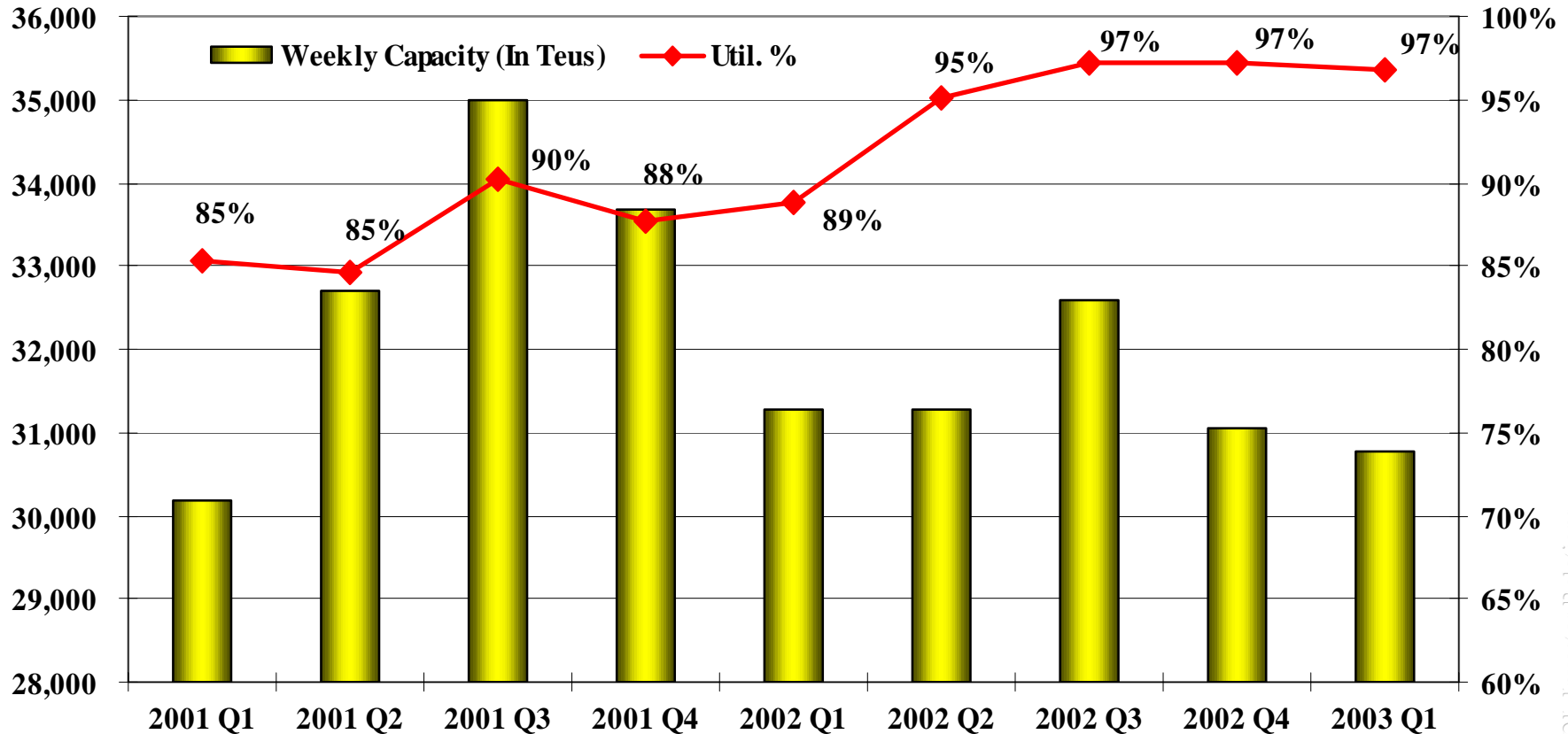
Outlook

APL Liner: Network Capacity & Utilization

With seasonal capacity reduction, APL maintained 97% utilization level in 1Q03

Operations Review

APL Network Capacity & Utilization



* Figures based on headhaul leg of main linehaul services

- **Strong volume growth with improvements in freight rates**
 - *Rate increases in Asia-Europe & Transatlantic in Apr '03*
 - *Trans-Pacific contract negotiations have been successful*
- **Supply/demand dynamics in favor of carriers over the next two years**
- **Bunker price expected to fall post Iraq war, though unlikely to reach 2002 level**
- **Continue to focus on cost savings initiatives**



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APL Logistics: Profit & Loss Summary (US\$)

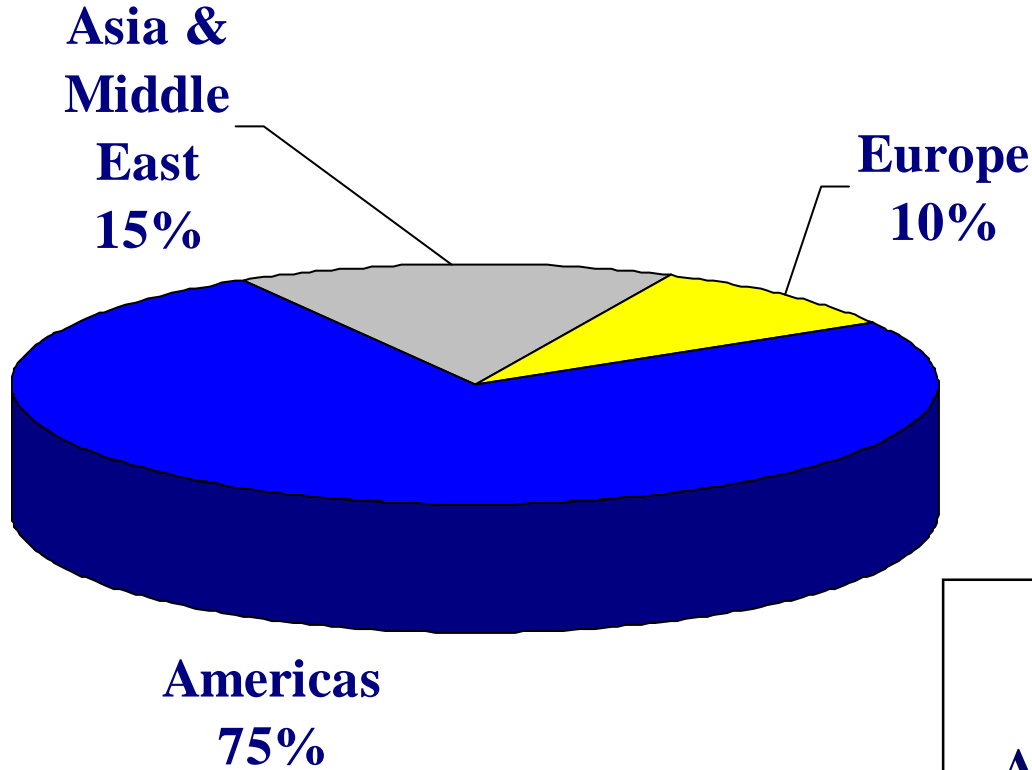


1Q03 Financial Performance

	<u>1Q03</u>	<u>1Q02</u>	<u>Change</u>
➤ Turnover	\$231 m	\$196 m	18%
➤ Core EBITDA	\$7 m	\$2 m	250%
• Depreciation & Amortization	(\$8 m)	(\$9 m)	
➤ Core EBIT	(\$1 m)	(\$7 m)	86%

APL Logistics: Turnover Breakdown

By Region (Total = US\$231 m)

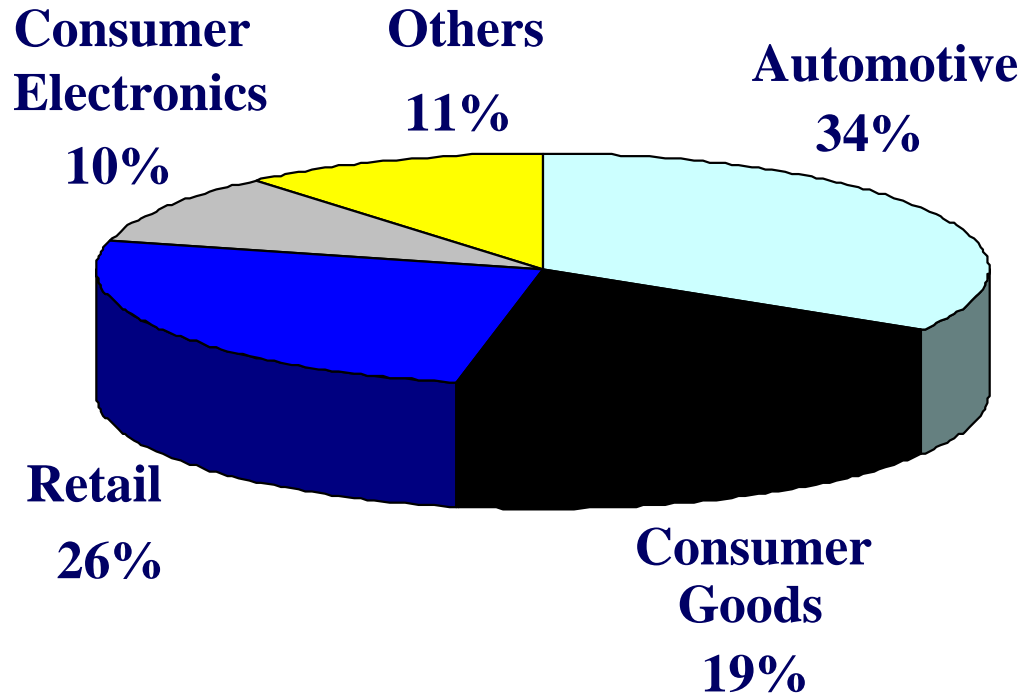


1Q02 Breakdown :
(Total = US\$196 m)

Americas	:	79%
Asia & Middle East	:	14%
Europe	:	7%

APL Logistics: Turnover Breakdown

By Customer Segment (Total = US\$231m)



1Q02 Breakdown :
(Total = US\$196 m)

Automotive	: 35%
Consumer Goods	: 22%
Retail	: 23%
Consumer Electronics	: 10%
Others	: 10%

- **Significant improvement in Logistics operations**
- **18% turnover growth was the result of:**
 - *Increased volumes*
 - *Higher run rate from new customer implementations*
- **Operational efficiencies in the Consolidation business and growth in the Forwarding operation**
- **Operational improvements in Contract Warehousing**
- **Elimination of operational losses stemming from direct logistics operation that was sold in Oct'02**
- **G&A spending controls**

APL Logistics: Current Year's Prospects

- **Confident of remaining on track and achieving objective of improved overall performance for the full year**
 - *Strong sales pipeline going into the year*
 - *Well-positioned as a result of business organisational restructuring in 2H02*
 - *Continue to focus on cost containments*
 - *Expansion of integrated product offerings*
 - *Expanding higher-margin International Services as a greater percentage of the APL Logistics product portfolio*
 - *Higher Selectivity around Contract Logistics opportunities*
- **Uncertainty about global economic growth continues to exist**



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Chartering: Profit & Loss Summary (US\$)



1Q03 Financial Performance

	<u>1Q03</u>	<u>1Q02</u>	<u>Change</u>
➤ Turnover	\$141 m	\$79 m	78%
➤ Core EBITDA	\$60 m	\$20 m	200%
• Depreciation & Amortization	(\$16 m)	(\$13 m)	
➤ Core EBIT	\$44 m	\$7 m	529%

➤ **Average TCE rates per day (US\$) :**

Tankers	1Q03	1Q02	Change
Aframax	\$33,200	\$20,100	65%
VLCC	\$73,100	\$18,400	297%
Product	\$19,200	\$12,800	50%

- **Significantly higher charter rates resulting from the Prestige oil spill incident, higher oil production and increase in tonne-mile demand due to the supply disruption in Venezuela.**
- **Aframax and VLCC rates up by 41% and 216% respectively compared to 4Q02.**

Chartering: Current Year's Prospects

- **Aframax rates are anticipated to remain above the 2002 levels as a result of planned restrictive routing of single-hulled tanker by European Union.**
- **Demand is also expected to remain robust as inventory levels in the Western Hemisphere are close to all time lows and will require frequent replenishment throughout the remainder of 2003.**
- **Investment review on AET is completed**
 - *Proposed AET sale to MISC*
- **NOL will review divestment opportunities for NAS.**

Chartering: AET Sale

- **100% acquisition of AET and its subsidiaries by Malaysia International Shipping Corporation (MISC)**
 - ✓ *Cash consideration of US\$445m for AET's equity*
 - ✓ *Outstanding dividend payment of US\$75m to NOL, as declared by AET Board at end FY02*
 - ✓ *Gain on sale, based on US GAAP & net of transaction costs is estimated at US\$120m*
 - ✓ *Price adjustment at closing to reflect any change in net asset value*
 - ✓ *NSSPL staff currently serving AET transfer to Eagle Shipmanagement Pte Ltd*
 - ✓ *Earn-out mechanism for 2 years after closing to share upside in Aframax rates achieved by AET*
 - *NOL is entitled to 50% of the differential if the average rate exceeds US\$28,000/day*
 - *NOL will not pay if the average rate is < than US\$28,000/day*

Extraordinary General Meeting will be held on 28th May for NOL shareholders to vote on the proposed AET sale



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3. Group Outlook

NOL Group: Current Year's Prospects

- **Group expects significant profits in FY03, barring unforeseen circumstances, through:**
 - *Progressive recovery in container freight rates*
 - *Achieving our cost savings initiative targets*
- **Strengthen Balance Sheet through:**
 - *Improved performance of core businesses of Liner & Logistics*
 - *Proceeds from AET sale*
- **SARS having minimal impact to our business**
- **Limited foreign exchange exposure**
 - *On average, more than 90% of our revenue is denominated in US dollars*
- **Review opportunities in unlocking or exit from non-core businesses**



End of Presentation

Thank You