



SUBSTANTIAL PROFITS ACHIEVED IN 2004

Singapore, 14 February 2005: - Global transportation and logistics company, Neptune Orient Lines (NOL), today reported 2004 full year net profits of US\$943 million, more than double the earnings generated in 2003.

Core Earnings Before Gross Interest Expense, Tax and Non-Recurring Items (EBIT) increased 95% to US\$921 million. This strong profit growth far exceeded revenue growth of 19%, reflecting the benefits of continuing operational efficiency and cost controls.

The liner business had an excellent year, while logistics continued to improve on its performance.

KEY FINANCIAL / PERFORMANCE HIGHLIGHTS

	2004	2003	Change
Revenue (US\$m)	6,545	5,523	19%
Core EBIT (US\$m)	921	473	95%
Net profit before NRI (US\$m)	805	335	140%
NRI (US\$m)	138	94	47%
Net profits (US\$m)	943	429	120%
EPS (US cts per share)	65.47	35.42	85%
Ending no. of shares (m)	1,452	1,426	2%
Net Gearing (x)	0.05	0.54	(91%)

NRI = Non-Recurring Items

Gains from non-recurring items in 2004 amounted to US\$138 million. Non-recurring items include an earnout following the sale of American Eagle Tankers, adoption of Financial Reporting Standard (FRS) 103 and revised FRS 36, a goodwill impairment charge on the GATX business and a write-back of deferred tax liabilities.

NOL Chairman Mr Cheng Wai Keung said, "NOL registered a record level of profits in 2004, with strong operating performances from both the Liner and Logistics businesses. While the Group benefited from healthy global demand conditions, the strong results also reflect positive contributions by the management team in focusing on improving efficiency, asset utilisation and, most importantly, operating margins and hence, profits."

2004 OPERATING PERFORMANCE

Mr David Lim, Group President and CEO, said, “The Group’s performance in 2004 reached new levels. Total Liner volumes in 2004 reached 1.79 million FEUs (forty-foot equivalent units), a historical high. Robust demand, coupled with strict cost controls in a rising cost environment, boosted Liner profits to an all-time high. Logistics, too, benefited from improved service offerings and a growing customer base.”

Liner

APL, NOL’s Liner business, achieved Core EBIT of US\$892 million in 2004, representing a 117% increase over 2003.

Mr Ron Widdows, CEO for APL, said, “Liner volumes grew 18% in 2004, on the back of an increase in ship capacity of 15%. This is a result of successful strategies aimed at maximising asset utilisation under strong demand conditions. Other key contributors to our record level of profits include a healthy cargo mix and thus maximising yields, an 8% increase in average revenues per FEU, and continuing efforts to keep a tight lid on cost.”

The Group introduced a total of eight new services in 2004. Notable new services include the SCX (South China Europe Express), an Asia-Europe service, that began in July and the PS5, an extra service for the peak season between Hong Kong/South China and the US West Coast (Seattle) started in August. The CMX (China Middle East Express) was introduced in October to provide a new direct service between North Asia and the Middle East. In November, APL launched SS2 (Singapore Subcontinent Express 2), a direct service between Singapore and Nhava Sheva to enhance the coverage of the Indian Subcontinent market. These contributed to the strength in volumes, especially in 4Q of 2004.

Increase in charter rates, on the back of strong charter demand, resulted in charter expenses for 2004 being US\$24 million higher than a year ago.

Total cost savings of US\$96 million were achieved in 2004. This is slightly less than the targeted US\$100 million because of pressures from congestion and other infrastructural pressures on inland transportation systems. Cost savings efforts will continue in 2005 although the results will be somewhat less than 2004 due to congestion related pressures.

Overall Liner costs per unit fell 1% YoY in 2004.

Logistics

Strong demand by global customers, especially for International Services, boosted Logistics revenues 20% higher in 2004.

Core EBIT stood at US\$24 million at the end of 2004, a more than three-fold increase over the US\$7 million achieved in the previous year.

Mr Hans Hickler, CEO of APL Logistics, said, “Growth in International Services revenues, at 27% YoY in 2004, exceeded that of Contract Logistics, which grew 17% YoY. This is a result of an ongoing focus in this business to capitalise on the strong demand arising from

global outsourcing activities. Core EBIT and margins also showed a steady improvement throughout the year just past.”

BALANCE SHEET AND CASH FLOWS

Mr Lim How Teck, Group Chief Financial Officer, said, “The Group’s strong earnings and continuing healthy operating cash flows have further reduced net gearing from 0.54x at the end of 2003 to 0.05x at the end of 2004. Our cash balance has grown by 24% to US\$675 million. Total borrowings, on the other hand, fell 37% to US\$785 million.”

The management of the Group’s capital structure is a key priority and the Group will maintain an appropriate level of cash and debt from a long term perspective.

Capital expenditure totalled US\$210 million in 2004 while for 2005, budgeted capital expenditure stands at US\$433 million. New container equipment remains the Group’s key investment.

FUEL AND CURRENCY EXPOSURES

Fuel costs in 2004 increased about US\$100 million YoY, due to business expansion as well as higher fuel prices especially during the last quarter of 2004. The Group seeks to maintain a hedging policy of up to 50% of bunker fuel requirements, with the remaining 50% recoverable from customers through Bunker Adjustment Factor (BAF) provisions.

The Group’s revenues and costs are largely denominated in US\$. In 2004, the Group had a net foreign exchange exposure of about US\$450 million in the major currencies of Euro, Japanese Yen and the Singapore Dollar, due to local operating costs.

DIVIDEND POLICY & FINAL DIVIDEND

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. In keeping with this policy, NOL is proposing a final tax exempt dividend of 14.69 Singapore cents per share. This is in addition to the interim dividend of 7 Singapore cents per share net.

In view of the strong performance in 2004, the Group is also recommending a special tax exempt dividend of 21.69 Singapore cents per share. This brings the total dividends for 2004 to 43.38 Singapore cents, or 40% of the Group’s reported net profits.

GROUP OUTLOOK FOR 2005

With the positive business environment and our continued focus on yield management and cost containment, the strong performance of the Group is expected to be strong in 2005, barring any unforeseen circumstances.

We expect the Liner business to perform strongly in 2005, barring a slowdown in demand for container shipping. Congestion at terminals and inland transportation operations may increase costs and reduce effective supply for the industry, but expected sustained trade growth is likely to see increased volumes shipped, and high utilisation rates of ships and containers. We will continue our efforts to mitigate against cost increases in expected higher bunker costs, charter hires and other operating costs, by focusing on efficient utilisation of assets and other initiatives to save costs.

The turnaround in Logistics' profitability in 2004 was a result of the productivity and operational improvements initiated at the end of 2003 and during 2004. Logistics expects to build on this improving profit trend in 2005.

LOOKING AHEAD

NOL's longer term strategy is to gradually build up broader capabilities around our core Liner and Logistics business to develop an integrated cargo transportation supply chain. This would better add value to global customers who are demanding more integrated supply chain solutions given continuing globalisation trends and, hence, more complex distribution and sourcing networks. Demand for such integrated door-to-door services is also expected to rise due to the difficulty of managing delivery schedules in the midst of growing congestion issues globally.

Our balance sheet has improved significantly over the past two years. This will support our longer term growth plans as well as tide us over any cyclical challenges within the core shipping business.

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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, 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 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