



DEMAND-DRIVEN GROWTH CONTINUES IN 3Q05

Singapore, 31 October 2005: - Global transportation and logistics company, Neptune Orient Lines (NOL), today reported net profits¹ of US\$249 million in the third quarter (3Q), up 6% YoY. This brings total earnings for the first nine months of 2005 to US\$640 million, a 9% year-on-year (YoY) increase.

Revenues for the year-to-date (YTD) increased 15% YoY to US\$5.3 billion, while Core Earnings Before Interest Expense, Tax and Non-Recurring Items (EBIT) was US\$690 million in the same period, representing a 6% YoY growth.

KEY FINANCIAL / PERFORMANCE HIGHLIGHTS

	YTD05	YTD04	Change	3Q05	3Q04	Change
Revenue (US\$m)	5,255	4,560	15%	1,762	1,557	13%
Core EBIT (US\$m)	690 ³	651	6%	264	262	1%
Net profit before NRI (US\$m) ¹	615	567	8%	239	231	3%
NRI (US\$m) ²	25	21	19%	10	3	233%
Net profits (US\$m)	640	588	9%	249	234	6%
EPS (US cts per share)	44.06	40.92	8%	17.10	16.19	6%
Ending no. of shares (m)	1,453	1,449	-	1,453	1,449	-

¹ Net profits refer to amounts attributable to equity holders ie. shareholders, excluding minority interest

² NRI = Non-Recurring Items

³ Includes US\$28 million in adjusted provisions for staff bonus and stock option expenses (with the adoption of FRS 102) for YTD05

YTD05 OPERATING PERFORMANCE

Mr David Lim, Group President and CEO, said, "The third quarter net profit of US\$249 million was achieved despite rising bunker fuel costs, which were US\$62 million higher than in the same quarter last year. Our liner and logistics services continued to benefit from growth in demand. We are carefully managing our costs, and our margins are at good levels despite ongoing cost pressures, particularly from fuel prices.

"Both the Liner and Logistics businesses reported higher revenues and profits for the nine months, with Logistics continuing to steadily improve its contribution. We continue to look for opportunities to expand and further integrate our Liner and Logistics businesses, with the aim of constantly improving our service offering for customers."

Liner

APL, NOL's Liner business, achieved an 18% increase in YTD revenues to US\$4.3 billion. This was achieved on the back of increases in both volume levels and average revenues per FEU (forty-foot equivalent unit).

Container volumes totalled 1.4 million FEUs during the first nine months of the year, a 13% YoY increase. Continuing demand growth for APL's high quality services kept utilisation rates high. Volumes were also assisted by a 15% increase in headhaul capacity from the delivery of five new vessels this year. Revenues per FEU increased 6% YoY, reflecting both rate improvements and a continuing focus on improving yields and mix.

APL achieved Core EBIT of US\$646m for the nine months, a 4% increase over the corresponding period last year.

Mr Ron Widdows, APL CEO, said, "In a significantly more challenging business environment marked by cost pressures from rising oil prices, APL has continued to produce strong returns.

"We have maintained our focus on making sure we have the right business mix to make the best use of our assets whilst ensuring we provide high quality services which meet the expanding needs of our customers."

Sharply higher fuel prices and increases in the cost of inland transportation services (which were also impacted by fuel costs), drove a 7% increase in overall Liner costs per unit during the first nine months of 2005. In addition, charter expenses, as a result of higher charter rates, were US\$25 million more than for the same period last year, and are expected to be US\$33 million higher for the full year. (See below for details of the fuel cost impact.)

APL has an ongoing focus on cost management targeted at identifying savings to offset fuel and other cost pressures. Cost management initiatives resulted in reductions totalling US\$21 million for YTD05.

Logistics

APL Logistics achieved an 11% YoY increase in revenues during the first nine months of the year, to US\$916 million, with continued growth in both the International Services and Contract Logistics business lines.

For the year to-date, Logistics' Core EBIT increased 67% to US\$45 million, and margins were improved.

Mr David Lim said, "APL Logistics has continued its steady progress. The margin improvements achieved by APL Logistics over the nine months add to the positive uptrend seen over the past two years. While all of the main lines of business reported higher revenues, the International Services unit continues to lead our growth.

“Earlier this month Brian Lutt was appointed to lead APL Logistics. With the benefit of Brian’s broad experience and deep knowledge of Asian markets, we will sharpen our focus on growing APL Logistics, offering integrated services and solutions in tandem with the APL Liner business.”

BALANCE SHEET

Healthy operating cash flows on the back of the strong profit performance in the year to date have strengthened the balance sheet further. The Group is in a net cash position.

Capital expenditure during the nine months was US\$170 million, the bulk of which was for new container equipment. Total capital expenditure for the full year is expected to total US\$304 million.

FUEL AND CURRENCY EXPOSURES

The Group’s bunker costs were US\$136 million higher YoY for the first nine months of 2005, a result of sharply higher fuel prices as well as overall business expansion, including additional vessels and service patterns. In the third quarter bunker costs were US\$62 million higher than in third quarter 2004. Approximately 50% of the Group’s increased fuel exposures are recoverable through Bunker Adjustment Factor (BAF) provisions. NOL Group continues to maintain a policy of hedging about 40% of 12 month forward bunker exposures to minimise the risk of sudden changes to bunker costs.

NOL Group’s revenues and costs are largely denominated in US\$. The Group’s net exposure for the year to date to other major currencies in which local operating costs are incurred - the Euro, Japanese Yen, Hong Kong Dollar, Singapore Dollar, Chinese Yuan, Korean Won, Canadian Dollar, British Pound and Australian Dollar - is estimated to be about US\$700 million. These exposures were about 80% hedged as at the end of September 2005.

GROUP OUTLOOK

Demand for our high quality services is likely to remain healthy for the rest of 2005. The NOL Group expects to achieve a good full year performance for 2005, barring any unforeseen circumstances.

Going forward, we expect the business environment to remain challenging with continuing cost pressures and an easing of the tightness in global container capacity. Our focus continues to be on optimising asset utilisation, yield management and managing cost pressures, as well as growing and further integrating our Liner and Logistics businesses.

Note to editors:

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

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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, integrated 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

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, integrated supply chain services and solutions 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