



NOL Group 2006 3rd Quarter Results

Singapore, 2 November 2006: Global cargo transportation and logistics company Neptune Orient Lines (NOL) today reported a net profit of US\$314 million for the first three quarters of 2006, down 51% from the same period of 2005. The result included a favourable adjustment from non-recurring items totalling US\$25 million. The company's net profit before non-recurring items was US\$289 million, 53% lower than for the first three quarters of 2005.

NOL posted a third-quarter (3Q) net profit before non-recurring items of US\$108 million, 55% lower than in 2005.

FINANCIAL HIGHLIGHTS

	YTD06 ¹	YTD05	Change %	3Q06 ¹	3Q05	Change %
Revenue (US\$m)	5,279	5,255	0	1,759	1,762	0
Core EBIT (US\$m)	327	690	(53)	100	264	(62)
Net profit before NRI (US\$m) ²	289	615	(53)	108	239	(55)
NRI (US\$m) ³	25	25	0	19	10	90
Net profits (US\$m) ²	314	640	(51)	127	249	(49)
EPS (US cts per share)	21.60	44.06	(51)	8.72	17.10	(49)
Ending no. of shares (m)	1,456	1,453	-	1,456	1,453	-

¹ NOL's YTD06 results are for 31 December 2005 to 22 September 2006; 3Q06 results are for 1 July to 22 September 2006.

² Net profits refer to amounts attributable to equity holders ie shareholders, excluding minority interest

³ NRI = Non-Recurring Items

NOL's new Group President and Chief Executive Officer Dr Thomas Held, who commenced with the company on 1 November 2006, said: "NOL's third-quarter results reflect significantly more challenging market conditions than existed a year ago.

"The results reported today demonstrate key attributes of the NOL Group. Our overall business is continuing to deliver real value to our customers and we are achieving sound operating performance, featuring high levels of asset utilisation and a well balanced network of services. The APL results show it is one of the world's best performing container shipping businesses. Importantly, the strength of the NOL balance sheet provides the foundation for future growth."

OPERATING PERFORMANCE

For the year to date, total Group revenues were in line with the prior year at US\$5.28 billion. The Group's Core Earnings Before Gross Interest Expense, Tax and Non-Recurring Items (EBIT) of US\$327 million was down 53% from the corresponding period of 2005.

Liner

APL, NOL's container shipping business, achieved Core EBIT for 3Q06 of US\$82 million, down 66% on the same period in 2005. This reflects lower freight rates and significantly higher fuel prices compared to the prior period. On a year-to-date basis Core EBIT was US\$276 million, down 57%.

Average revenues per Forty-Foot Equivalent Unit (FEU) for the third quarter were 10% lower than in the same quarter of the prior year, and 6% down year to date.

Third-quarter container volumes were 9% higher than in 2005, reflecting strong demand. Volumes for the year to date were up 7% overall.

Headhaul utilisation improved to 99% in 3Q06 compared to 98% a year earlier. At the same time, capacity year to date has increased by 7% as new vessels have been introduced into service and network improvements implemented.

Bunker and land transport fuel cost increases led to higher costs per FEU for the quarter (up 3%). However, excluding the impact of fuel prices, which were US\$61 million higher, costs per FEU declined by 2% for the quarter.

Mr Ron Widdows, CEO of APL, said: "Operationally, APL has performed exceptionally well during the third quarter of 2006. Our network has operated efficiently and responded well to the demands of our peak season in achieving an average headhaul utilisation of 99% for the period. New vessels and service patterns have been seamlessly introduced.

"Marketplace demand for our services has been very strong, with our liftings 9% higher than in the third quarter last year. A consistently high level of demand strength has been experienced throughout the period.

"Our continuing focus on keeping a tight rein on costs has achieved positive results. Network configuration improvements, fuel efficiencies and improved management of container equipment have all played an important part in counteracting the impact of fuel cost increases."

Mr Widdows concluded: "APL's familiar formula of maintaining a tight network, working our assets hard to maximise yield and maintaining a well-balanced mix of volumes continues to pay dividends. At the same time, we are maintaining the highest levels of service for our customers, for which APL is renowned."

Logistics

APL Logistics' Core EBIT for 3Q06 of US\$16 million was 6% lower than in 2005. Business conditions have continued to be challenging, and margins were reduced because of higher costs associated with investments in information technology and to enhance the capability of the sales organisation. Year-to-date Core EBIT of US\$42 million was 7% down on the prior year.

Improved sales were achieved in the third quarter – revenues were up 3% to US\$313 million for the quarter, and were 4% higher year to date at US\$949 million. Improvements were achieved in the level of sales in Contract Logistics, and also in International Services, which benefited from seasonal factors. Revenues have grown strongly within the Asia/Middle East region, and in the auto/industrial and consumer goods segments in particular.

Mr Brian Lutt, President of APL Logistics, said: "Our business will continue to experience a period of adjustment as we realign our activities with a focus on our customers' end-to-end supply chains. We are pursuing an active program of business development, with the objective of establishing a diverse and high-quality customer portfolio. Alignment of the logistics business with our focus on the apparel, automotive, and high tech vertical sectors remains on track.

"New products and services are being introduced to better serve our customers. During the quarter, APL Logistics' new premium expedited ocean freight service for less than container load (LCL) shipments, OceanGuaranteed™, was successfully launched. This offers an attractive alternative to international airfreight.

"In light of the success of this new service, which is meeting a clear market need, we are planning to accelerate introduction of OceanGuaranteed™ into new geographies."

NON-RECURRING ITEMS

A positive adjustment of US\$144 million has been made to the results as a consequence of the company's election to enter its US-flagged vessels into the recently enacted US tonnage tax regime. Prior to the election, revenue earned by these vessels in US foreign trade had been subject to tax in the US based on the regular tax method, with the company making provisions for future tax liabilities as a result of claiming accelerated tax depreciation. Deferred tax liabilities, which had been taken to account for future tax obligations under the regular tax method, have been written back.

A negative adjustment of US\$123 million has been taken in the third quarter for the write-down of goodwill and deferred tax assets associated with the Group's 2001 acquisition of GATX Corporation's warehousing and logistics businesses in the Americas.

Mr Lutt commented: "The write-down of goodwill on the warehousing businesses acquired in 2001 better reflects how the Americas warehousing business unit is

performing. In conjunction with our strategic shift towards end-to-end supply chains and business alignment with selected vertical segments, we believe we have in place the right model for repositioning our warehousing activities and taking our logistics business forward.”

The net effect of these adjustments and other non-recurring items is a favourable US\$25 million rise in year-to-date net profits.

BALANCE SHEET

The balance sheet shows that the Group had net debt of US\$84 million at 22 September 2006. At that date, the Group had a net gearing level (ratio of net borrowings to the total equity of the Group) of 0.04 times.

Capital expenditure for the first three quarters of the year totalled US\$126 million.

FUEL AND CURRENCY EXPOSURES

The Group’s bunker costs for the year to date increased by US\$183 million compared to the prior year due to business growth and higher fuel prices.

The Group continues to recover part of its fuel exposures from customers through Bunker Adjustment Factor (BAF) provisions. The NOL Group continues to maintain a policy of hedging.

The Group’s annual net exposure 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, Australian Dollar, Indian Rupee and Taiwan Dollar – is estimated to be about US\$1 billion. These exposures continue to be hedged in 2006.

GROUP OUTLOOK

There has been no significant change to the Group’s views on outlook as expressed at the time of the half year results. NOL will update its guidance on the Group’s operating environment at the time of the full year results.

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Note to editors:

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

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About NOL



NOL is a Singapore-based global cargo 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 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 cargo transportation and logistics company. APL Web site: www.apl.com



About APL Logistics

APL Logistics provides international, end-to-end 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 cargo transportation and logistics company. APL Logistics Web site: www.apllogistics.com