



2004 Performance Review & 2005 Outlook

14 February 2005





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.



Contents of Presentation

1. 2004 Performance Review

- **Financial Review**
- Operational Review
- Outlook



**STRONG GROWTH
AND
SUBSTANTIAL PROFITS**

Group Financial Highlights

Earnings per share: US\$0.65 (S\$1.08)

85% 

Average share price 2004: S\$2.44

Net Profit



2003: US\$429m on 1.21 bn shares

2004: US\$943m on 1.44 bn shares

Operational Profits: US\$921m

95% 

Core EBIT

APL Liner:	US\$892m		117%
APL Logistics:	US\$24m		243%
Others:	US\$5m		

SUSTAINED FINANCIAL PERFORMANCE

- **FAVOURABLE INDUSTRY
CONDITIONS**
- **OPERATIONAL EFFICIENCIES**

REVENUES

Figures in US\$'m

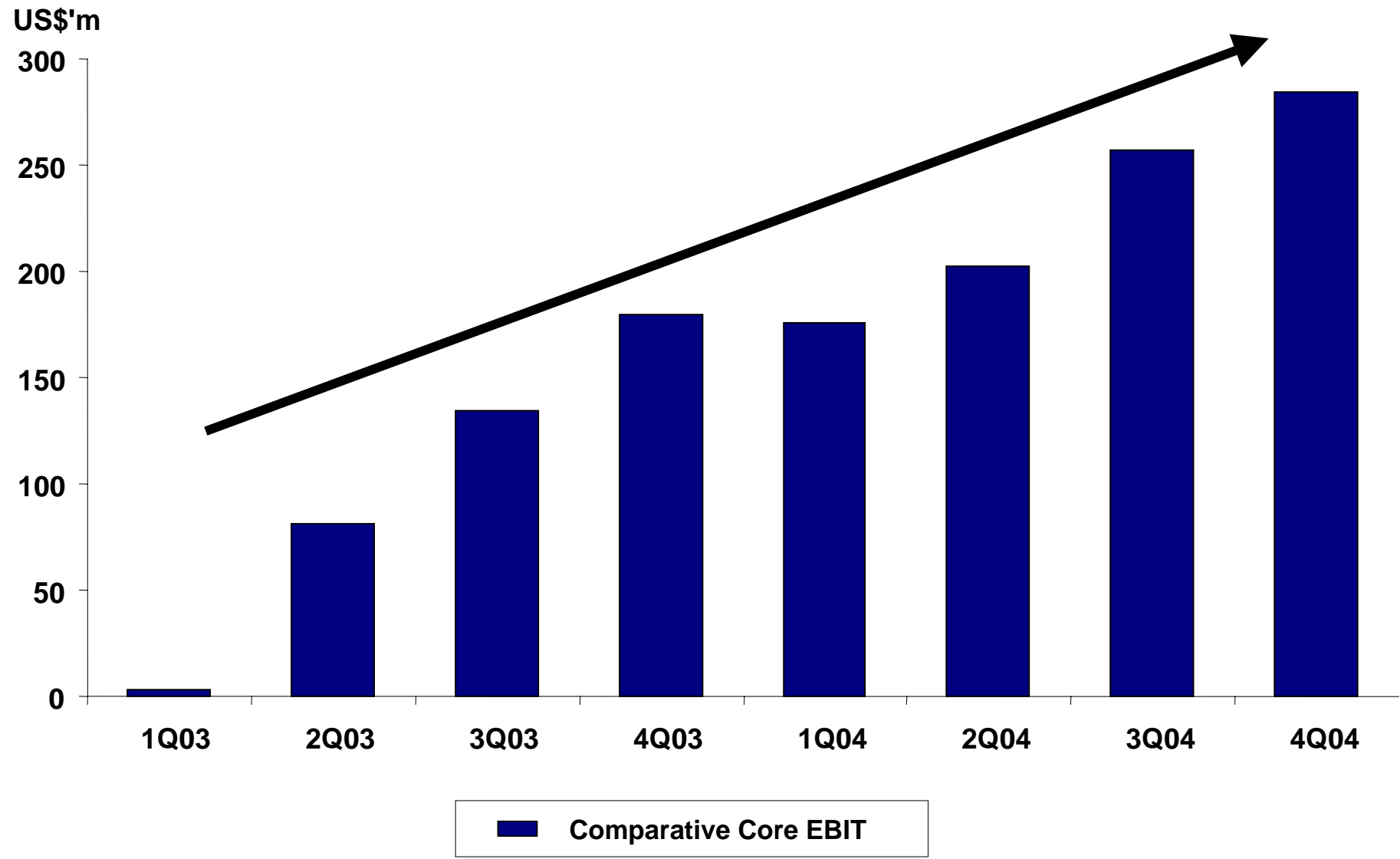
	2004	2003	Change
APL Liner	5,305 m	4,180 m	27%
APL Logistics	1,167 m	975 m	20%
Others*	157 m	478 m	(67%)
Interco Elimination	(84 m)	(110 m)	N.M.
Total	6,545 m	5,523 m	19%

** Others include Chartering and other non-core operations*

(AET and NAS were sold on 22 July 2003 and 16 March 2004 respectively)

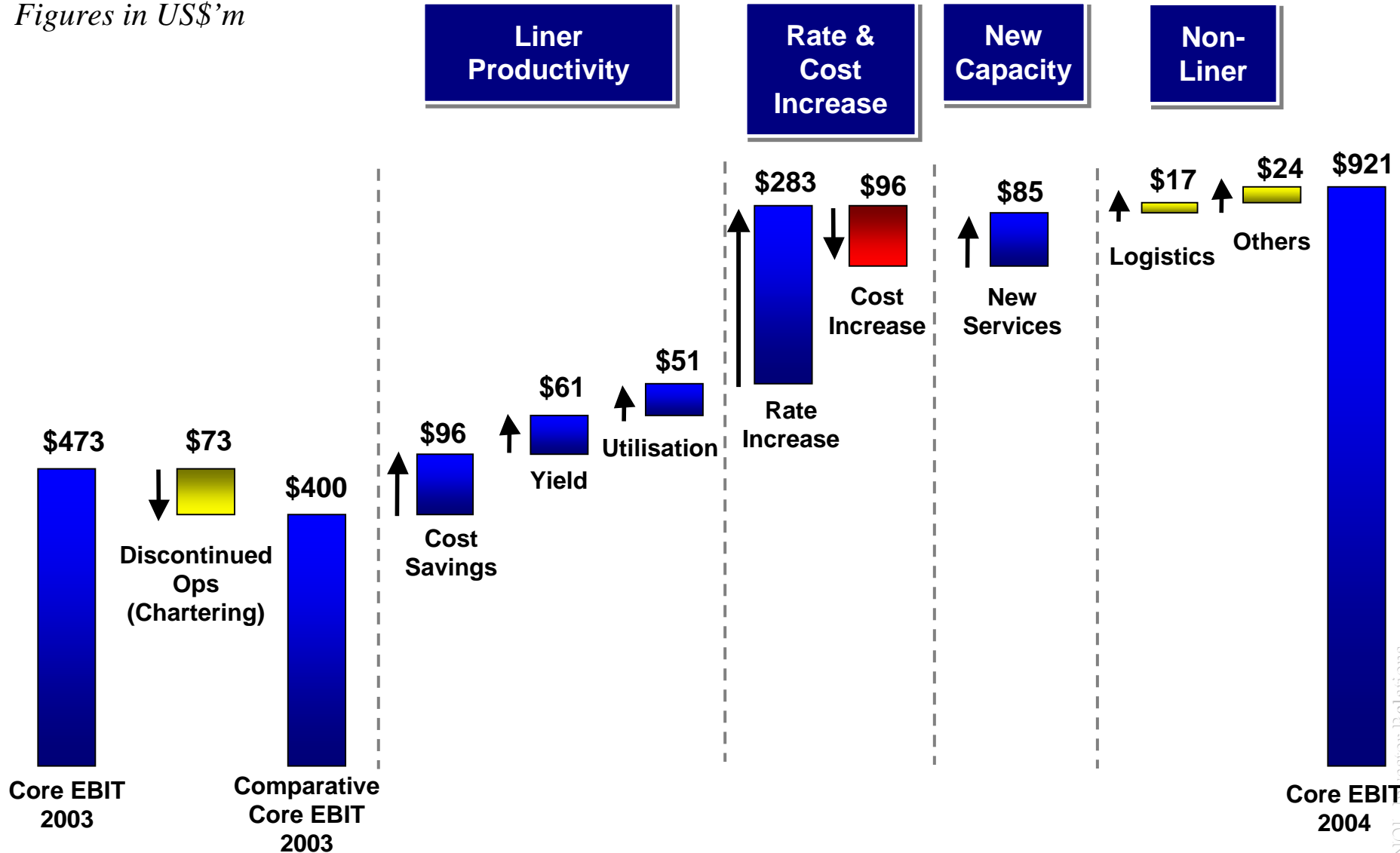
Group EBIT Improvement

Results Overview



Group Core EBIT Improvement – Key Drivers

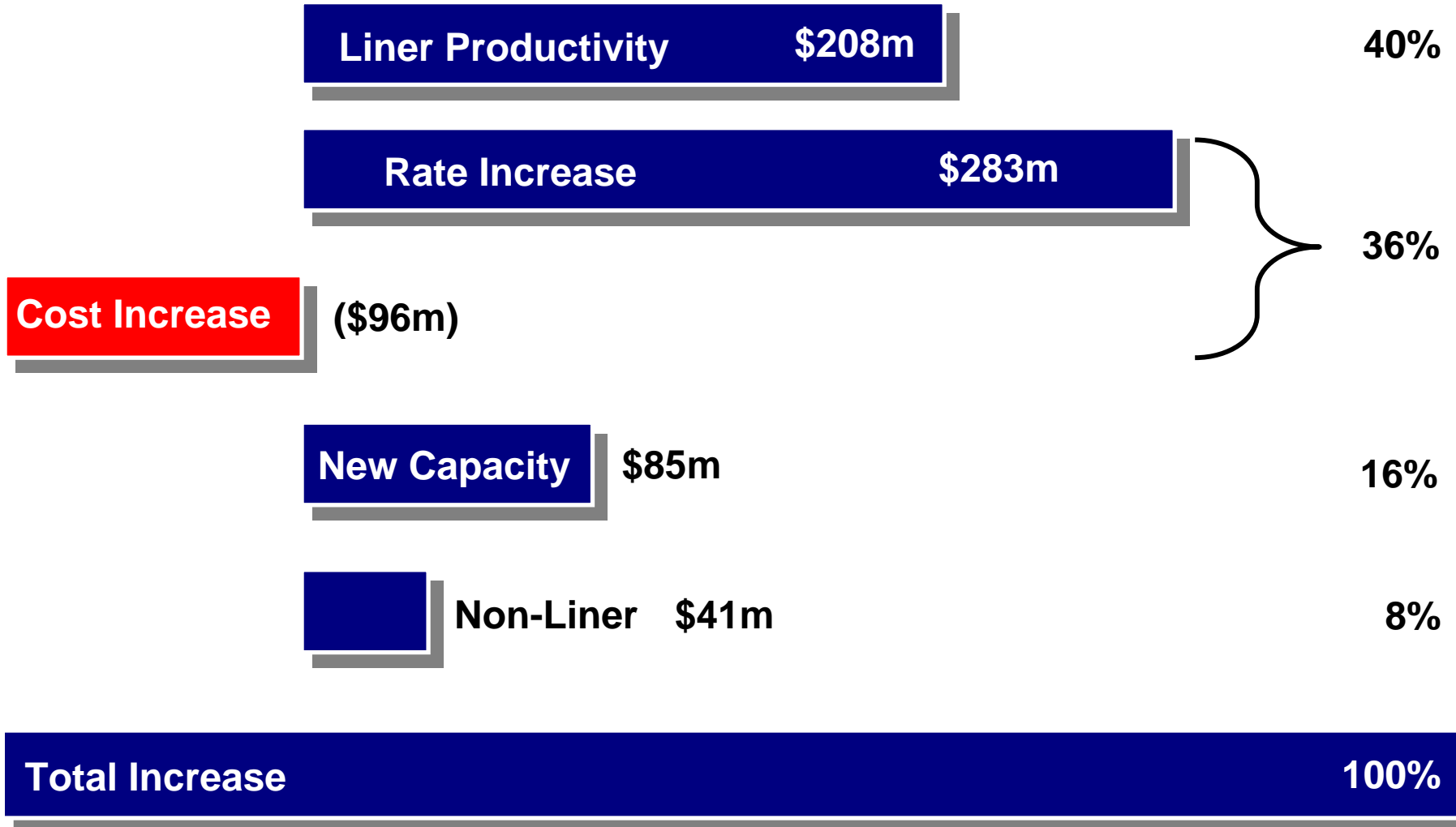
Figures in US\$'m



Results Overview

Group Core EBIT Improvement – Key Drivers

Results Overview

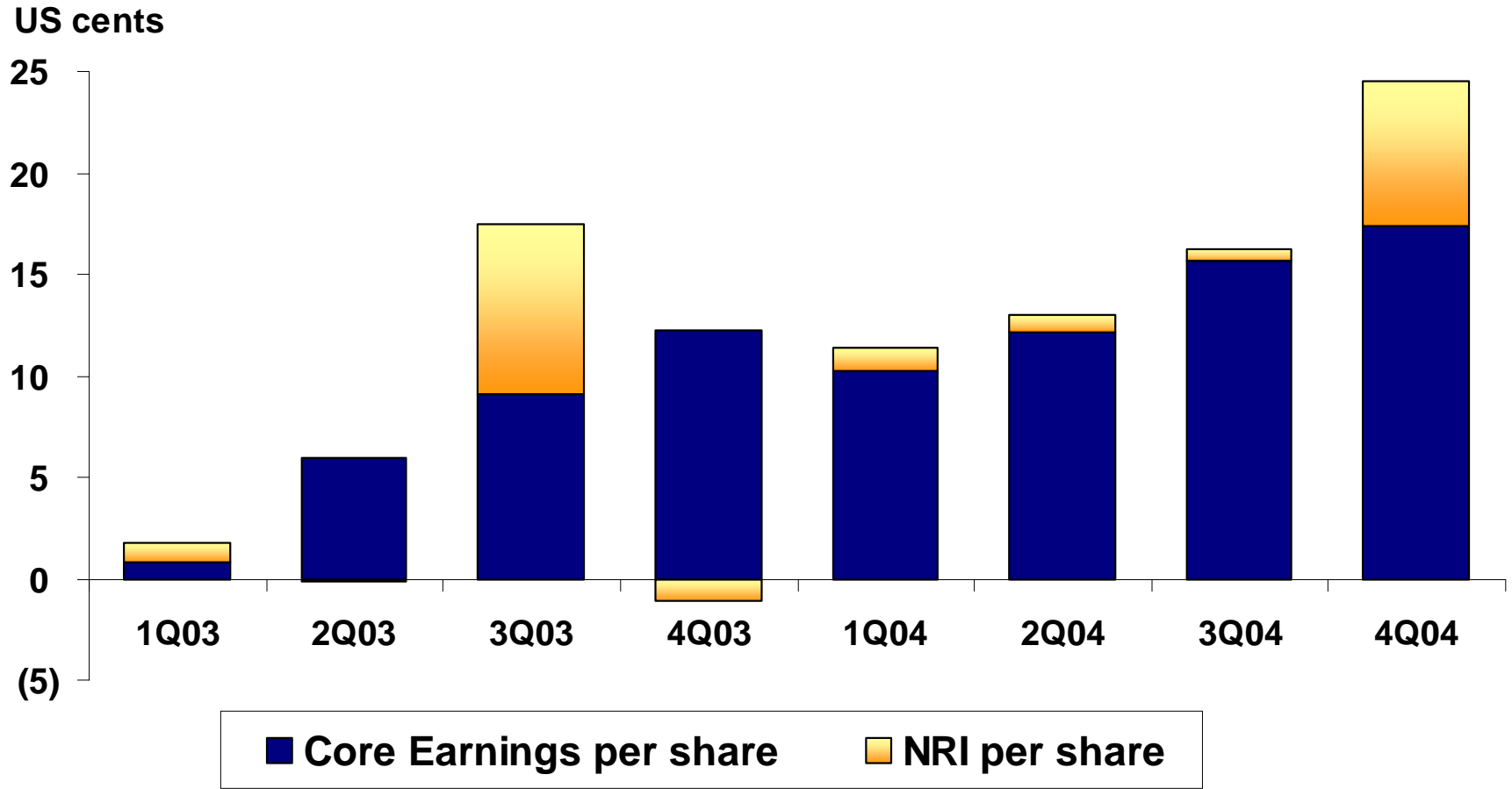


Figures in US\$m

Group EPS Trend

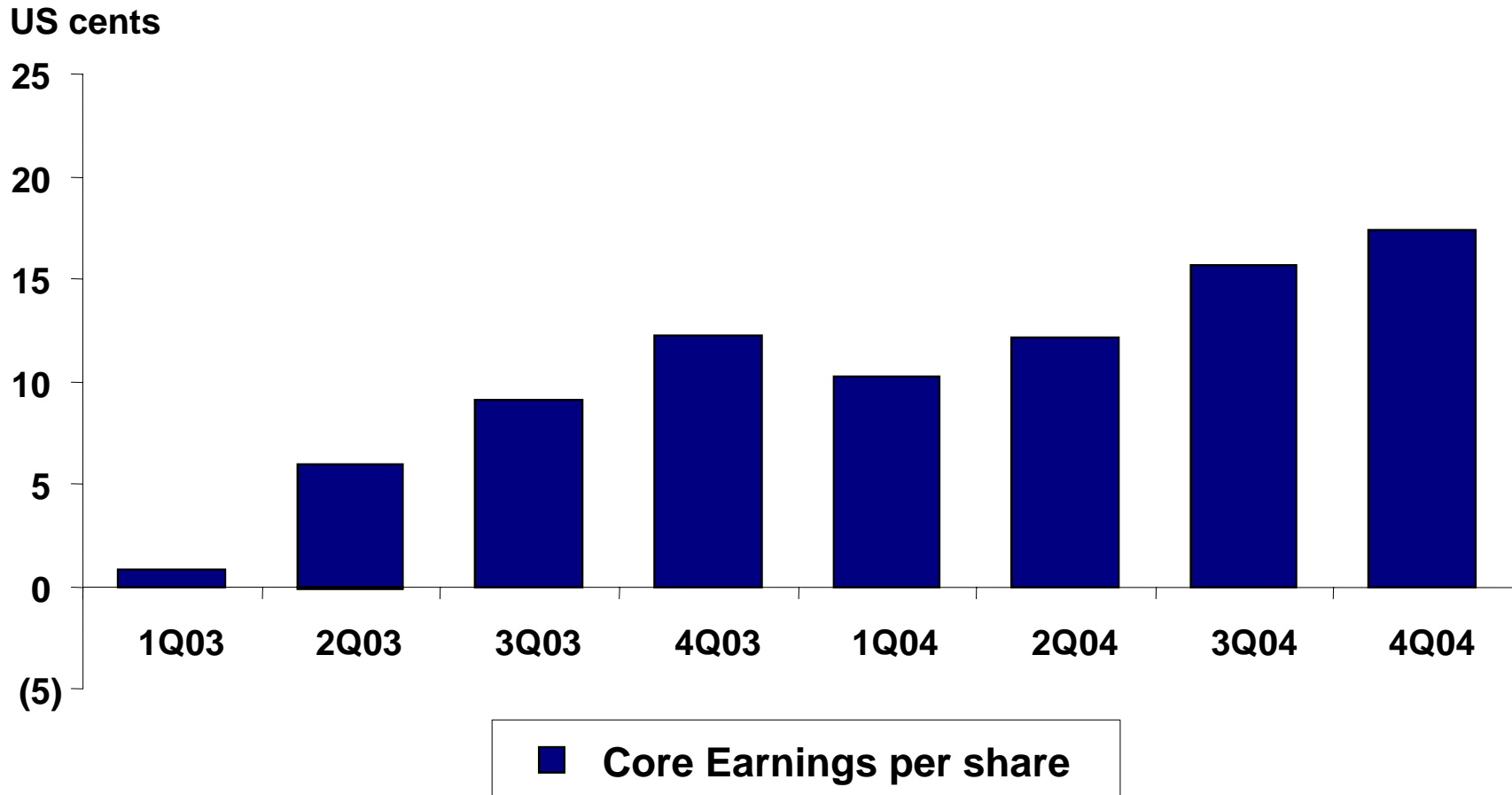
Results Overview

Creating Shareholders' Value



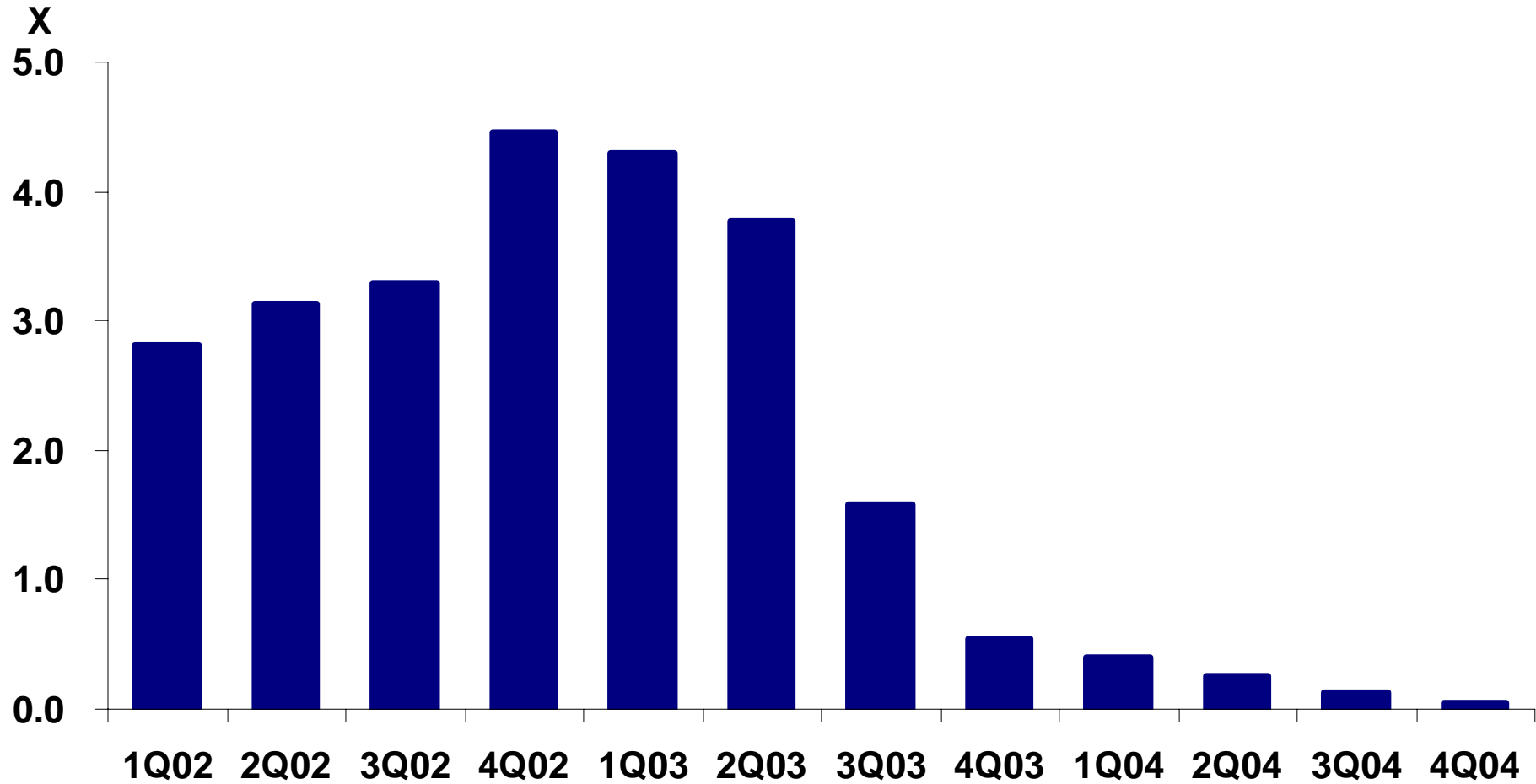
NRI = Non-Recurring Items

Steady and Sustained Improvement



Group Net Gearing Trend

Net Gearing at 0.05x end 2004



Group Capital Expenditure (US\$)

	2004	2005 Outlook
1. Vessels	\$5 m	\$9 m
2. Equipment/Facilities	\$170 m	\$322 m
3. Drydock	\$12 m	\$25 m
4. IT	\$14 m	\$56 m
5. Others	\$9 m	\$21 m
Total	\$210 m	\$433 m

Dividends

➤ **Dividend Policy:**

- Annually 8 Singapore cents per share net or 20% of annual net profits, whichever is higher

➤ **Final Dividend:**

- 14.69 Singapore cents per share tax exempt

➤ **Special Dividend:**

- 21.69 Singapore cents per share tax exempt
- 2004 total dividend payment is 43.38 Singapore cents per share net, implying yield of 12%



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- **Operational Review**
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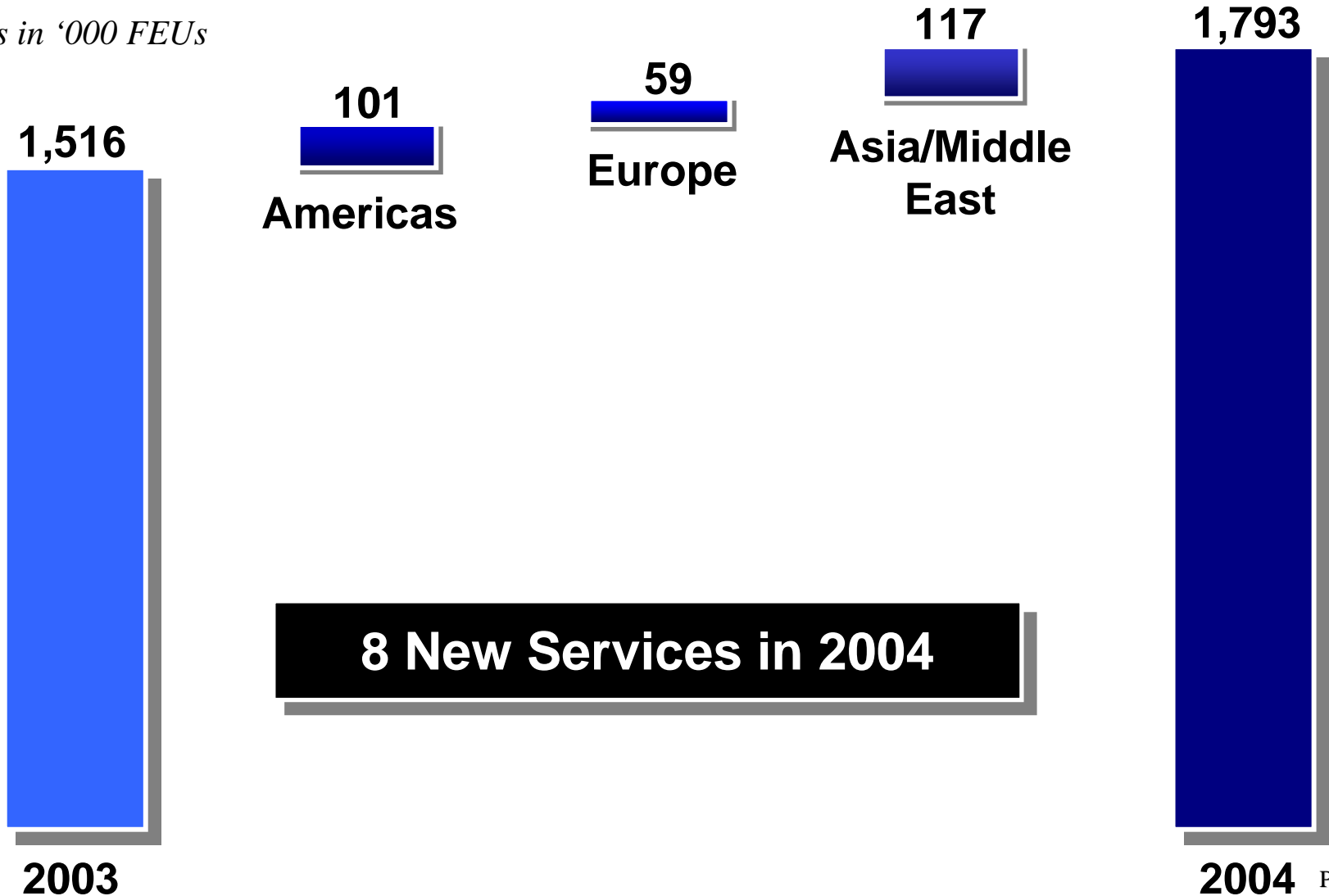
APL Liner: Record Earnings

- **Strong volume growth**
- **Revenue per container improvement**
- **Productivity gains**

APL Liner Volume

18% Volume Growth

Figures in '000 FEUs

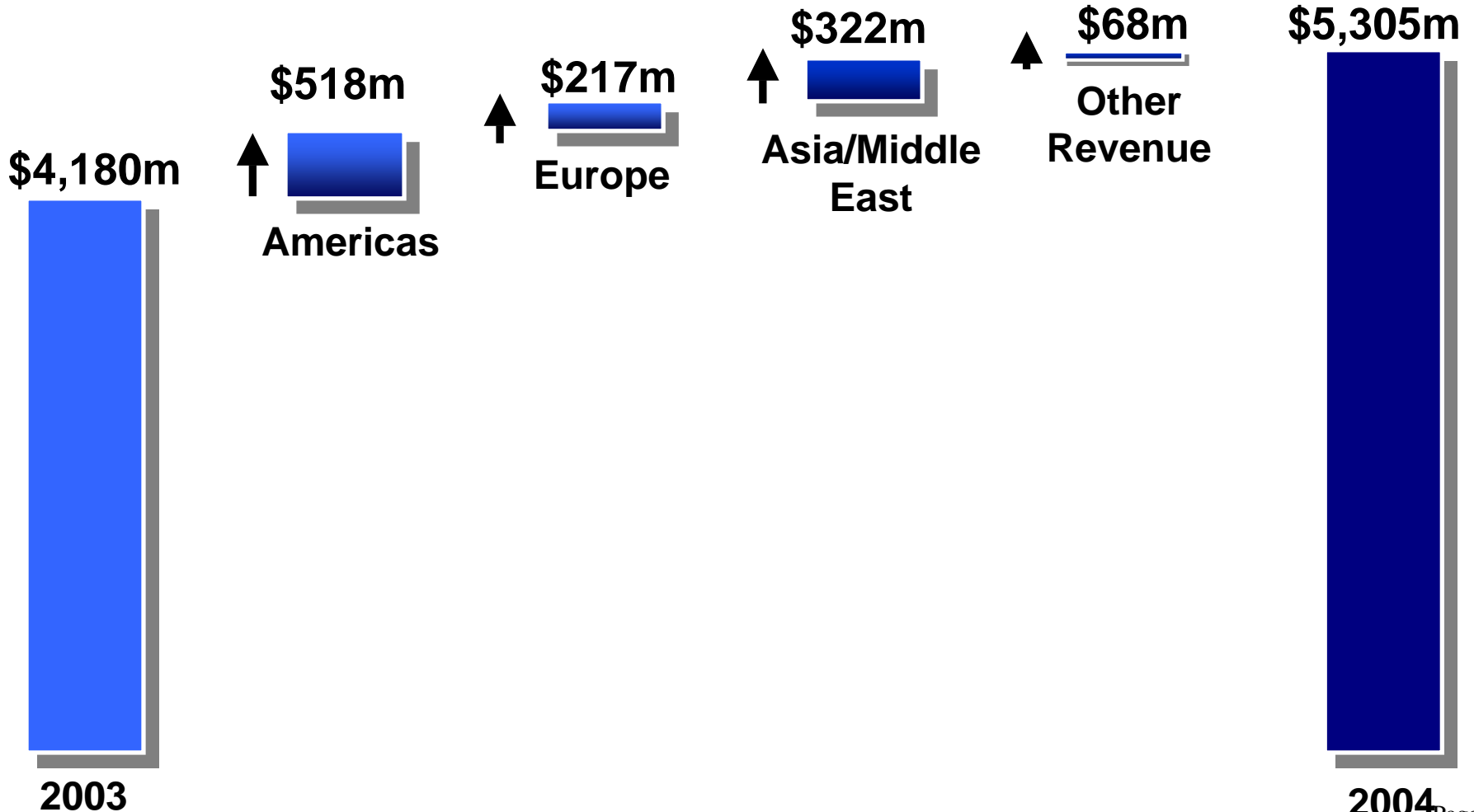


Results Overview

APL Liner Revenue

27% Revenue Growth

Figures in US\$m

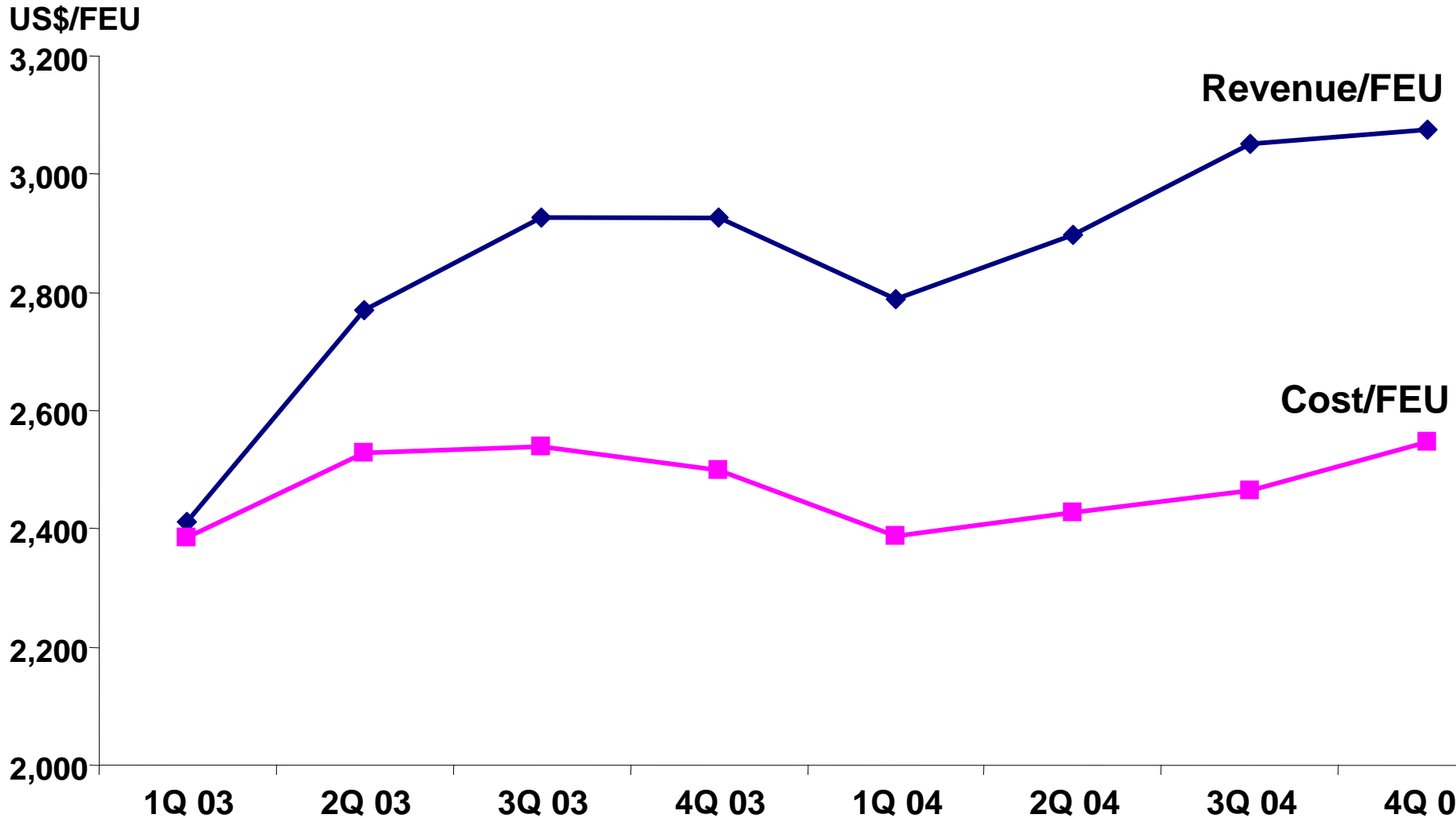


Results Overview

APL Liner Revenue & Cost per FEU

Increased Rev/FEU but upward pressure on cost

Results Overview



Productivity Improvement

- **Higher headhaul utilisation** *2004 - 98%*
2003 - 96%
- **Cost savings** *US\$96 m*
- **Yield management** *US\$61 m*
 - o Mix of trade, customer and cargo

APL Logistics: Improving Performance

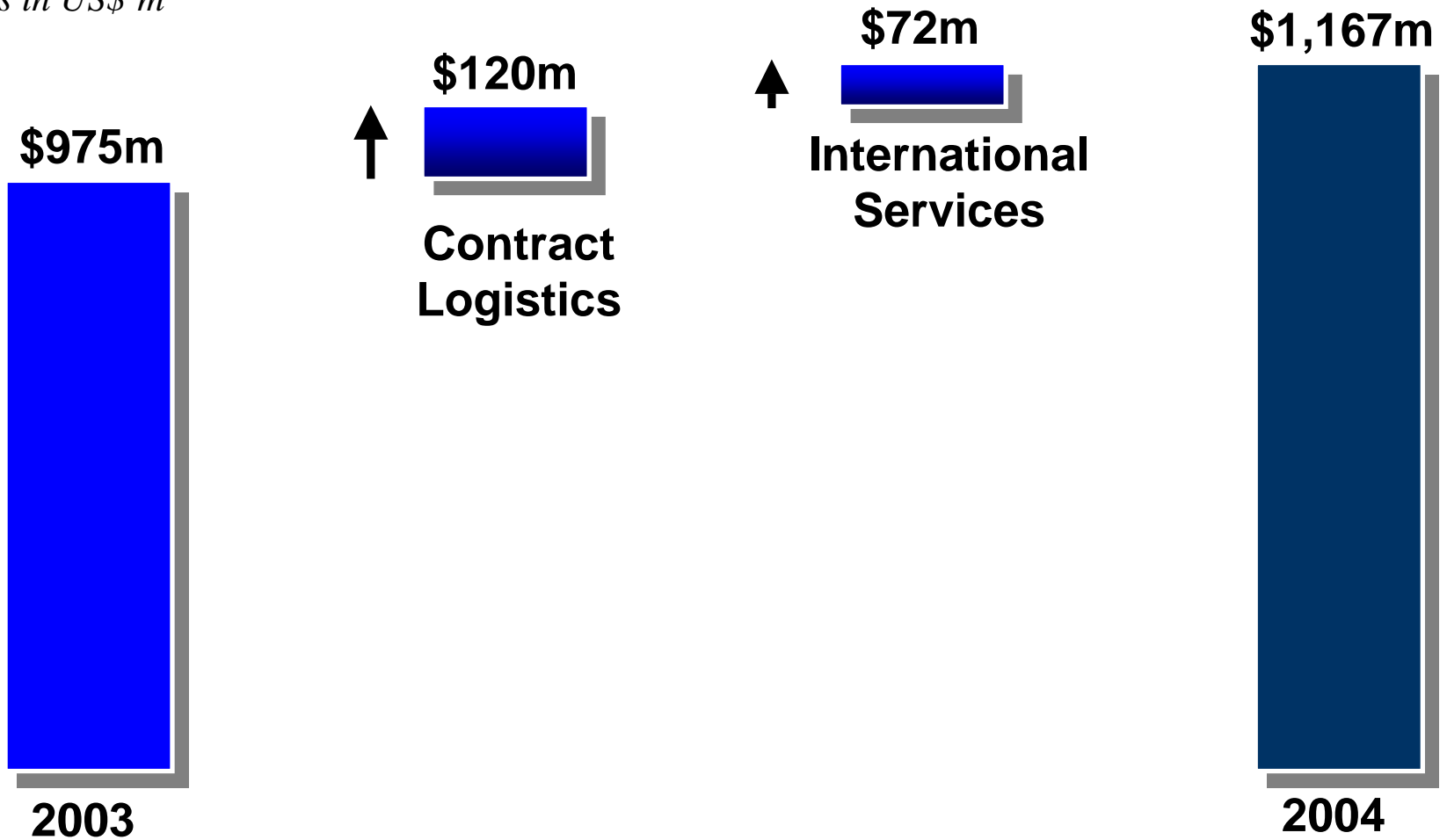
- **Strong revenue growth**
 - Expanded scope
 - New services

- **Improved operational efficiency**
 - Core EBIT Margin 2.1%

APL Logistics Revenue

Continued Revenue Growth

Figures in US\$m





Contents of Presentation

1. 2004 Performance Review

- Financial Review
- Operational Review
- **Outlook**

- **The performance of the Group is expected to be strong in 2005, barring any unforeseen circumstances**
 - o Positive business environment
 - o Continued focus on yield management and cost containment

- **Shipping remains a core business**
- **Landside transportation and Logistics are new growth areas**

Globalisation

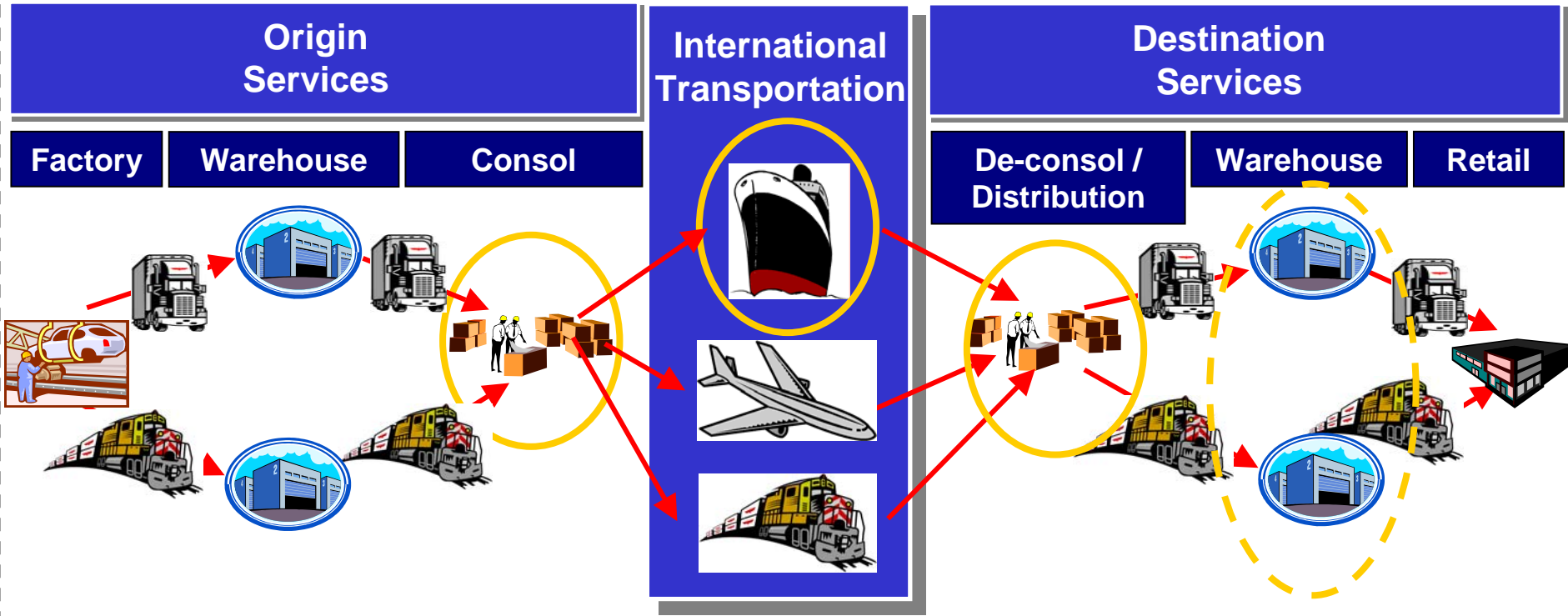
- o More complex and denser global supply chains
- o Wider scope of services and solutions



NOL needs to expand its capabilities beyond its current service offerings

GLOBAL SUPPLY CHAIN

Group Strategy



- Consolidation
- P.O. Management
- Vendor Management
- Quality Assurance
- Packaging/Labeling
- Vendor Managed Inventory/Kitting
- Carrier Arrangements
- Documentation
- Order Management

- Ocean LCL/FCL
- Airfreight Management
- Rail Management

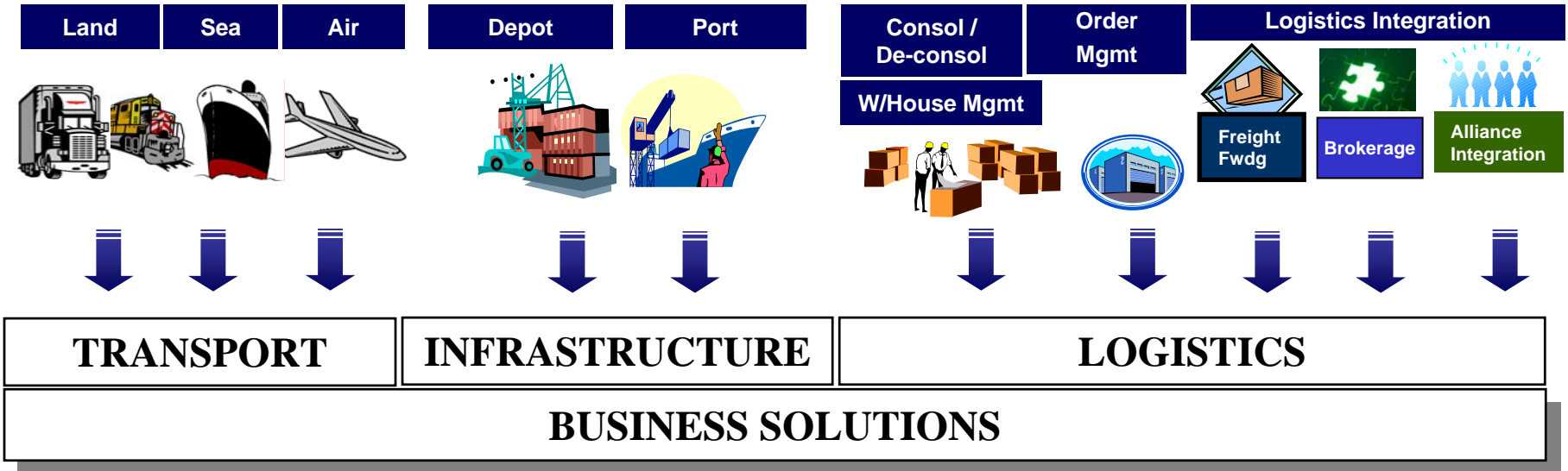
- Customs House Brokerage
- Deconsolidation
- Distribution Centres Bypass
- Local Transportation
- Warehouse Management

Information Technology

Current strength in the supply chain

Presence in the supply chain

Group Vision



Group Strategy



**Global Cargo
Transport Company**

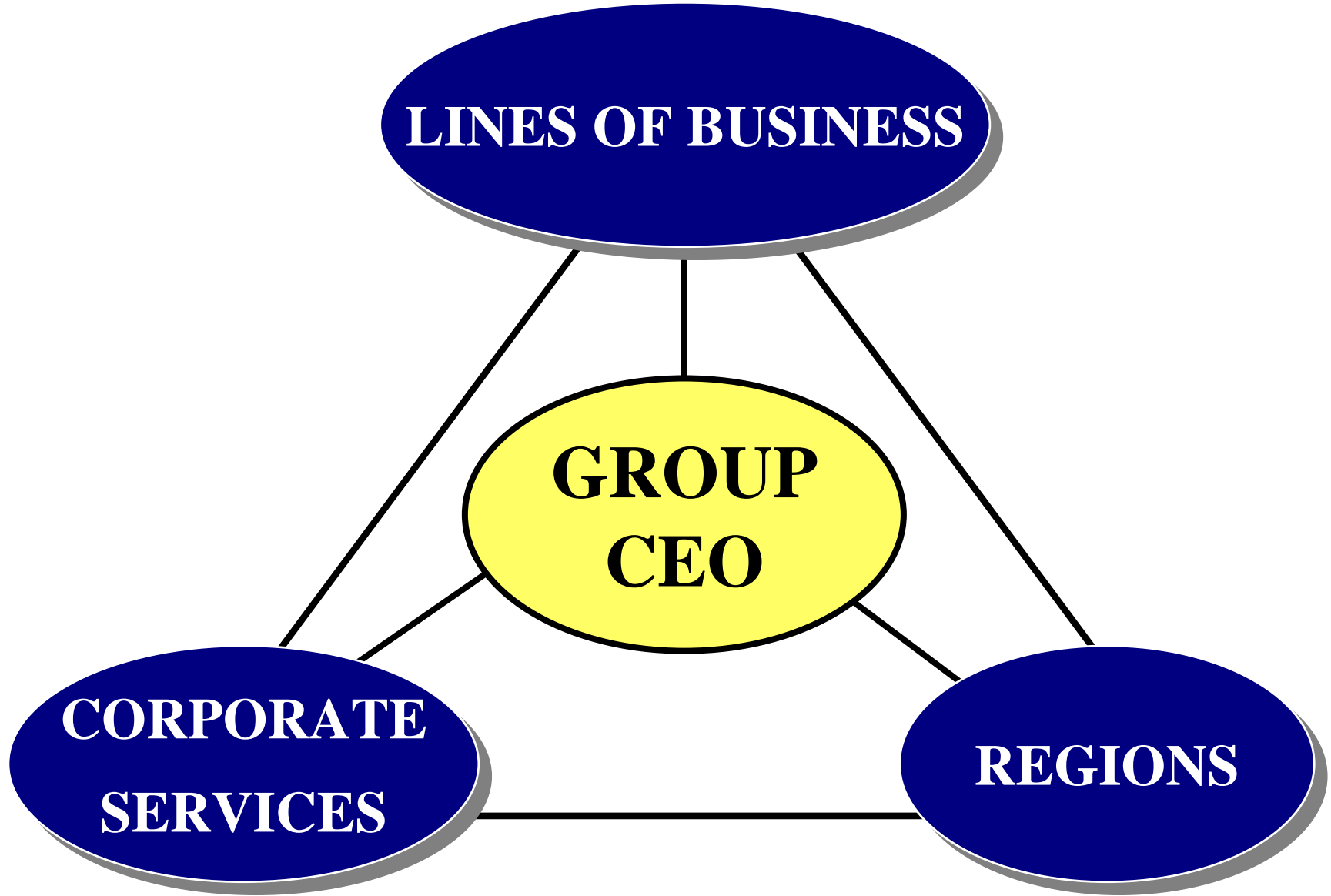
Group Strategic Roadmap

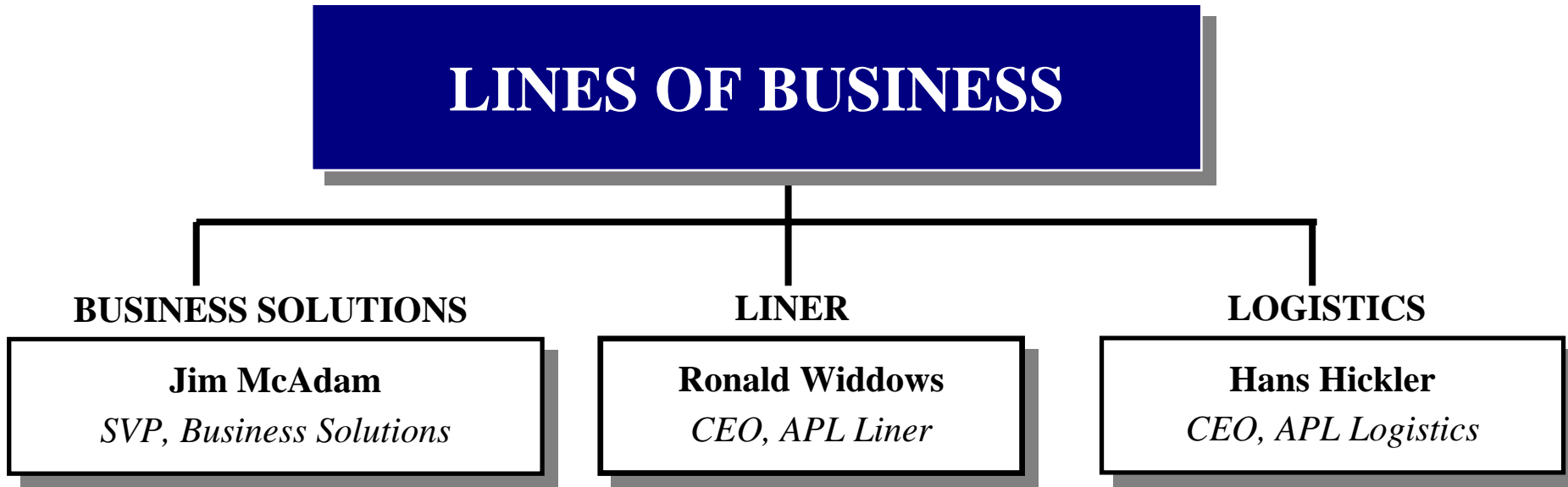
Immediate Goals

- One company: integrating Liner and Logistics
- Maintain and grow Liner
- Organising for growth
- Renewing IT capabilities

Longer-Term Goals

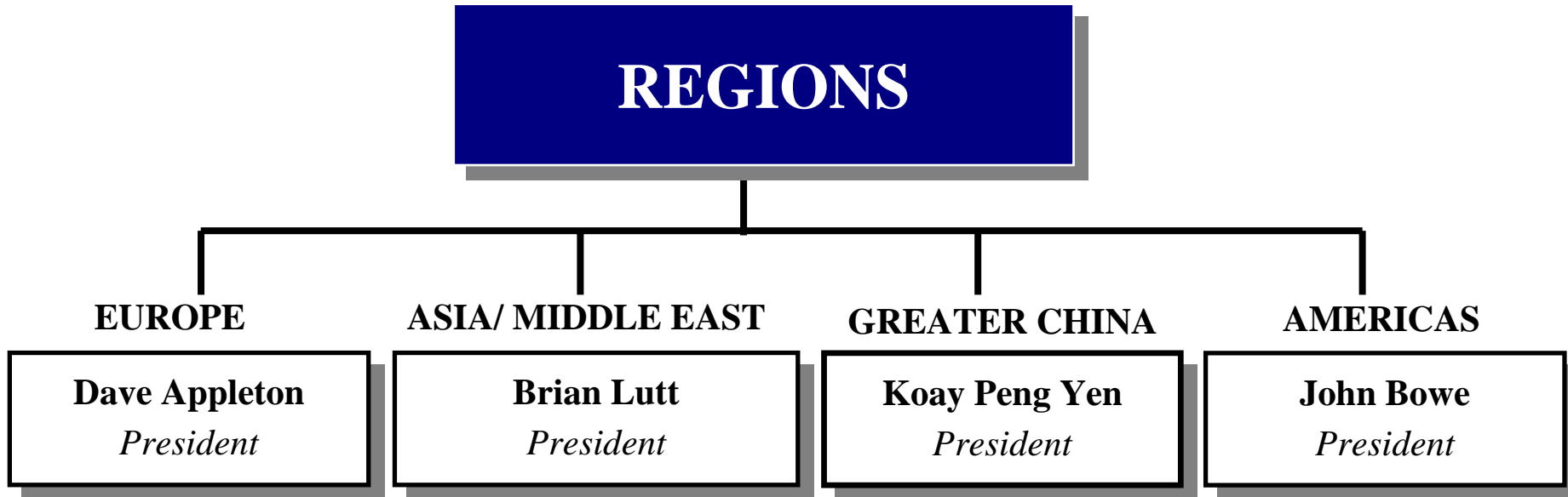
- Expand supply chain capabilities
- Strategic acquisitions – liner, dedicated terminals, logistics, rail, airfreight





- **One integrated company, various lines of business**
- **Providing services and solutions in cargo movement across the supply chain**

Group Organisation Structure

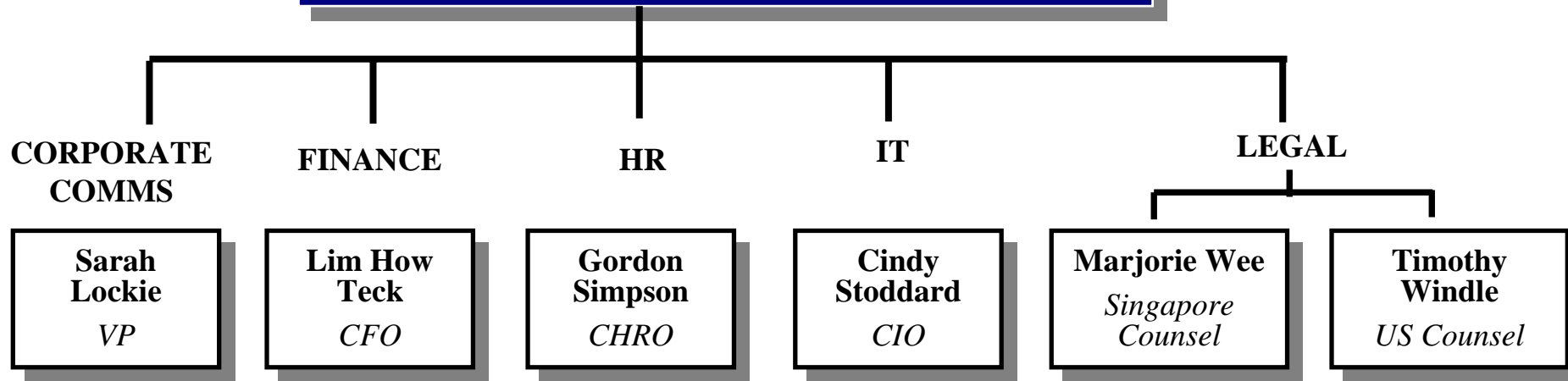


➤ **Overall responsibility includes:**

- Operations
- Sales
- Strategic

Group Organisation Structure

CORPORATE SERVICES



- **New structure of corporate functions to support lines of business and regions**
- **Improve efficiency and provide better corporate oversight**
- **Achieved cost savings through reorganising and streamlining**



Contents of Presentation

2. Group 2004 Financial Highlights

Group Financial Highlights (US\$)

	4Q04	4Q03	Change	2004*	2003	Change
➤ Revenue	\$1,985 m	\$1,547 m	28%	\$6,545 m	\$5,523 m	19%
➤ Core EBITDA	\$356 m	\$253 m	41%	\$1,180 m	\$762 m	55%
• Depreciation & Amortisation**	(\$72 m)	(\$72 m)		(\$259 m)	(\$289 m)	
➤ Core EBIT	\$284 m	\$181 m	57%	\$921 m	\$473 m	95%
• Gross Interest Expense	(\$19 m)	(\$27 m)		(\$87 m)	(\$116 m)	
• Tax**	(\$14 m)	(\$6 m)		(\$29 m)	(\$22 m)	
➤ Profit before NRI^	\$251 m	\$148 m	70%	\$805 m	\$335 m	140%
• Non-Recurring Items	\$104 m	(\$14 m)		\$138 m	\$94 m	
➤ Net Profit	\$355 m	\$134 m	165%	\$943 m	\$429 m	120%

* NOL's full year results is from 27 December 2003 to 31 December 2004

** Part of the amortisation and tax classified as non-recurring items

^ NRI = Non-Recurring Items

Group Non-Recurring Items (US\$)

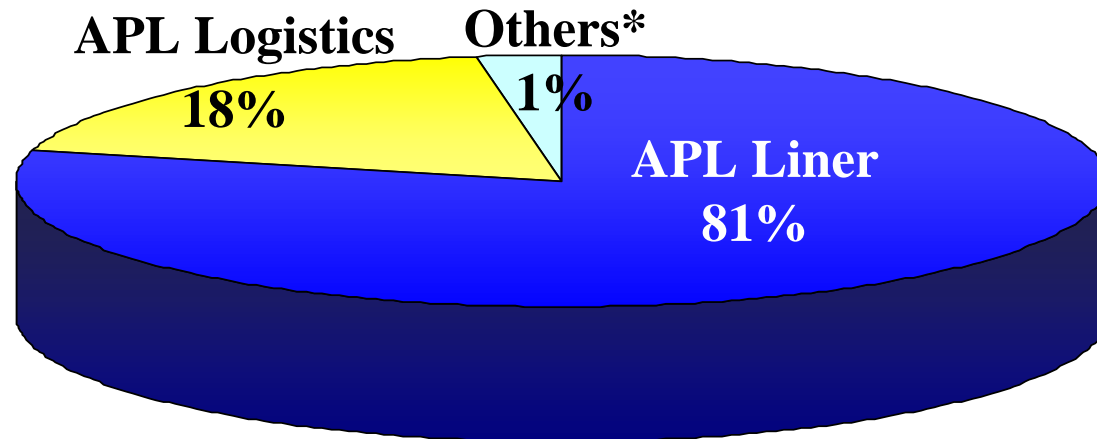
	4Q04	4Q03	2004	2003
1. Gain from asset disposals*	\$7 m	\$4 m	\$19 m	\$153 m
2. Provisions for diminution in assets	-	(\$4 m)	-	(\$48 m)
3. Goodwill impairment	(\$55 m)	-	(\$55 m)	(\$3 m)
4. Write-back of deferred tax liabilities	\$103 m	-	\$103 m	-
5. Reversal of goodwill amortisation**	\$5 m	-	\$19 m	-
6. Earnout from AET sale	\$41 m	-	\$41 m	-
7. Others	\$3 m	(\$14 m)	\$11 m	(\$8 m)
Total	\$104 m	(\$14 m)	\$138 m	\$94 m

* Gain from asset disposals in 2003 due mostly to AET sale

** Due to early adoption of FRS 103

Group Revenue by Business Units (US\$)

	4Q04	4Q03	Change	2004	2003	Change
APL Liner	\$1,626 m	\$1,228 m	32%	\$5,305 m	\$4,180 m	27%
APL Logistics	\$345 m	\$286 m	21%	\$1,167 m	\$975 m	20%
Others*	\$43 m	\$54 m	(20%)	\$157 m	\$478 m	(67%)
Interco Elimination	(\$29 m)	(\$21 m)	N.M.	(\$84 m)	(\$110 m)	N.M.
Total Revenue	\$1,985 m	\$1,547 m	28%	\$6,545 m	\$5,523 m	19%



* Others include Chartering and other non-core operations

(AET and NAS were sold on 22 July 2003 and 16 March 2004 respectively)

Group Core EBIT by Business Units (US\$)

	4Q04	4Q03	Change	2004	2003	Change
APL Liner	\$279 m	\$180 m	55%	\$892 m	\$412 m	117%
APL Logistics	\$5 m	\$4 m	25%	\$24 m	\$7 m	243%
Others*	-	(\$3 m)	N.M.	\$5 m	\$54 m	(91%)
Total Core EBIT	\$284 m	\$181 m	57%	\$921 m	\$473 m	95%

* Others include Chartering and other non-core operations

(AET and NAS were sold on 22 July 2003 and 16 March 2004 respectively)

Group Balance Sheet Highlights (US\$)

	31 Dec'04	26 Dec'03
Total Assets	\$4,369 m	\$4,064 m
Total Liabilities *	\$2,189 m	\$2,760 m
Total Shareholders' Equity	\$2,180 m	\$1,304 m
Total Debt	\$785 m	\$1,252 m
Gearing (Gross)	0.36 x	0.96 x
Gearing (Net)	0.05 x	0.54 x
NAV per share	\$1.50	\$0.91

* Includes Minority Interests

Group Cash Flow Highlights (US\$)

	31 Dec'04	26 Dec'03
Cash & Cash Equivalents - Beginning	\$543 m	\$335 m
<i>Cash Inflow/(outflow):</i>		
Operating Activities	\$933 m	\$694 m
Investing Activities	(\$155 m)	\$312 m
Financing Activities	(\$646 m)	(\$798 m)
Cash & Cash Equivalents - Closing	\$675 m	\$543 m

Group Fuel and Currency Exposures

➤ **Bunker**

- Increased by US\$100m due to business expansion and higher fuel prices
- Hedging policy of up to 50% of requirements

➤ **Foreign Exchange**

- Major currencies exposure to Euro, Japanese Yen and Singapore Dollar
- These exposures continue to be hedged in 2005

Group Capital Expenditure (US\$)

2004 & 2005 Outlook

	2004	2005 Outlook
1. Vessels	\$5 m	\$9 m
2. Equipment/Facilities	\$170 m	\$322 m
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Contents of Presentation

3. Business Performance

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

APL Liner Profit & Loss Summary (US\$)

Record Earnings

	4Q04	4Q03	Change	2004	2003	Change
➤ Revenue	\$1,626 m	\$1,228 m	32%	\$5,305 m	\$4,180 m	27%
➤ Core EBITDA	\$341 m	\$236 m	44%	\$1,112 m	\$613 m	81%
• Depreciation & Amortisation	(\$62 m)	(\$56 m)		(\$220 m)	(\$201 m)	
➤ Core EBIT	\$279 m	\$180 m	55%	\$892 m	\$412 m	117%
➤ Core EBIT Margin	17.2%	14.7%		16.8%	9.9%	

APL Liner Volume Growth

Healthy Volume Growth

Region	4Q04	4Q03	Change	2004	2003	Change
• Americas	235	197	19%	823	722	14%
<i>Trans-Pacific</i>	198	164	21%	686	603	14%
<i>Latin America</i>	37	33	12%	137	119	15%
• Europe	140	108	30%	460	401	15%
<i>Asia Europe</i>	105	83	27%	346	300	15%
<i>Transatlantic</i>	35	25	40%	114	101	13%
• Asia/Middle East	154	114	35%	510	393	30%
Total	529	419	26%	1,793	1,516	18%

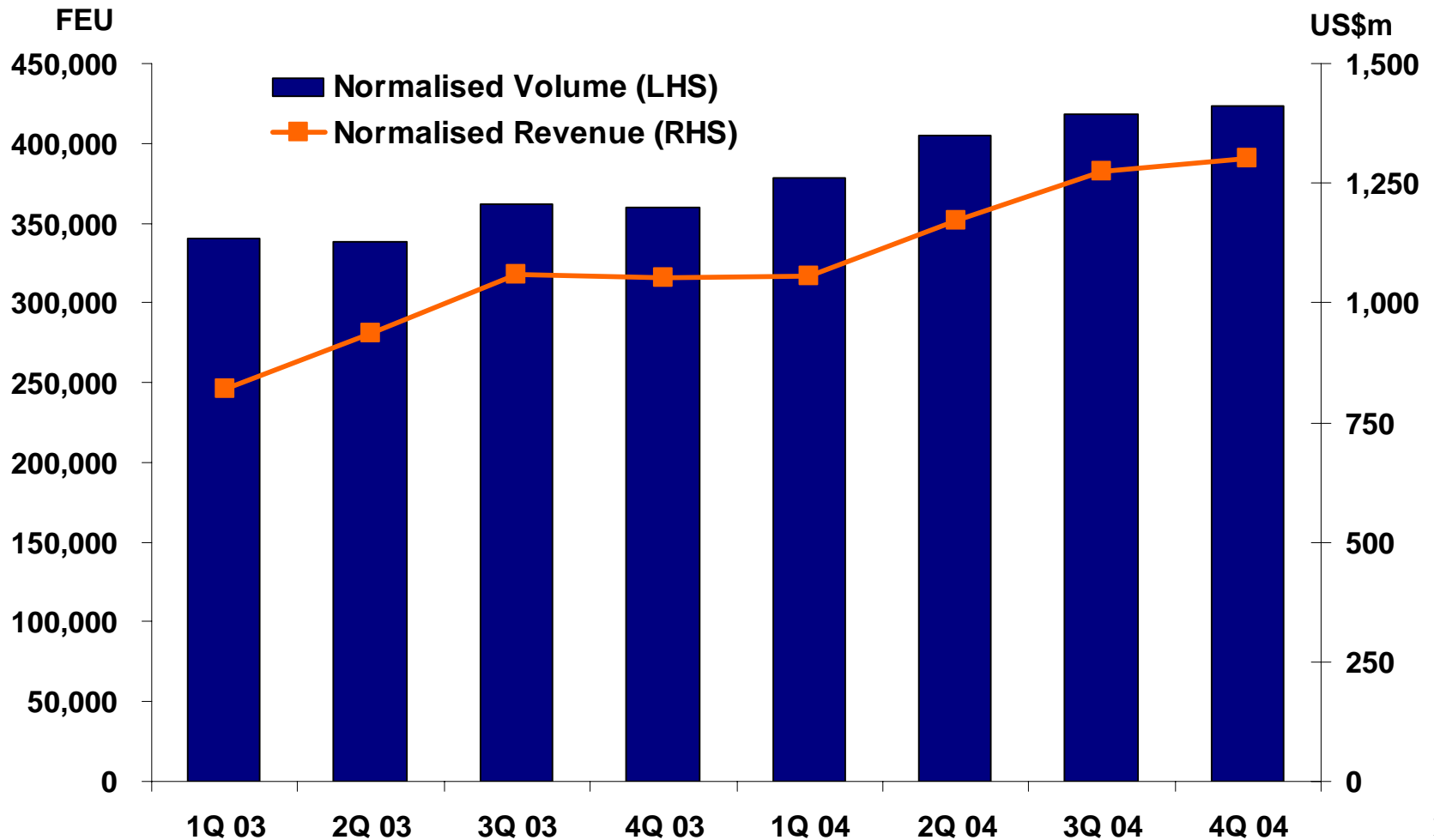
Note:

1) Figures are in '000 FEUs

2) 4Q04 and 2004 has an additional 1 week y-o-y.

APL Liner Normalised Volume and Revenue Trend

- **Strong global demand and increasing outsourcing to Asia**
- **Introduction of new services**
- **Improved utilisation**



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

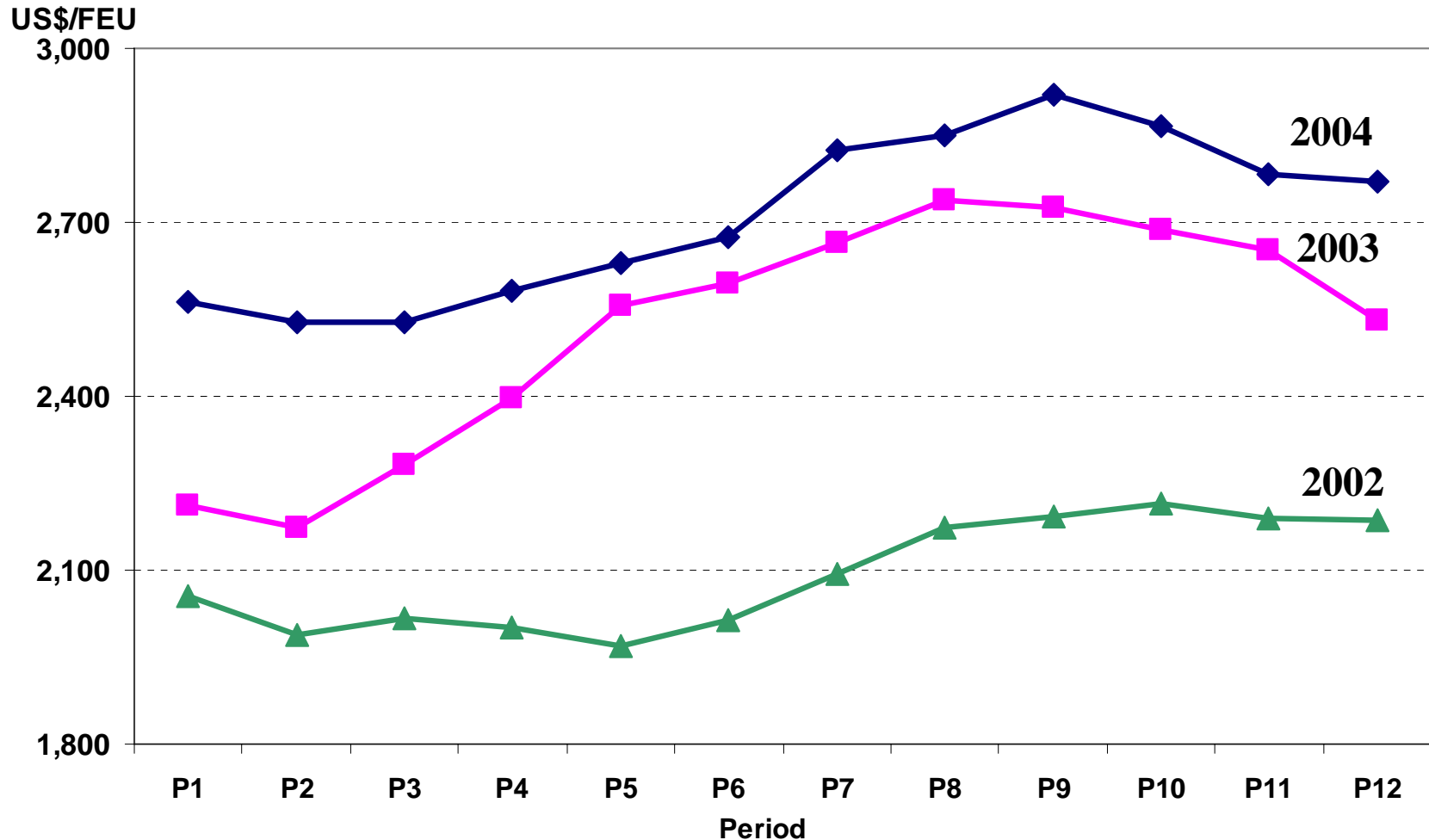
Increase in Average Revenue/FEU

Region	4Q04	4Q03	Change	2004	2003	Change
• Americas	\$3,440	\$3,200	8%	\$3,341	\$3,091	8%
• Europe	\$2,625	\$2,508	5%	\$2,546	\$2,378	7%
• Asia/Middle East	\$1,983	\$1,701	17%	\$1,853	\$1,586	17%
Total	\$2,800	\$2,611	7 %	\$2,713	\$2,512	8%

* Reflects both Eastbound and Westbound blended rates for all trades touching major geographies

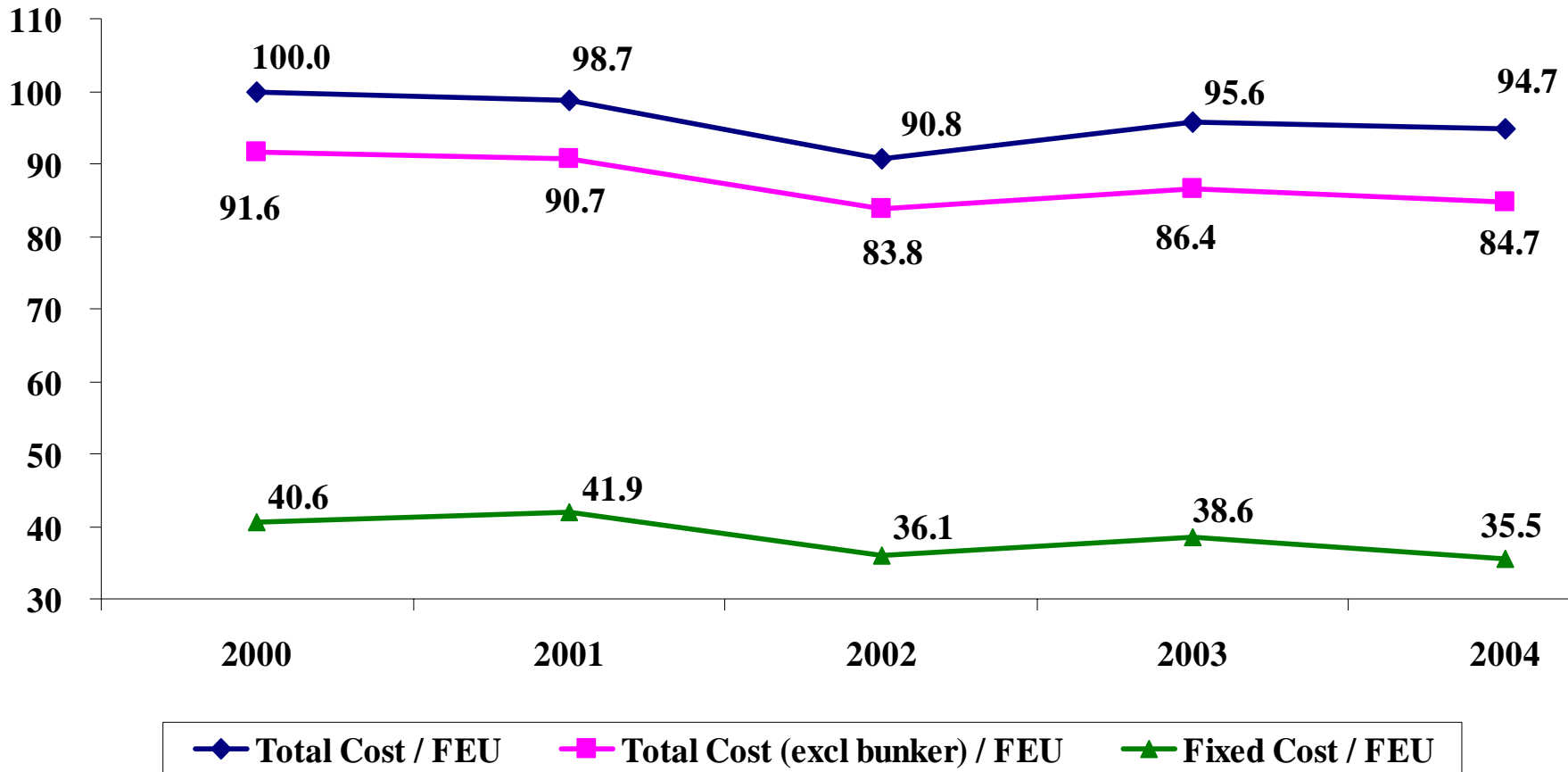
APL Liner Average Revenue/FEU Trend

- Active yield management and general rate increase in 2004
- A more stable market entering 2005 than the same time frame a year ago



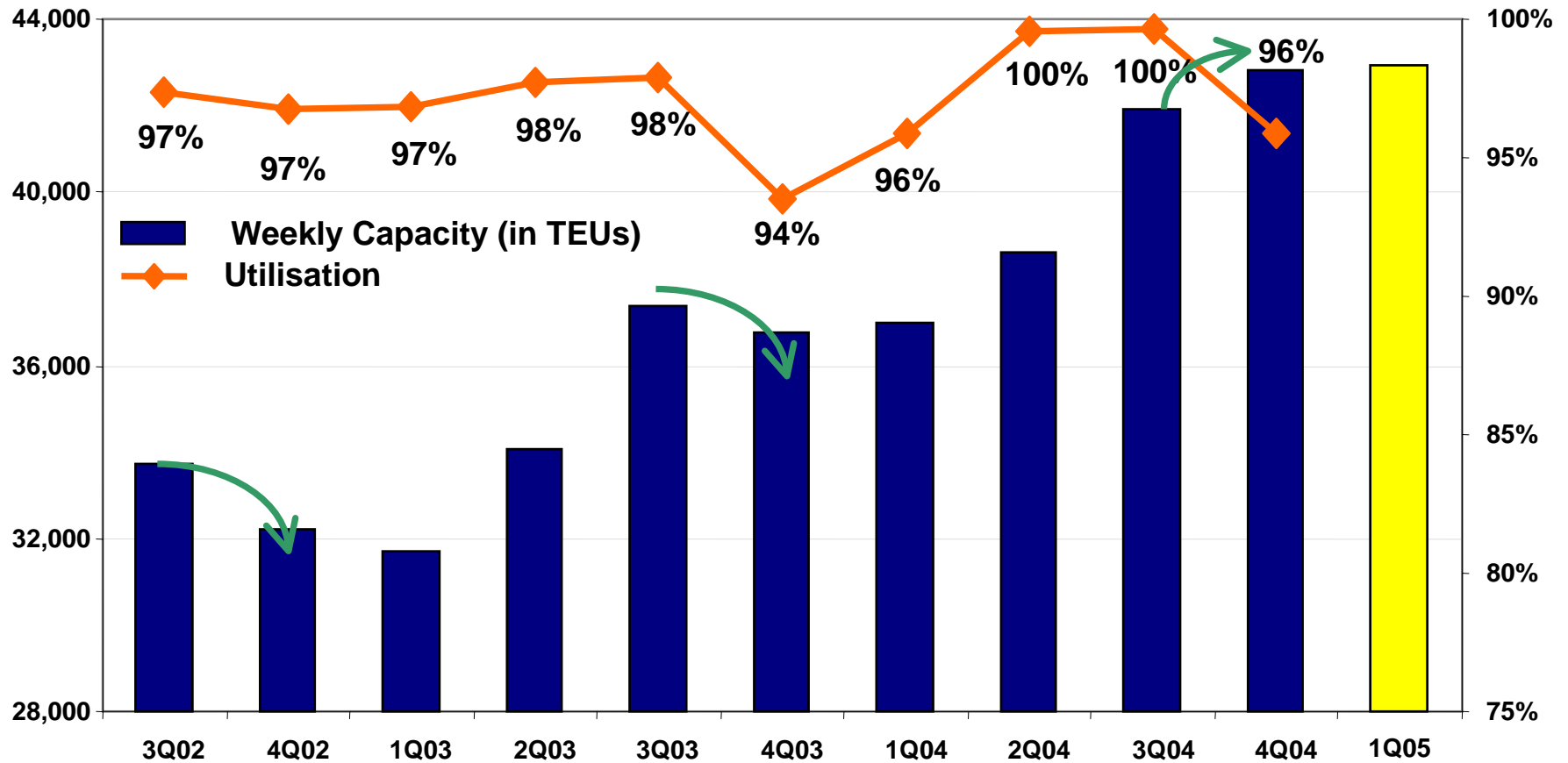
APL Liner Cost/FEU Trend

➤ Focus on cost savings, asset utilisation and yield management continued to improve the cost structure in 2004, despite facing increased cost pressures



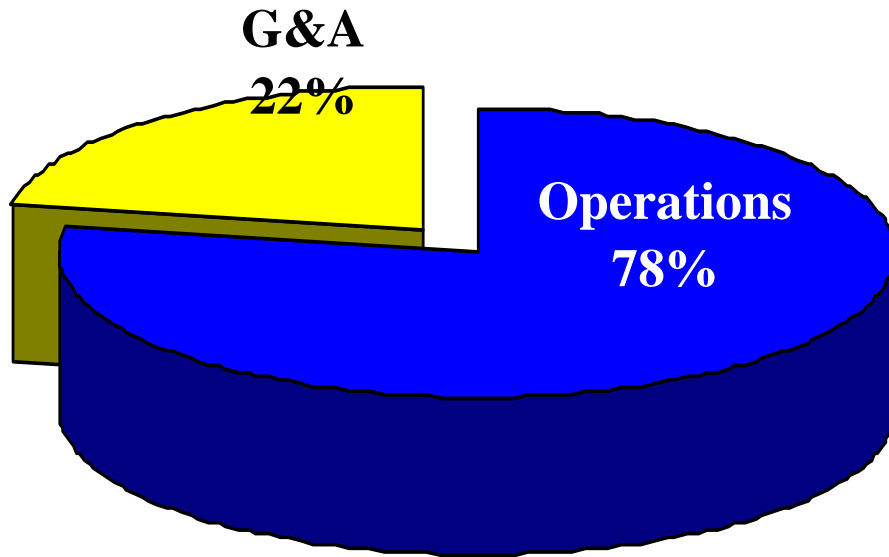
APL Liner Network Capacity & Utilisation

➤ **4Q04 utilisation at 96% in spite of capacity expansion due to strong market conditions**



Note: Figures based on headhaul leg of main linehaul services

Achieved US\$96m Cost Savings in 2004

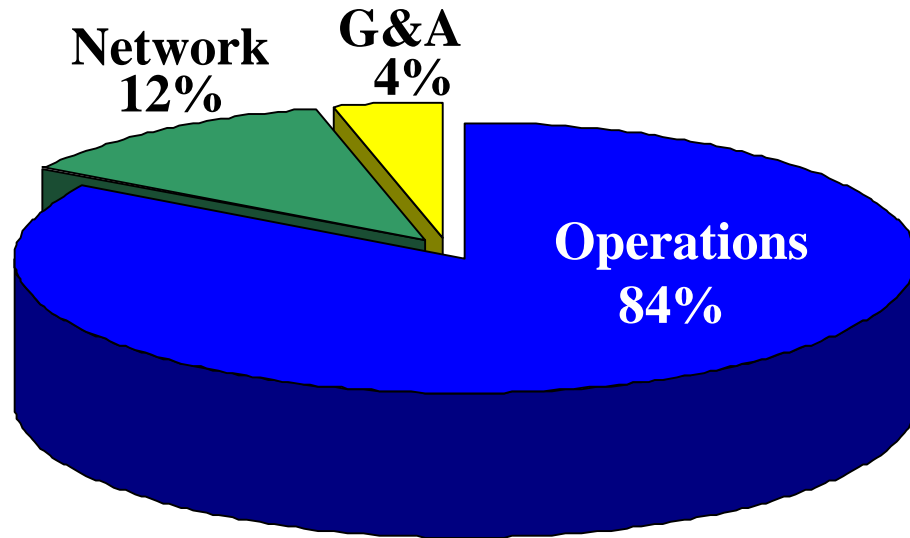


➤ Cost savings achieved through:

- ✓ *Terminal lease initiatives*
- ✓ *Operational efficiencies initiatives*
- ✓ *Utilisation and balance improvement initiatives*
- ✓ *Tight G&A cost controls*

➤ Slightly below target because of congestion pressures

Continual Efforts in Cost Savings



- ✓ *Productivity and efficiency improvements in cargo handling*
- ✓ *Terminal lease initiatives*
- ✓ *Equipment management initiatives*
- ✓ *Vessel network initiatives*
- ✓ *Continued control over G&A spending*

- **Expected to be less than 2004 because of congestion-related pressures**

APL Liner 2004 Performance Review

- **Achieved record earnings in 2004:**
 - Strong market conditions
 - High asset utilisation and yield management
 - Maintaining a tight asset base
- **Balanced industry supply/demand with some capacity shortages contributing to improved overall freight rates**
- **Cost per FEU lowered**
 - Yield management and improved utilisation
 - Cost savings of US\$96m
- **Impact of global congestion**
 - Management's initiatives including network adjustments, minimised the degree of impact

APL Liner 2004 Performance Review

Trade Review:

- **Trans-Pacific:** Strong volume growth combined with continued rate improvement
- **Latin America:** Benefited from regional economic recovery
- **Asia-Europe:** Robust demand growth, strong Euro and yield management increased cargo volume and rates
- **Transatlantic:** Volume and rates supported by strong Euro and improved market conditions
- **Asia/Middle East:** Volume and rates boosted by new services capitalising on the strong market demand

APL Liner Trade Imbalance

- **Industry imbalances grew in 2004**
- **APL fared better although overall repositioning costs increased y-o-y**

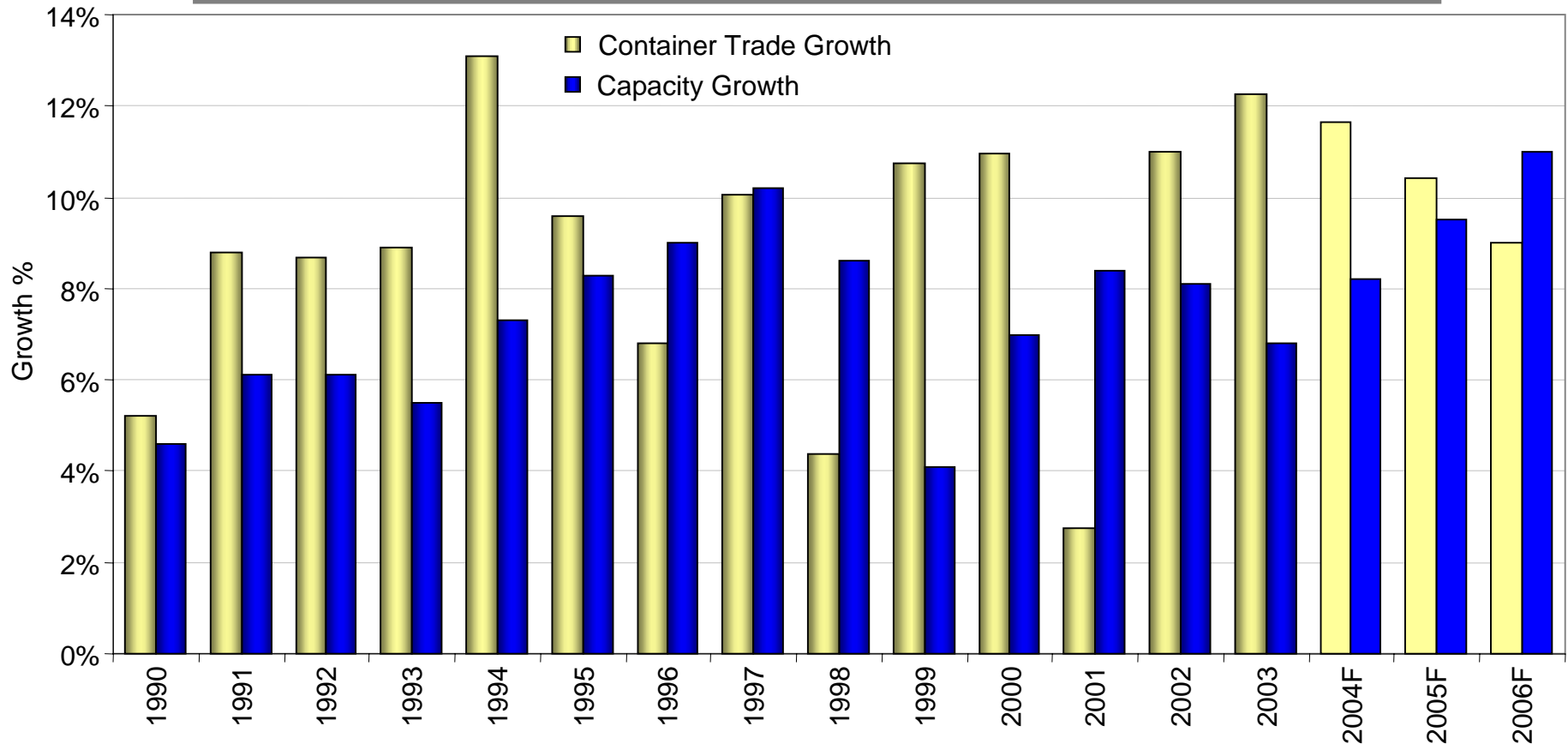
No. of FEUs that are full backhaul for every 10 FEUs full headhaul

<u>Trade</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
▪ Trans-Pacific	5	5	5
▪ Asia-Europe	8	7	8
▪ Transatlantic	6	8	9

Industry Global Demand & Supply

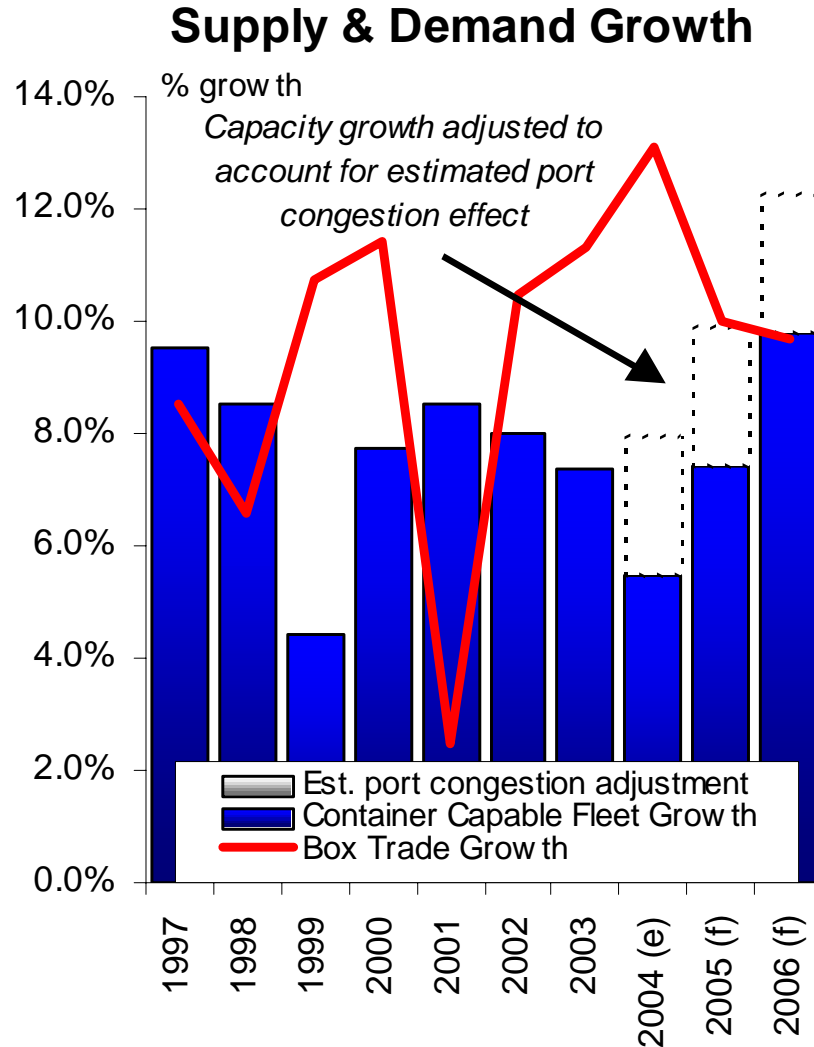
While demand/supply growth is projected to be well-balanced in 2005, nominal capacity is currently projected to exceed container demand growth in 2006 but ...

Container Trade - Demand and Supply 1990-2006F



Source : Clarksons / Drewry / MDS / NOL SPD

Industry Global Demand & Supply



Source: Clarkson Research Studies

- Port congestion estimated by industry to constrain supply/amplify demand by additional 2.5%
- Clarkson research confirms findings similar to industry: definite impact of port congestion on market fundamentals.

APL Liner Current Year's Prospects

- **Focus on asset utilisation, yield management and cost saving measures**
- **Volume growth – headhaul capacity increasing 11%**
- **Freight rate environment stable with increases in the East/West trades**
- **Global congestion issues to persist**
 - Strong demand growth to continue
 - Lack of infrastructure investments in ports and land transport
 - Long lead times for improvements
- **Upward pressure in operating costs**
- **Risks include unanticipated slowdown in global economy, congestion impact becoming worse than expected**



Contents of Presentation

3. Business Performance

- **APL Liner**

- **APL Logistics**

APL Logistics Profit & Loss Summary (US\$)

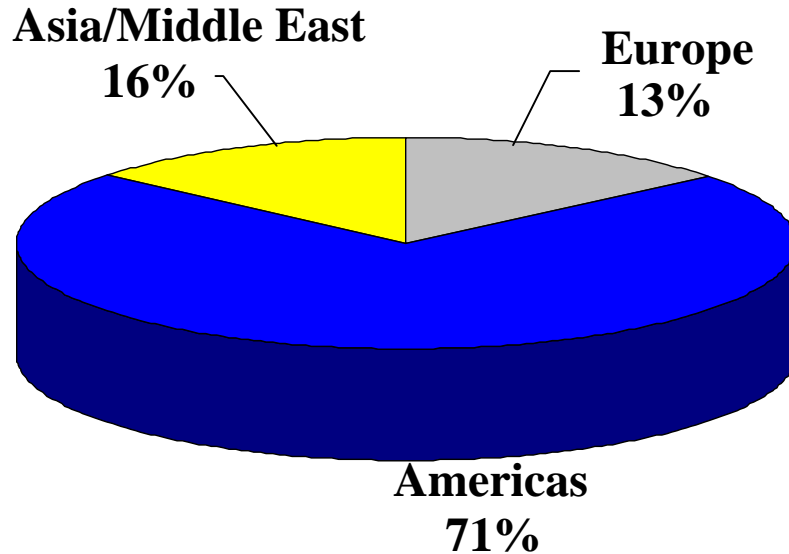
Improving Performance

	4Q04	4Q03	Change	2004	2003	Change
➤ Revenue	\$345 m	\$286 m	21%	\$1,167 m	\$975 m	20%
➤ Core EBITDA	\$11 m	\$12 m	(8%)	\$48 m	\$36 m	33%
• Depreciation & Amortisation	(\$6 m)	(\$8 m)		(\$24 m)	(\$29 m)	
➤ Core EBIT	\$5 m	\$4 m	25%	\$24 m	\$7 m	243%
➤ Core EBIT Margin	1.4%	1.4%		2.1%	0.7%	

APL Logistics Revenue Breakdown

2004 Revenue: US\$1,167m, up 20%

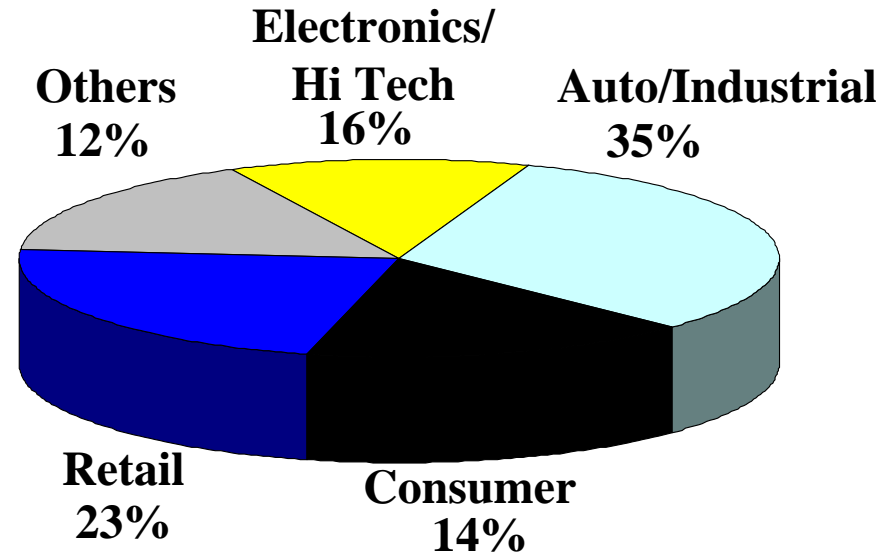
Region



2003 Breakdown :

Americas	:	72%
Asia/Middle East	:	16%
Europe	:	12%

Customer Segment



2003 Breakdown :

Auto/Industrial	:	33%
Consumer	:	17%
Retail	:	25%
Electronics/Hi Tech	:	14%
Others	:	11%

APL Logistics Revenue & Core EBIT Comparison



Business Segment	4Q04	4Q03	Change	2004	2003	Change
US\$'m						
• Revenue (US\$'m)	345	286	21%	1,167	975	20%
<i>Contract Logistics</i>	244	202	21%	831	711	17%
<i>International Services</i>	101	84	20%	336	264	27%
• Core EBIT	5	4	25%	24	7	243%
<i>Contract Logistics</i>	3	(1)	N.M.	7	(11)	N.M.
<i>International Services</i>	2	5	(60%)	17	18	(6%)
• Core EBIT Margin	1.4%	1.4%		2.1%	0.7%	
<i>Contract Logistics</i>	1.2%	(0.5%)		0.8%	(1.5%)	
<i>International Services</i>	2.0%	6.0%		5.1%	6.8%	

APL Logistics 2004 Performance Review

- **Robust global demand boosted revenues by 20% in 2004**
 - Expanded scope and service offerings to existing customers
 - Increased new customer base

- **Improved operational performance:**
 - Improvement in both Contract Logistics and International Services
 - Organisation restructuring and rationalisation efforts
 - Focus on growth in select verticals

APL Logistics Current Year's Prospects

- **Contract Logistics:**
 - Expand existing business operations
 - Grow new value-add business opportunities
 - Focus and build on tie-in to International Services
- **International Services:**
 - Competitive service offerings in freight forwarding
 - Pressure on consolidation margin due to heavy competition
 - Productivity improvement in origin back-office processing
- **Cost control initiatives to further improve efficiency and productivity**



End of Presentation

Q & A