



STRONG 2005 PERFORMANCE BUT 4Q DOWN ON HIGHER FUEL COSTS

Singapore, 28 February, 2006: Global transportation and logistics company Neptune Orient Lines (NOL) today reported a full year net profit of US\$804 million for 2005, representing a third consecutive year of strong performance despite significant cost pressures, particularly fuel-related costs.

The 2005 net profit before non-recurring items of US\$796 million was 3% lower than the 2004 result.

NOL's 2004 net profit of US\$943 million included gains from non-recurring items totalling US\$120 million, including an earnout following the sale of American Eagle Tankers and a write-back of deferred tax liabilities.

Core Earnings Before Gross Interest Expense, Tax and Non-Recurring Items (EBIT) were US\$898 million, a 4% decline on the record result achieved in 2004.

KEY FINANCIAL / PERFORMANCE HIGHLIGHTS

	2005	2004	Change
Revenue (US\$m)	7,271	6,545	11%
Core EBIT (US\$m)	898 ³	940	(4%)
Net profit before NRI (US\$m)¹	796	823	(3%)
NRI (US\$m) ²	8	120	(93%)
Net profits (US\$m) ¹	804	943	(15%)
EPS (US cts per share)	55.35	65.47	(15%)
Ending no. of shares (m)	1,453	1,452	-

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

² NRI = Non-Recurring Items

³ Includes US\$14 million in stock option expenses (FRS 102) in 2005

NOL Chairman Mr Cheng Wai Keung said: "The Group has delivered a strong performance in 2005, with good contributions by both the Liner and Logistics businesses.

"The NOL Group's balance sheet continues to be very strong with proforma net gearing at 0.21 times following our recently completed capital reduction and cash distribution to shareholders. The Group paid a cash distribution of S\$0.92 per share on 21 February 2006.

“Since 2003 NOL has returned S\$2.13 billion to shareholders,” Mr Cheng said.

“The Group’s strong earnings and healthy operating cash flows have enabled us to provide cash returns to our shareholders while also giving us the capacity to invest in growth projects”.

In view of the cash distribution, which was significantly higher than NOL’s dividend policy, the Group will not declare a final dividend for 2005. The Group remains committed to its stated dividend policy in future years, which is to pay the higher of an annual dividend of eight Singapore cents per share net, or a full year dividend payment of 20 per cent of net profits.

2005 OPERATING PERFORMANCE

NOL Group CEO Mr David Lim said: “Our good operating performance, at almost the same level as the record Core EBIT in 2004, was achieved after absorbing significant cost increases. In particular, fuel-related costs were US\$194 million higher than in the preceding year. Despite this, we maintained healthy margins by continuing to stick with our core operating strategy – keeping costs low, keeping liner utilisation high, and managing liner yields carefully.

“We achieved strong volume growth of 9%, reflecting healthy demand for our Company’s high quality services, and continued growth in international trade flows. Revenues were up 11% consequently, and also because we were able to secure good prices for both our liner and logistics services.

The Liner business maintained strong performance levels, achieving Core EBIT of US\$845 million and a healthy Core EBIT margin of 14.2%.

The Logistics business continued its improvement, increasing its Core EBIT by 74% to US\$59 million.

For the fourth quarter of 2005, revenue increased by 2% year-on-year, but Core EBIT for the Group was 28% lower at US\$208 million, due largely to the impact of higher fuel-related costs.

Liner

APL, NOL’s liner shipping business, achieved Core EBIT of US\$845 million, down 6% on the record level of 2004.

APL’s costs per FEU rose 7% over the prior year, due largely to higher bunker expenses and inland transportation costs, especially in the United States, connected with fuel cost increases. Excluding costs arising from higher fuel prices, APL’s costs per FEU increased 3% year-on-year. Charter expenses were US\$33 million higher than for 2004.

Further growth was achieved in both liner volumes and revenues. Liner revenues grew by 12% to US\$5.96 billion. Volumes increased 9% to 1.95 million FEUs, with a well balanced mix of volumes in key trades.

Headhaul capacity increased by 11% during 2005 as a result of the delivery of five new vessels, whilst headhaul utilisations were maintained at high levels, averaging a healthy 96% for the year.

Mr Ron Widdows, CEO of APL said: "APL has once again delivered strong performance, with Core EBIT margins of 14.2%, despite a significantly more challenging business environment marked by cost pressures.

"Average revenues per FEU increased by 5% to US\$2,841 per FEU, reflecting our continuing focus on ensuring we have the right combination of business to make best use of our assets. We have been responsive to market changes, constantly tuning the mix of the business through the year to maximize overall yields.

"Although APL has elected to expand its fleet at a modest rate, we were able to grow our overall volumes and business scope through 2005 by collaborating with others. Our industry partnership model has enabled capacity growth without significant investment in additional ships, and we plan to continue our responsible approach to increasing capacity through 2006.

"APL's ongoing focus on cost management resulted in cost reductions of US\$36 million for the year, helping to offset the fuel and other cost pressures we face. In 2006, we plan to increase the intensity of our focus on costs, and are targeting cost savings of about US\$100 million."

Logistics

APL Logistics continued its positive progress, achieving a 74% increase in its Core EBIT contribution, to US\$59 million, on the back of an 11% increase in revenues, to US\$1.29 billion.

Revenue grew 23% in the International Services business line and 5% in Contract Logistics.

Overall, Core EBIT margins improved from 2.9% in 2004 to 4.6% in 2005.

Mr Brian Lutt, President of APL Logistics said: "In 2005 APL Logistics achieved continued growth in both the International Services and Contract Logistics business segments.

"Our focus on growing our international logistics services businesses, with emphasis on origin services and forwarding, has made a positive contribution to these results. This will allow us to further position ourselves to capitalize on the growth in demand in this segment as a result of the ongoing relocation of sourcing and manufacturing to low cost locations such as China and India.

“Financial discipline and rigorous cost controls in our global contract logistics operation provide a strong foundation, from which we will look to shift our focus and leverage our logistics and liner capabilities to create additional value for our customers and shareholders.

“Going forward, APL Logistics will seek to further leverage our expertise in providing solutions for the automotive, retail/apparel and hi-tech and consumer electronics industries,” Mr Lutt said.

BALANCE SHEET

Assisted by strong cash flow generation in the fourth quarter, the NOL balance sheet is in a strong position. The Group’s pro forma balance sheet, adjusted for the capital reduction and cash distribution that has been completed since the close of the 2005 financial year, shows that the Company has net debt of US\$368 million and a net gearing level of 0.21x.

Capital expenditure totalled US\$208 million in 2005. Capital expenditure of US\$433 million has been budgeted for 2006.

FUEL AND CURRENCY EXPOSURES

The Group’s bunker costs were US\$182 million higher year-on-year in 2005, a result of significantly higher fuel prices as well as overall business expansion. In the fourth quarter bunker costs were US\$60 million higher than in the last quarter of 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\$800 million. These exposures continue to be hedged in 2006.

GROUP OUTLOOK FOR 2006

NOL expects the business environment of the liner industry to become more challenging in 2006. There will be continuing cost pressures and we expect rates to soften in some markets. We also expect a continuing cost impact of high fuel prices, resulting in high bunker and land transportation costs.

In Logistics, NOL is targeting continued Core EBIT growth in 2006, and the Group will launch new products and solutions for customers.

The Group's focus continues to be on optimising asset utilisation, yield management and managing cost pressures, as well as investing to grow our Liner and Logistics capabilities.

"Our emphasis continues to be on growing both our Liner and Logistics businesses, and further integrating both businesses with the aim of constantly improving our service offerings for our customers. We will continue to invest and innovate to stay at the forefront of our industry, even as the operating environment becomes more challenging," Group CEO, Mr Lim said.

Note to editors:

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

Media Enquiries:

Mr David Goodwin
Vice President Corporate Affairs
Telephone: (65) 6371 5022
Facsimile: (65) 6371 5913
david_goodwin@nol.com.sg

Investor Enquiries:

Ms. Lim Siew Siew
Director Investor Relations
Telephone: (65) 6371 5028
Facsimile: (65) 6371 7690
siew_siew_lim@nol.com.sg

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 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, 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 logistics and transportation company. APL Logistics Web site: www.apllogistics.com