



NOL Group 2006 Annual Results

Singapore, 27 February 2007: Global cargo transportation and logistics company Neptune Orient Lines (NOL) today reported a net profit before non-recurring items of US\$344 million for 2006, down 57% from 2005.

The Group's Core EBIT (Earnings Before Gross Interest Expense, Tax and Non-Recurring Items) was US\$401 million, 55% lower than the 2005 Core EBIT.

Revenues were steady year-on-year at US\$7.3 billion.

FINANCIAL HIGHLIGHTS

	2006 ¹	2005 ¹	Change
Revenue (US\$m)	7,264	7,271	0%
Core EBIT (US\$m)	401	898	(55%)
Net profit before NRI (US\$m)²	344	796	(57%)
NRI (US\$m) ³	20	8	150%
Net profits (US\$m) ²	364	804	(55%)
EPS (US cts per share)	25.00	55.35	(55%)
Ending no. of shares (m)	1,456	1,453	-

¹ NOL's 2006 results are for 31 December 2005 to 29 December 2006. NOL's 2005 results are for 1 January to 30 December 2005

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

³ NRI = Non-Recurring Items

Announcing the results in Singapore, NOL Group President and Chief Executive Officer, Dr Thomas Held, said: "NOL delivered a solid performance in 2006 in the face of a difficult operating environment.

Our results show the combined impact of lower average freight rates and increased fuel costs over the past year."

Freight rate and fuel price factors have adversely impacted the operating results of the industry, with a number of companies reporting significant drops in profitability.

The NOL Group's Return on Equity for the year was 18%, and Earnings per Share were 25 US cents.

"In our liner shipping operations, we again executed well our approach of keeping our network tight and maximising yields," said Dr Held.

"We achieved high utilisation rates, averaging 96% in the headhaul direction for all trade lanes, in line with the previous year.

Our liner operations faced very significant upward cost pressures during the year as a result of higher fuel prices.

On the logistics side, this was a year of realigning our business with some growth in our Asian-origin business.

We continued to realign our logistics activities to focus on international conveyance and to diversify the service offering and portfolio of business," said Dr Held.

The company took a cautious approach to expansion in 2006, recognising the challenging environment that existed. In 2007, NOL plans to accelerate its growth, with a total of seven ships to enter the APL fleet, growing capacity by 10%. Considerable investment is also planned in both dry and refrigerated container (reefer) equipment, and to enhance the company's IT systems.

Dr Held said: "Building upon our existing strong global footprint and broad capabilities, we are well placed to capitalise on the robust growth occurring across the Asia region. As we move into 2007, we will seek to create long-term value for our shareholders through a strategy for profitable growth and innovation. This will be built around organic growth and we will also be on the lookout for merger and acquisition opportunities. NOL Group will continue to innovate and expand its global presence.

All arrangements are now in place for the start of our new rail joint venture service in India. From the second quarter of 2007, we will operate liner freight trains under the APL IndiaLinx™ brand in the fast-growing Mumbai-New Delhi corridor," said Dr Held.

"APL Logistics successfully launched a new expedited service for less than container load shipments, OceanGuaranteedSM, which now offers a time-guaranteed premium service between five Asian countries and destinations across the US.

Going forward, NOL will continue to focus on delivering excellent services to our customers, consistent with our reputation as a premium service provider. We will have a renewed commitment to growth and innovation. At the same time, we will be working to improve productivity and better manage costs in all aspects of our business," Dr Held said.

BALANCE SHEET

NOL paid out US\$0.82 billion to shareholders in February 2006 as part of a capital reduction and cash distribution exercise. Continuing strong cash flows throughout 2006 have further strengthened the company's balance sheet. As at 29 December 2006, NOL was in a net cash position.

“The strength of the NOL balance sheet provides the foundation for our future growth,” said Group Deputy President and CFO, Cedric Foo.

Capital expenditure totalled US\$178 million for the year.

FUEL AND CURRENCY EXPOSURES

Primarily due to higher fuel prices, the Group’s fuel costs for the year increased by US\$237 million compared to the prior year.

The Group continues to recover part of its fuel exposures from customers through Bunker Adjustment Factor provisions. The NOL Group maintains a policy of hedging bunker exposures to match expected volume and contract durations.

The Group’s annual net exposure to other major currencies in which local operating costs are incurred is estimated to be about US\$1 billion. This exposure continues to be hedged in 2007.

FINAL DIVIDEND

Directors have recommended a final tax exempt (one-tier) dividend of 4 Singapore cents per share net, payable on 9 May 2007 to ordinary shareholders whose names appear on the register on 24 April 2007.

This is in line with NOL’s dividend policy, which is to pay the higher of an annual dividend of 8 Singapore cents per share net, or a full year dividend payment of 20% of net profits.

When considered with the interim dividend paid in September 2006 and the capital reduction and cash distribution to shareholders which was completed in February 2006, this will mean that NOL has returned about S\$1.46 billion (US\$897 million) to shareholders by way of dividends and cash distributions for 2006.

INDUSTRY OUTLOOK

Macro economic and cargo demand forecasts suggest that demand should continue to grow throughout 2007 in most markets.

The trends of increasing globalisation of companies’ supply chains and continuing outsourcing of production and assembly to lower-cost locations, especially Asia, show no sign of softening.

Most analysts take the view that the market will remain in oversupply.

At the same time, continuous cost pressures can be anticipated from high fuel and landside costs.

OPERATING PERFORMANCE

Liner

- Revenues were US\$5.95 billion, in line with the prior year
- 7% decline in average revenues per FEU
- 8% growth in total container volumes, reflecting high demand across all trade routes
- Liner network capacity increased by 6% due to introduction of new vessels and services, network changes and enhanced slot purchase and sharing arrangements with other carriers
- Headhaul utilisation averaged 96%, in line with the prior year, reflecting strong demand
- Core EBIT of US\$344 million, down 59%
- Core EBIT Margin of 5.8%
- Overall fuel costs US\$237 million higher than for 2005
- Costs per FEU 2% higher year-on-year due to higher bunker expenses and land transport fuel surcharges
- Excluding higher fuel costs, overall costs per FEU were 3% lower year-on-year, reflecting a successful focus on cost mitigation
- Cost mitigation of about US\$100 million achieved.

Logistics

- Revenues were US\$1.31 billion, up 2%
- Asia-Middle East region registered strongest year-on-year revenue growth - accounted for 19% of logistics revenues
- Strong volume growth in ocean forwarding improved International Services revenues
- Volumes grew, but margins were compressed by declines in ocean freight rates
- Product development focused on key vertical segments - apparel, high tech/electronics and automotive
- Investments made in IT to achieve improved business integration and enhance the capability of the sales organisation
- Core EBIT of US\$54 million, down 5%
- Core EBIT Margin of 4.1%

-ENDS-

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