



NOL Group 2006 1st Quarter Results

Singapore, 11 May 2006: Global cargo transportation and logistics company Neptune Orient Lines (NOL) today reported net profit of US\$120 million for the first quarter (1Q) of 2006, down 39% year-on-year.

KEY FINANCIAL HIGHLIGHTS

	1Q2006	1Q2005	Change %
Revenue (US\$m)	1,883	1,804	4
Core EBIT (US\$m)	143	216 ³	(34)
Net profit before NRI (US\$m) ¹	118	189	(38)
NRI (US\$m) ²	2	6	(67)
Net profits (US\$m) ¹	120	195	(39)
EPS (US cts per share)	8.22	13.45	(39)
Ending no. of shares (m)	1,456	1,453	-

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

² NRI = Non-Recurring Items

³ Excludes the effect of US\$6 million in adjusted provisions for staff bonuses in 1Q2005

1Q06 OPERATING PERFORMANCE

1Q 2006 revenues rose year-on-year by 4% to US\$1.88 billion, while the Group's Core Earnings Before Gross Interest Expense, Tax and Non-Recurring Items (EBIT) of US\$143 million was down 34% from 1Q2005.

Ongoing escalation in fuel-related costs, including bunkers and land transport costs, dampened earnings. Bunker costs alone were US\$77 million higher than in the same period a year ago.

NOL Group CEO Mr David Lim said: "Our latest results show that we are performing well operationally, and continuing to deliver value to our customers and returns for shareholders. But we are now in a more challenging operating environment. Our lower net profit reflects the continued pressure of high fuel costs. Rates in some key trades have softened. However, industry demand in the first quarter grew at a stronger pace than expected and as a result industry supply/demand has remained in better balance than anticipated."

Excluding fuel, liner costs per FEU declined by 1% year-on-year. Cost saving and cost avoidance measures implemented during the quarter amounted to US\$21 million.

Revenues rose in both the liner and logistics business segments, by 4% and 9% respectively.

Liner volumes were up by 6% year-on-year, and headhaul utilisation levels increased, to 96%.

Average revenue per FEU was 1% lower than for the same period of the previous year, a relatively good performance in view of lower industry freight rates in some key trades.

Mr Lim said: "Our average revenue per FEU performance reflects both our continued focus on optimising yield, and the relatively restrained approach we have taken towards capacity expansion, anticipating the more challenging operating environment in 2006."

In Logistics, revenue growth in the contract logistics services line of business was particularly strong in the first quarter, increasing by 10%.

A number of significant business development initiatives were concluded in the first quarter of the year. CMA Logistics Co. Ltd ("CMAL"), which provides logistics services for the automotive industry in China, in which NOL Group holds a 20.74% interest, was successfully listed on Hong Kong's Growth Enterprise Market of the Stock Exchange. India Infrastructure and Logistics Pvt Ltd ("IIL"), in which NOL Group holds a majority interest, was granted an in-principle approval for a licence by the Government of India to operate rail freight services in that country.

Mr Lim said: "The CMAL and IIL initiatives highlight the growth opportunities that are available to our company, and our partnership-based approach to building our business.

"We continue to look for opportunities to improve the integration of our liner and logistics offerings for customers."

On 21 February 2006 the Group completed payment of a cash distribution of S\$0.92 per share to shareholders. NOL has returned S\$2.13 billion to shareholders by way of dividends and cash distributions since 2003.

Liner

APL, NOL's container shipping business, achieved Core EBIT of US\$123 million, down 39% on the same period in 2005.

Further growth was achieved in liner volumes, which were 6% higher than in the previous year on a headhaul capacity increase of just 3%. Headhaul utilisation rose

year-on-year from 93% to 96%. A well balanced mix of volumes was achieved in all key trades.

Total costs per FEU rose year-on-year by 6% due primarily to the continued rise in fuel prices and inland transportation costs. Bunker costs were up by US\$77 million year-on-year. Charter expenses were US\$4 million higher than in the same period of 2005.

Excluding costs arising from significantly higher fuel prices, APL's costs per FEU decreased 1% year-on-year.

Mr Ron Widdows, CEO of APL, said: "Revenue and volumes continued to grow in the first quarter, but our earnings contribution has been hit by rising fuel-related costs.

"Average revenues per FEU decreased by 1% to US\$2,700 per FEU in the face of some rate pressures. We have continued to focus on having the right combination of business to make best use of our assets. Going forward, we will continue to manage our business mix to ensure maximum overall yields.

"In the near term we will continue our measured approach to capacity growth through a combination of charters and partnership arrangements. This approach is enabling us to meet our customers' needs for increased capacity, without incurring unnecessarily high capital costs for new vessels.

"While nominal supply growth is forecast to exceed demand growth in 2006, in Q12006 demand in many trade lanes continued to be ahead of supply – driven by continuing high demand growth in markets such as China and India.

"APL's plan to reduce and avoid costs of more than US\$100 million in 2006 is on track – with cost improvements of US\$21 million already achieved in the first quarter," said Mr Widdows.

Logistics

APL Logistics continued to make positive progress, reporting Core EBIT of US\$16 million for the quarter. The Core EBIT margin for the quarter was 4.7%.

Revenues were up 9% on the same period last year at US\$344 million.

The contract logistics services line of business posted healthy revenue growth, with revenues 10% higher than in Q12005. Revenues for the international services line of business were also up, 6% higher year-on-year.

Mr Brian Lutt, President of APL Logistics, said: "In the first quarter of 2006, APL Logistics made a positive contribution to the NOL Group, delivering revenue growth and a solid Core EBIT contribution.

“New business wins, supported by financial discipline and cost controls in our global contract logistics business, paid off with a healthy increase in the contribution of this line.

“The solid foundation provided by contract logistics will enable us to continue to focus on growing our international logistics services, taking advantage of the robust demand resulting from the continued shift of sourcing and manufacturing.

“Our automotive segment posted the strongest growth in the first quarter. Going forward we expect this to continue, alongside positive growth in other core markets such as electronics and high tech,” Mr Lutt said.

BALANCE SHEET

The balance sheet shows the Group had net debt of US\$288 million at 7 April 2006. At that date, the Group had a net gearing level (ratio of net borrowings to the shareholders' equity of the Group) of 0.15 times.

Capital expenditure for the first quarter totalled US\$50 million. Capital expenditure of US\$433 million is budgeted for FY06.

FUEL AND CURRENCY EXPOSURES

The Group's bunker costs for 1Q06 were US\$77 million higher year-on-year, as a result of significantly higher fuel prices.

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 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 and Australian Dollar - is estimated to be about US\$900 million. These exposures continue to be hedged in 2006.

GROUP OUTLOOK

NOL expects the business environment of the liner industry to continue to be challenging over the next year. The outlook for freight rates will depend on the extent to which demand growth keeps pace with the expected increased supply of shipping

tonnage over the next twelve months. We expect to experience the continuing cost impact of high fuel prices, resulting in high bunker and land transportation costs.

In Logistics, NOL is targeting continued Core EBIT growth, 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.

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