



NEPTUNE ORIENT LINES LIMITED (Reg. No. 196800632D)
Unaudited Quarterly Financial Information
For the 2nd Quarter Ended 29 June 2012

1.(a)(i) Consolidated Income Statement

| | Group | | | Group | | |
|--|----------------------|----------------------|---------------------------|---------------------|---------------------|---------------------------|
| | YTD 2012 US\$'000 | YTD 2011 US\$'000 | % Increase/ (Decrease) | Q2 2012 US\$'000 | Q2 2011 US\$'000 | % Increase/ (Decrease) |
| Revenue | 4,710,649 | 4,594,667 | 3 | 2,332,853 | 2,151,590 | 8 |
| Cost of sales | (4,551,905) | (4,271,161) | 7 | (2,137,546) | (2,019,884) | 6 |
| Gross profit | 158,744 | 323,506 | (51) | 195,307 | 131,706 | 48 |
| Other gains (net) | | | | | | |
| - Miscellaneous | 5,239 | 4,895 | 7 | 1,612 | 2,195 | (27) |
| - Finance and investment income | 2,535 | 4,082 | (38) | 1,102 | 2,133 | (48) |
| Expenses | | | | | | |
| - Administrative | (351,692) | (342,235) | 3 | (166,313) | (165,619) | 0 |
| - Restructuring costs | (29,147) | - | N/M | (29,147) | - | N/M |
| - Finance | (33,000) | (23,995) | 38 | (15,270) | (13,267) | 15 |
| - Other operating | (100,091) | (16,138) | 520 | (93,915) | (8,864) | 960 |
| Share of results of associated companies | 1,966 | 5,811 | (66) | 1,607 | 3,071 | (48) |
| Share of results of joint ventures | (336) | 377 | N/M | 137 | 166 | (17) |
| Loss before income tax | (345,782) | (43,697) | 691 | (104,880) | (48,479) | 116 |
| Income tax expense | (23,001) | (21,297) | 8 | (11,356) | (8,002) | 42 |
| Net loss for the financial period | (368,783) | (64,994) | 467 | (116,236) | (56,481) | 106 |
| Net (loss)/profit attributable to: | | | | | | |
| Equity holders of the Company | (371,423) | (66,657) | 457 | (117,851) | (56,978) | 107 |
| Non-controlling interest | 2,640 | 1,663 | 59 | 1,615 | 497 | 225 |
| | (368,783) | (64,994) | 467 | (116,236) | (56,481) | 106 |

1.(a)(ii) Notes to the Consolidated Income Statement

| | Group | | | Group | | |
|--|----------------------|----------------------|---------------------------|---------------------|---------------------|---------------------------|
| | YTD 2012 US\$'000 | YTD 2011 US\$'000 | % Increase/ (Decrease) | Q2 2012 US\$'000 | Q2 2011 US\$'000 | % Increase/ (Decrease) |
| (A) Other Income Including Interest Income | 4,289 | 7,298 | (41) | 1,488 | 3,643 | (59) |
| (B) Interest on Borrowings | (20,116) | (16,095) | 25 | (10,175) | (7,429) | 37 |
| (C) Depreciation and Amortisation | (157,200) | (144,425) | 9 | (74,740) | (68,506) | 9 |
| (D) Write-back of/(Allowance for) Doubtful Debts and Bad Debts Written Off | 1,139 | (9,087) | N/M | 1,752 | (4,042) | N/M |
| (E) Write-back of Provision for Impairment in Value of Investments | - | 3 | (100) | - | 3 | (100) |
| (F) Foreign Exchange (Loss)/Gain | (3,067) | 15,185 | N/M | (8,289) | 4,975 | N/M |
| (G) Adjustment for (Under)/Over Provision for Tax in Prior Years | (1,026) | 671 | N/M | (1,119) | 874 | N/M |
| (H) Profit/(loss) on Sale of Investments, Property, Plant and Equipment and other Assets | 1,034 | 1,391 | (26) | (304) | 551 | N/M |
| (I) Impairment loss on assets classified as held-for-sale | (81,624) | - | N/M | (81,624) | - | N/M |
| (J) (Write-off)/Write back of Inventories | (102) | 95 | N/M | (12) | (8) | 50 |

1.(a)(iii) Consolidated Statement of Comprehensive Income

| | Group | | Group | |
|---|----------------------|----------------------|---------------------|---------------------|
| | YTD 2012 US\$'000 | YTD 2011 US\$'000 | Q2 2012 US\$'000 | Q2 2011 US\$'000 |
| Net loss for the financial period | (368,783) | (64,994) | (116,236) | (56,481) |
| Other comprehensive income/(loss): | | | | |
| Fair value (losses)/gains on cash flow hedges | (9,028) | 46,375 | (47,525) | 7,058 |
| Fair value (gains)/losses on cash flow hedges transferred to the income statement | (5,341) | (39,371) | 12,935 | (19,144) |
| Fair value gains/(losses) on available-for-sale financial asset | 1 | (18) | (10) | 2 |
| Currency translation differences | (3,329) | 9,323 | (10,042) | 3,574 |
| Tax on fair value gains and losses | (1) | 423 | 3 | (281) |
| Other comprehensive (loss)/income for the financial period, net of tax | (17,698) | 16,732 | (44,639) | (8,791) |
| Total comprehensive loss for the financial period | (386,481) | (48,262) | (160,875) | (65,272) |
| Total comprehensive (loss)/income attributable to: | | | | |
| Equity holders of the Company | (388,239) | (49,700) | (161,783) | (65,303) |
| Non-controlling interest | 1,758 | 1,438 | 908 | 31 |
| | (386,481) | (48,262) | (160,875) | (65,272) |

N/M: Not meaningful

1.(b)(i) Balance Sheets

| | Group | | | Company | | |
|---|-------------------------|-------------------------|---------------------------|-------------------------|-------------------------|---------------------------|
| | 29 Jun 2012 US\$'000 | 30 Dec 2011 US\$'000 | % Increase/ (Decrease) | 29 Jun 2012 US\$'000 | 30 Dec 2011 US\$'000 | % Increase/ (Decrease) |
| ASSETS | | | | | | |
| <u>Current Assets</u> | | | | | | |
| Cash and cash equivalents | 237,860 | 227,562 | 5 | 5,384 | 4,811 | 12 |
| Trade and other receivables ¹ | 1,197,305 | 1,045,671 | 15 | 2,204,405 | 1,402,164 | 57 |
| Inventories at cost | 335,195 | 326,993 | 3 | - | - | 0 |
| Derivative financial instruments | 3,683 | 3,853 | (4) | 2,833 | - | N/M |
| Assets classified as held-for-sale | 177,283 | 50,225 | 253 | - | - | 0 |
| Other current assets | 141,572 | 111,403 | 27 | 2,213 | 2,587 | (14) |
| Total current assets | 2,092,898 | 1,765,707 | 19 | 2,214,835 | 1,409,562 | 57 |
| <u>Non-current Assets</u> | | | | | | |
| Investments in subsidiaries | - | - | 0 | 1,000,924 | 1,000,894 | 0 |
| Investments in associated companies | 101,271 | 98,191 | 3 | - | - | 0 |
| Investments in joint ventures | 26,416 | 28,992 | (9) | - | - | 0 |
| Available-for-sale financial asset | 54 | 53 | 2 | - | - | 0 |
| Property, plant and equipment | 4,872,486 | 4,789,588 | 2 | 1,485,458 | 1,712,260 | (13) |
| Investment property | - | 15,862 | (100) | - | - | 0 |
| Deferred charges | 15,388 | 14,283 | 8 | 9,959 | 5,505 | 81 |
| Intangible assets | 26,166 | 26,676 | (2) | 96 | 586 | (84) |
| Goodwill arising on consolidation | 129,095 | 129,095 | 0 | - | - | 0 |
| Deferred income tax assets | 4,678 | 4,615 | 1 | - | - | 0 |
| Derivative financial instruments | 13,438 | 7,344 | 83 | 13,438 | 7,344 | 83 |
| Other non-current assets | 81,886 | 81,442 | 1 | 434 | 402 | 8 |
| Total non-current assets | 5,270,878 | 5,196,141 | 1 | 2,510,309 | 2,726,991 | (8) |
| TOTAL ASSETS | 7,363,776 | 6,961,848 | 6 | 4,725,144 | 4,136,553 | 14 |
| LIABILITIES | | | | | | |
| <u>Current Liabilities</u> | | | | | | |
| Trade and other payables | 1,247,892 | 1,274,431 | (2) | 67,147 | 87,302 | (23) |
| Current income tax liabilities | 123,909 | 114,627 | 8 | 2,587 | 5,195 | (50) |
| Borrowings | 56,241 | 422,095 | (87) | - | 381,000 | (100) |
| Provisions | 61,538 | 43,459 | 42 | 2,907 | - | N/M |
| Deferred income | 6,375 | 848 | 652 | - | - | 0 |
| Derivative financial instruments | 34,417 | 18,443 | 87 | - | - | 0 |
| Other current liabilities ² | 285,004 | 251,812 | 13 | - | - | 0 |
| Total current liabilities | 1,815,376 | 2,125,715 | (15) | 72,641 | 473,497 | (85) |
| <u>Non-current Liabilities</u> | | | | | | |
| Borrowings | 3,032,999 | 1,931,746 | 57 | 1,732,893 | 747,640 | 132 |
| Provisions | 130,574 | 131,780 | (1) | - | - | 0 |
| Deferred income | 7,403 | 3,904 | 90 | - | - | 0 |
| Deferred income tax liabilities | 5,905 | 8,900 | (34) | 552 | 3,615 | (85) |
| Derivative financial instruments | 36,887 | 36,694 | 1 | 29,403 | 27,990 | 5 |
| Other non-current liabilities | 69,038 | 70,925 | (3) | - | - | 0 |
| Total non-current liabilities | 3,282,806 | 2,183,949 | 50 | 1,762,848 | 779,245 | 126 |
| TOTAL LIABILITIES | 5,098,182 | 4,309,664 | 18 | 1,835,489 | 1,252,742 | 47 |
| NET ASSETS | 2,265,594 | 2,652,184 | (15) | 2,889,655 | 2,883,811 | 0 |
| EQUITY | | | | | | |
| Share capital | 1,825,344 | 1,822,117 | 0 | 1,825,344 | 1,822,117 | 0 |
| Treasury shares | (5,216) | (5,216) | 0 | (5,216) | (5,216) | 0 |
| | 1,820,128 | 1,816,901 | 0 | 1,820,128 | 1,816,901 | 0 |
| Shares held by employee benefit trust | (5,144) | (4,716) | 9 | - | - | 0 |
| Treasury shares reserve | (1,195) | (1,195) | 0 | (1,195) | (1,195) | 0 |
| Retained earnings | 393,879 | 765,302 | (49) | 1,042,386 | 1,042,122 | 0 |
| Other reserves | 7,314 | 24,688 | (70) | 28,336 | 25,983 | 9 |
| Capital and reserves attributable to equity holders of the Company | 2,214,982 | 2,600,980 | (15) | 2,889,655 | 2,883,811 | 0 |
| Non-controlling interest | 50,612 | 51,204 | (1) | - | - | 0 |
| TOTAL EQUITY | 2,265,594 | 2,652,184 | (15) | 2,889,655 | 2,883,811 | 0 |
| Net current assets/(liabilities) ³ | 277,522 | (360,008) | N/M | 2,142,194 | 936,065 | 129 |

¹ Trade receivables include the full freight revenue for voyages, which corresponds to the contractual rights stipulated in the standard Bill of Lading and is inclusive of the freight charges collectable at destination for Free on Board shipments.

² Other current liabilities relates to deferred revenue arising from the percentage-of-completion method for revenue recognition.

³ As at 30 December 2011, the Group had sufficient undrawn financing facilities committed from large reputable financial institutions to meet its commitments as well as to repay any debts as and when they fall due.

N/M: Not meaningful

1.(b)(ii) Borrowings

| The Group | Secured loans | Unsecured loans | Secured finance lease liabilities | Total |
|--|----------------|------------------|-----------------------------------|------------------|
| As at 29 June 2012 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Amount repayable on or before 28 June 2013, or on demand | 42,957 | 4,314 | 8,970 | 56,241 |
| Amount repayable on or before: | | | | |
| 27 June 2014 | 77,392 | 1,100,000 | 8,266 | 1,185,658 |
| 26 June 2015 | 26,736 | 100,000 | 8,811 | 135,547 |
| 24 June 2016 | 28,266 | 442,034 | 9,495 | 479,795 |
| 30 June 2017 | 35,977 | 313,100 | 10,076 | 359,153 |
| Thereafter | 79,074 | 551,978 | 241,794 | 872,846 |
| | 290,402 | 2,511,426 | 287,412 | 3,089,240 |

| The Group | Secured loans | Unsecured loans | Secured finance lease liabilities | Total |
|---|----------------|------------------|-----------------------------------|------------------|
| As at 30 December 2011 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Amount repayable in FY 2012, or on demand | 108,500 | 304,280 | 9,315 | 422,095 |
| Amount repayable in: | | | | |
| FY 2013 | 166,454 | 500,000 | 8,362 | 674,816 |
| FY 2014 | 12,898 | 383,000 | 8,524 | 404,422 |
| FY 2015 | 13,368 | - | 9,111 | 22,479 |
| FY 2016 | 19,524 | - | 9,817 | 29,341 |
| Thereafter | 11,502 | 542,381 | 246,805 | 800,688 |
| | 332,246 | 1,729,661 | 291,934 | 2,353,841 |

The loans and finance lease liabilities are secured mainly on vessels.

1.(b)(iii) Operating Lease Commitments

The future aggregate minimum lease payable under non-cancellable operating leases of the Group are as follows:

| The Group | Vessels | Containers | Terminals | Chassis | Others ⁴ | Total |
|---|------------------|----------------|------------------|---------------|---------------------|------------------|
| As at 29 June 2012 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Amount repayable for the remainder of FY 2012 | 335,825 | 33,840 | 38,014 | 7,835 | 29,541 | 445,055 |
| Amount repayable in : | | | | | | |
| FY 2013 | 537,606 | 63,688 | 97,378 | 13,296 | 45,537 | 757,505 |
| FY 2014 | 404,209 | 58,886 | 85,110 | 9,444 | 32,380 | 590,029 |
| FY 2015 | 246,623 | 48,489 | 81,567 | 2,881 | 22,406 | 401,966 |
| FY 2016 | 157,669 | 14,530 | 77,192 | - | 13,902 | 263,293 |
| Thereafter | 527,485 | 21,217 | 668,595 | - | 7,860 | 1,225,157 |
| | 2,209,417 | 240,650 | 1,047,856 | 33,456 | 151,626 | 3,683,005 |

| The Group | Vessels | Containers | Terminals | Chassis | Others ⁴ | Total |
|-----------------------------|------------------|----------------|------------------|---------------|---------------------|------------------|
| As at 30 December 2011 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Amount repayable in FY 2012 | 716,328 | 60,977 | 100,214 | 18,141 | 56,917 | 952,577 |
| Amount repayable in : | | | | | | |
| FY 2013 | 511,824 | 56,667 | 95,756 | 13,307 | 37,744 | 715,298 |
| FY 2014 | 394,216 | 51,859 | 84,924 | 9,448 | 25,532 | 565,979 |
| FY 2015 | 240,851 | 41,451 | 81,456 | 2,882 | 18,717 | 385,357 |
| FY 2016 | 157,669 | 7,321 | 77,080 | - | 10,787 | 252,857 |
| Thereafter | 524,657 | 19,686 | 668,479 | - | 4,755 | 1,217,577 |
| | 2,545,545 | 237,961 | 1,107,909 | 43,778 | 154,452 | 4,089,645 |

⁴ Others relate mainly to warehouse space, warehouse equipment, office space and land.

1.(d)(i) Statement of Changes in Equity (continued)

| COMPANY | Share capital US\$'000 | Treasury shares US\$'000 | Treasury shares reserves US\$'000 | Retained earnings US\$'000 | Other reserves US\$'000 | Total equity US\$'000 |
|---|---------------------------|-----------------------------|--------------------------------------|-------------------------------|----------------------------|--------------------------|
| Balance at 31 December 2011 | 1,822,117 | (5,216) | (1,195) | 1,042,122 | 25,983 | 2,883,811 |
| Employee equity compensation schemes: | | | | | | |
| - value of employee services | - | - | - | - | 1,749 | 1,749 |
| - new shares issued | 2,926 | - | - | - | (2,521) | 405 |
| Total comprehensive income for the financial period | - | - | - | 6,580 | 6,455 | 13,035 |
| Balance at 6 April 2012 | 1,825,043 | (5,216) | (1,195) | 1,048,702 | 31,666 | 2,899,000 |
| Employee equity compensation schemes: | | | | | | |
| - value of employee services | - | - | - | - | 277 | 277 |
| - new shares issued | 301 | - | - | - | (63) | 238 |
| Total comprehensive loss for the financial period | - | - | - | (6,316) | (3,544) | (9,860) |
| Balance at 29 June 2012 | 1,825,344 | (5,216) | (1,195) | 1,042,386 | 28,336 | 2,889,655 |

| COMPANY | Share capital US\$'000 | Treasury shares US\$'000 | Treasury shares reserves US\$'000 | Retained earnings US\$'000 | Other reserves US\$'000 | Total equity US\$'000 |
|--|---------------------------|-----------------------------|--------------------------------------|-------------------------------|----------------------------|--------------------------|
| Balance at 1 January 2011 | 1,820,019 | (5,216) | (1,195) | 1,093,595 | 42,066 | 2,949,269 |
| Employee equity compensation schemes: | | | | | | |
| - value of employee services | - | - | - | - | 233 | 233 |
| - new shares issued | 1,539 | - | - | - | (1,150) | 389 |
| Total comprehensive income for the financial period | - | - | - | 3,417 | 7,768 | 11,185 |
| Balance at 8 April 2011 | 1,821,558 | (5,216) | (1,195) | 1,097,012 | 48,917 | 2,961,076 |
| Dividends to equity holders | - | - | - | (95,253) | - | (95,253) |
| Employee equity compensation schemes: | | | | | | |
| - value of employee services | - | - | - | - | 1,734 | 1,734 |
| - new shares issued | 369 | - | - | - | (70) | 299 |
| Total comprehensive income/(loss) for the financial period | - | - | - | 3,672 | (4,001) | (329) |
| Balance at 1 July 2011 | 1,821,927 | (5,216) | (1,195) | 1,005,431 | 46,580 | 2,867,527 |

1.(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Issued and paid up capital

As at 6 April 2012, the Company's issued and paid-up capital (including treasury shares) comprised 2,587,097,977 ordinary shares. The Company's issued and paid-up capital (excluding treasury shares) comprised 2,585,371,260 ordinary shares.

During the 3 months ended 29 June 2012, the Company issued and allotted 340,461 ordinary shares comprising 283,959 ordinary shares upon the exercise of share options granted under the NOL Share Option Plan ("NOL SOP"), vesting of 25,000 restricted shares under the NOL Restricted Share Plan 2010 ("NOL RSP 2010"), and vesting of 31,502 performance shares under the NOL Performance Share Plan 2010 ("NOL PSP 2010").

As at 29 June 2012, the Company's issued and paid-up capital (including treasury shares) comprised 2,587,438,438 ordinary shares. The Company's issued and paid-up capital (excluding treasury shares) comprised 2,585,711,721 (30 December 2011: 2,583,286,983) ordinary shares.

Share options

As at 6 April 2012, there were 43,257,264 outstanding share options to subscribe for unissued ordinary shares exercisable at any time during the exercise periods under the NOL Share Option Plan ("NOL SOP").

During the 3 months ended 29 June 2012, 283,959 share options were exercised to take up unissued shares of the Company at the subscription price of S\$1.05 per share and 36,226 share options were cancelled.

As at 29 June 2012, share options to subscribe for 42,937,079 (1 July 2011: 44,987,426) ordinary shares remain outstanding under the NOL SOP.

Restricted shares

As at 6 April 2012, there were 4,310,439 outstanding restricted shares under the NOL RSP 2010.

During the 3 months ended 29 June 2012, 25,000 restricted shares were vested and 15,334 restricted shares were cancelled.

As at 29 June 2012, 4,270,105 (1 July 2011: 5,125,000) restricted shares remain outstanding under the NOL RSP 2010.

Performance shares

As at 6 April 2012, there were 6,029,666 outstanding performance shares under the NOL PSP 2010.

During the 3 months ended 29 June 2012, 31,502 performance shares were vested on 31 May 2012 and 806,143 performance shares were cancelled.

As at 29 June 2012, 5,192,021 (1 July 2011: 2,656,000) performance shares remain outstanding under the NOL PSP 2010.

Treasury shares

As at 6 April 2012, there were 1,726,717 treasury shares that may be re-issued upon the exercise of options under the NOL SOP and the vesting of restricted shares and performance shares under the NOL RSP 2010 and NOL PSP 2010 respectively.

During the 3 months ended 29 June 2012, no treasury shares were sold, transferred, disposed, cancelled and/or re-issued by the Company pursuant to the NOL SOP, NOL RSP 2010 and NOL PSP 2010.

In addition, no shares were purchased for the purposes of fulfilling the Company's obligations under the NOL SOP, NOL RSP 2010 and NOL PSP 2010.

As at 29 June 2012, there were 1,726,717 (1 July 2011: 1,726,717) treasury shares remaining that have not been re-issued.

2. Basis of Preparation

The preparation of the second quarter 2012 interim financial information in conformity with Singapore Financial Reporting Standards requires management to exercise its judgement in the process of applying the Neptune Orient Lines Limited Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at 29 June 2012 and the reported amounts of revenue and expenses during the financial period from 31 December 2011 to 29 June 2012. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. Negative Assurance Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual

On behalf of the board of directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the board of directors of the Company which may render the interim financial information for the second quarter ended 29 June 2012 to be false or misleading in any material aspect.

On behalf of the board of directors

CHRISTOPHER LAU
Director

NG YAT CHUNG
Director

Dated this 8 August 2012

4. Audit or Review of Figures

The figures have not been audited or reviewed by our auditors.

5. Auditors' Report (including any qualifications or emphasis of matter)

N.A.

6. **Contingent Liability**

Tax Exposures

The U.S. Internal Revenue Service ("the IRS") audited the 2005 and 2006 U.S. federal income tax returns of APL Limited, a subsidiary company within the NOL Group ("the Group"). In August 2010, the IRS issued a Revenue Agent's Report ("RAR") proposing certain adjustments primarily related to (1) different interpretations of tax legislation under the U.S. tonnage tax regime and (2) transfer pricing. APL Limited disagrees with the IRS's proposed adjustments and is contesting them through the IRS administrative procedures. APL Limited filed its protest letter with the IRS on 20 September 2010 and requested for the case to be reviewed and assigned to appeals. Subsequently, the IRS filed a rebuttal to the protest letter with the IRS Office of Appeals. The appeal process commenced on 31 August 2011. In the meantime, the Group is not able to reasonably determine with certainty the ultimate outcome of the RAR with the IRS and will continue to defend its tax return position. As of end Quarter 2, 2012, based on available facts and information, the Group believes it has provided adequate provisions for all the open matters referred to in the RAR. In June 2011, the IRS commenced the examination of APL Limited's 2007, 2008 and 2009 U.S. federal income tax returns.

Investigation by European Commission

On 17 May 2011, NOL's office in Uxbridge, United Kingdom was visited by representatives from the European Commission ("EC"). NOL is one of several container liner companies to have been visited by the EC. NOL understands the EC is investigating whether there have been any violations of EU competition law concerning the liner shipping industry.

The investigation is ongoing and NOL is cooperating with the EC. NOL believes it is too early to determine the outcome of the investigation and the financial effects arising therefrom.

7. **Accounting Policies**

Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under Note 8(a), the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 30 December 2011.

8.(a) **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, to disclose what has changed, as well as the reasons for, and the effect of, the change.**

On 31 December 2011, the Group and the Company adopted the new or revised Singapore Financial Reporting Standards ("FRS"), which are effective for the Group's financial period beginning 31 December 2011.

The following are the FRS that are relevant to the Group and the Company:

Amendments to FRS 107 Disclosures - Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011)
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2012)

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies and did not have any significant impact on the financial position and results of the Group and the Company.

8.(b) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

9.

| | YTD 2012 | YTD 2011 | Q2 2012 | Q2 2011 |
|--|----------------|---------------|---------------|---------------|
| GROUP | | | | |
| Loss per ordinary share after deducting any provision for preference dividends (adjusted to exclude shares held by employee benefit trust and treasury shares) | | | | |
| a) Based on the weighted average number of ordinary shares on issue | (14.40 US cts) | (2.58 US cts) | (4.57 US cts) | (2.21 US cts) |
| b) On a fully diluted basis (detailing any adjustments made to the earnings) | (14.40 US cts) | (2.58 US cts) | (4.57 US cts) | (2.21 US cts) |

10. **Net Asset Value**

| | Group | | | Company | | |
|--|---------------------|---------------------|------------------|---------------------|---------------------|------------------|
| | 29 Jun 2012 US\$ | 30 Dec 2011 US\$ | Inc / (Dec) % | 29 Jun 2012 US\$ | 30 Dec 2011 US\$ | Inc / (Dec) % |
| Net Asset Value per ordinary share based on issued share capital (adjusted to exclude treasury shares) of the issuer | 0.86 | 1.01 | (14.85) | 1.12 | 1.12 | - |

11. **Review of the Performance of the Group**

Income Statement:

YTD 2012 vs YTD 2011

NOL Group achieved revenue of US\$4.71 billion (YTD 2011: US\$4.59 billion), an increase of US\$0.12 billion or 3% year-on-year (YoY). This was due to increase in revenue in both Liner and Logistics business units.

The Group's cost of sales increased by US\$0.28 billion or 7% YoY to US\$4.55 billion mainly due to higher costs associated with higher volumes in both Liner and Logistics business units and higher bunker costs.

Administrative expenses increased by US\$9 million or 3% YoY to US\$352 million mainly due to higher general overhead expenses.

Finance expenses increased by US\$9 million or 38% YoY to US\$33 million mainly due to higher interest expense from higher average loan balance and higher finance costs.

Other operating expenses increased by US\$84 million or 520% YoY to US\$100 million mainly due to impairment loss on obsolete vessels classified as held-for-sale in YTD 2012.

Despite the Group making losses, tax expense was incurred mainly due to certain entities in the Group generating tax assessable income in the jurisdictions in which they operate.

The Group recorded net loss attributable to shareholders of US\$371 million in YTD 2012 compared to net loss of US\$67 million in YTD 2011, mainly due to higher bunker costs and non-recurring expenses of US\$111 million relating largely to impairment loss on obsolete vessels classified as held-for-sale and organizational streamlining.

Q2 2012 vs Q2 2011

NOL Group achieved revenue of US\$2.33 billion (Q2 2011: US\$2.15 billion), an increase of US\$0.18 billion or 8% year-on-year (YoY). This was due to increase in revenue in both Liner and Logistics business units.

The Group's cost of sales increased by US\$0.12 billion or 6% YoY to US\$2.14 billion mainly due to higher costs associated with higher volumes in both Liner and Logistics business units and higher bunker costs.

Other operating expenses increased by US\$85 million or 960% YoY to US\$94 million mainly due to impairment loss on obsolete vessels classified as held-for-sale in Q2 2012.

Despite the Group making losses, tax expense was incurred mainly due to certain entities in the Group generating tax assessable income in the jurisdictions in which they operate.

The Group recorded net loss attributable to shareholders of US\$118 million in Q2 2012 compared to net loss of US\$57 million in Q2 2011, mainly due to non-recurring expenses of US\$112 million relating largely to impairment loss on obsolete vessels classified as held-for-sale and organizational streamlining.

Balance Sheet:

NOL Group's total assets increased by US\$402 million from US\$6.96 billion as at 30 December 2011 to US\$7.36 billion as at 29 June 2012. The increase in total assets was mainly due to increase in trade and other receivables and property, plant and equipment. The increase in property, plant and equipment (before reclassification of assets earmarked for sale from property, plant and equipment to assets classified as held-for-sale) was mainly due to progressive payments made for the new vessels that the Group had ordered and the increase in trade and other receivables was mainly due to increasing average daily sales since the beginning of FY 2012.

The Group's total liabilities increased by US\$789 million from US\$4.31 billion as at 30 December 2011 to US\$5.10 billion as at 29 June 2012. The increase in total liabilities was mainly due to increase in borrowings [see Note 1(b)(ii)].

The Group's total equity decreased by US\$387 million from US\$2.65 billion as at 30 December 2011 to US\$2.27 billion as at 29 June 2012 mainly due to net losses incurred during YTD 2012.

As at 29 June 2012, the Group was in a net current assets position mainly due to refinancing of short-term loans using long-term financing facilities, increase in trade and other receivables and reclassification of non-current assets to current assets which are earmarked for sale.

Cashflow:

NOL Group's cash and cash equivalents increased by US\$10 million from US\$228 million as at 30 December 2011 to US\$238 million as at 29 June 2012 mainly due to net cash inflow from financing activities of US\$726 million, partially offset by net cash outflow from investing activities of US\$414 million and net cash outflow from operating activities of US\$302 million. Net cash inflow from financing activities was mainly due to net proceeds from borrowings. Net cash outflow from investing activities was mainly due to progressive payments made for the new vessels that the Group had ordered, partially offset by proceeds from disposal of assets. Net cash outflow from operations was mainly due to changes in deployment of working capital to support the improved business environment.

| | YTD 2012 US\$m | YTD 2011 US\$m | Q2 2012 US\$m | Q2 2011 US\$m |
|----------------------------------|-------------------|-------------------|------------------|------------------|
| (a) Revenue | | | | |
| Liner | 4,004 | 3,964 | 1,994 | 1,861 |
| Logistics | 755 | 682 | 361 | 314 |
| Elimination | (48) | (51) | (22) | (23) |
| Total | 4,711 | 4,595 | 2,333 | 2,152 |
| (b) Core EBIT⁵ | | | | |
| Liner | (239) | (61) | 7 | (53) |
| Logistics | 22 | 33 | 9 | 12 |
| Total | (217) | (28) | 16 | (41) |

⁵ Earnings before Interest, Tax and Exceptional (Non-Recurring) Items.

(c) **Analysis by Business Units**

(i) **Liner**

YTD 2012 vs YTD 2011

Liner achieved YTD 2012 revenue of US\$4.0 billion, a year-on-year (YoY) increase of 1% mainly due to higher volumes transported, partly offset by lower freight rates.

Volume rose by 4% YoY mainly due to higher volumes in the Intra-Asia and Latin-America trade.

Cost of sales per FEU increased by 2% mainly due to 21% rise in bunker prices. Excluding the bunker price rise, cost of sales per FEU were 3% lower due to stricter fuel consumption, operational cost efficiencies and slow steaming.

Average revenue per FEU was US\$2,513 or 2% lower YoY mainly due to lower freight rates in the Transpacific and the Asia-Europe trade.

Liner recorded a Core EBIT loss of US\$239 million mainly due to higher bunker prices in YTD 2012.

Q2 2012 vs Q2 2011

Liner achieved Q2 2012 revenue of US\$2.0 billion, a YoY increase of 7% mainly due to higher volumes transported and higher freight rates.

Volume rose by 4% YoY to 0.7 million FEUs mainly due to increase in volume across most trades.

Average revenue per FEU increased by 3% YoY to US\$2,615 due to higher freight rates in the Intra-Asia and Asia-Europe trade.

Liner recorded a Core EBIT profit of US\$7 million mainly due to higher freight rates and volume growth in Q2 2012.

LINER Q2 RESULTS 2012 and 2011
Unaudited

| | YTD 2012 | YTD 2011 | Q2 2012 | Q2 2011 |
|---|--------------|--------------|--------------|--------------|
| Load Factors % | | | | |
| Transpacific and Asia-Latin America/Mexico Eastbound ⁶ | 92% | 83% | 95% | 83% |
| Asia-Europe Westbound | 97% | 97% | 95% | 97% |
| Transatlantic Westbound | 87% | 100% | 86% | 100% |
| Intra-Asia Westbound | 95% | 99% | 95% | 98% |
| Headhaul | 94% | 91% | 94% | 91% |
| Volume ('000 FEU) | | | | |
| Transpacific | 418 | 420 | 202 | 193 |
| Latin America | 103 | 91 | 49 | 43 |
| Asia-Europe | 242 | 244 | 110 | 114 |
| Transatlantic | 80 | 71 | 40 | 32 |
| Intra-Asia | 668 | 630 | 319 | 310 |
| Total Volume⁷ | 1,511 | 1,456 | 720 | 692 |
| Average Revenue/FEU (US\$/FEU) | | | | |
| Transpacific | 3,741 | 3,897 | 3,651 | 3,935 |
| Latin America | 3,497 | 3,443 | 3,596 | 3,415 |
| Asia-Europe | 2,422 | 2,543 | 2,750 | 2,390 |
| Transatlantic | 2,894 | 3,232 | 2,815 | 3,317 |
| Intra-Asia | 1,579 | 1,498 | 1,732 | 1,526 |
| Total | 2,513 | 2,570 | 2,615 | 2,539 |

⁶ With effect from Q1 2012, load factors for the Transpacific Eastbound and Asia-Latin America/Mexico Eastbound markets have been combined as cargoes in these markets are using the same trade lanes.

⁷ Represents volume recognised from each Bill of Lading upon commencement of shipment on vessels.

(ii) **Logistics**

YTD 2012 vs YTD 2011

Logistics achieved YTD 2012 revenue of US\$755 million, growing 11% YoY while facing softer economic conditions in developed markets.

Contract Logistics achieved revenue of US\$508 million, a 17% YoY increase due to strong demand for rail and land-based logistics services.

International Services achieved revenue of US\$247 million, a 1% decrease YoY driven by a softer retail and apparel environment.

Core EBIT of US\$22 million for YTD 2012, a 33% decrease YoY due to increased investments to improve our technology products and commercial infrastructure, and lower contribution from associated company.

Q2 2012 vs Q2 2011

Logistics achieved Q2 2012 revenue of US\$361 million, a year-on-year (YoY) increase of 15% due to higher volumes across the various Logistics' services, particularly in the Contract Logistics business segment.

Contract Logistics achieved revenue of US\$239 million, a YoY increase of 20% due to strong demand in the rail and land transport business segment.

International Services achieved revenue of US\$122 million, a YoY increase of 7% due to higher shipment volumes.

Core EBIT of US\$9 million for Q2 2012, a 25% decrease YoY mainly due to technology costs and commercial infrastructure associated with expanding the business, and lower contribution from associated company.

LOGISTICS Q2 RESULTS 2012 and 2011
Unaudited
US\$ millions

| | YTD 2012 | YTD 2011 | Q2 2012 | Q2 2011 |
|---------------------------------|------------|------------|------------|------------|
| BY REGION | | | | |
| Revenue | | | | |
| Americas | 511 | 428 | 248 | 195 |
| Europe | 69 | 80 | 35 | 36 |
| Asia/Middle East | 175 | 174 | 78 | 83 |
| Total Revenue | 755 | 682 | 361 | 314 |
| BY BUSINESS SEGMENT | | | | |
| Revenue | | | | |
| Contract Logistics Services | 508 | 433 | 239 | 200 |
| International Services | 247 | 249 | 122 | 114 |
| Total Revenue | 755 | 682 | 361 | 314 |
| Operating Expenses | | | | |
| Contract Logistics Services | 496 | 419 | 232 | 195 |
| International Services | 237 | 230 | 120 | 107 |
| Total Operating Expenses | 733 | 649 | 352 | 302 |
| Core EBIT⁸ | | | | |
| Contract Logistics Services | 12 | 14 | 7 | 5 |
| International Services | 10 | 19 | 2 | 7 |
| Total Core EBIT | 22 | 33 | 9 | 12 |

⁸ Earnings before Interest, Tax and Exceptional (Non-Recurring) Items.

12. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Company announced in its results announcement for the first quarter ended 6 April 2012 that "the global economic outlook remains uncertain and the container shipping industry continues to face high fuel costs and overcapacity. If conditions for rates and fuel costs do not improve, the Group's financial performance will remain weak".

The current results are generally in line with the prospect statement made in the results announcement for the first quarter ended 6 April 2012 notwithstanding improved cost efficiencies and rates in the second quarter.

13. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

The Group's performance improved in the second quarter due to rate increases and cost savings. However, the Group's financial performance will depend on freight rates, global economic position, over-capacity in container shipping and fuel prices. The outlook for these factors remain uncertain. Nevertheless, the Group will continue to focus on managing its costs and capacity.

14. **Dividend**

(a) **Any dividend recommended for the current financial year reported on?**

Nil

(b) **Any dividend declared for the corresponding period of the immediately preceding financial year?**

Nil

(c) **Date payable**

N.A.

(d) **Books closure date**

N.A.

(e) **If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for the current financial period.

PART II - ADDITIONAL INFORMATION REQUIRED FOR QUARTERLY ANNOUNCEMENT

15. **Interested Person Transactions**

| Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual | YTD 2012 US\$'000 | YTD 2011 US\$'000 | Q2 2012 US\$'000 | Q2 2011 US\$'000 |
|--|------------------------------|------------------------------|-----------------------------|-----------------------------|
| Transactions for the Purchase of Goods and Services | | | | |
| PSA Corporation Limited and its associates | 111,942 | 112,010 | 51,603 | 52,216 |
| Singapore Telecommunications Limited and its associates | 104 | - | 64 | - |
| Transactions for the Purchase of Assets | | | | |
| Singapore Telecommunications Limited and its associates | 103 | - | 103 | - |
| Transactions for the Leasing-in of Assets | | | | |
| Sembcorp Marine Ltd and its associates | 1,739 | 1,751 | 806 | 821 |

The above relates to cumulative value of transactions (inclusive of GST) more than S\$100,000.

BY ORDER OF THE BOARD

LOOI LEE HWA AND WONG KIM WAH
Company Secretaries

Dated this 8 August 2012