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NOL reports improved performance in weak market conditions

45% year-on-year improvement in 1H 2013 Core EBIT attributed to operational and cost efficiencies

SINGAPORE, 7 AUGUST 2013 – NOL Group today reported first half 2013 Core EBIT (Earnings Before Interest, Taxes and Non-Recurring Items) loss of US$120 million, a 45% improvement or US$97 million, in the key profitability measure from a year ago.

Singapore-based NOL attributed the improvement to a continuing focus on operational efficiency and cost management. The company said that it has achieved US$240 million cost savings through its drive to increase efficiency levels. Enhanced bunker efficiency and network optimisation accounted for more than half of the total savings. Efficiencies were also reaped through higher productivity at the terminals and reduced empty repositioning.

Including a non-recurring gain of US$200 million from the completed sale of the NOL headquarter building in Singapore in the first quarter, NOL posted a half year net profit of US$41 million compared to a loss of US$371 million last year.

“Market conditions have worsened in the second quarter of this year compared to a year before. Our container shipping business managed to deliver an improvement in its operating result in spite of difficult trading conditions, which is a good achievement,” said NOL Group CEO Ng Yat Chung. “The Group’s results demonstrate that we are on target in our strategy to deliver a better performance through cost management. We will continue in our efforts to strengthen the company’s competitiveness for the long term.”

FINANCIAL PERFORMANCE

		1H13	1H12	Change % Better/(Worse)		2Q13	2Q12	Change % Better/(Worse)
Revenue (US$m)		4,435	4,711	(6)		2,064	2,333	(12)
Core EBIT (US$m)		(120)	(217)	45		(35)	16	n.m.
Non-recurring items (US$m)		201	(111)	n.m.		9	(112)	n.m.
Net profit/(loss) (US$m)		41	(371)	n.m.		(35)	(118)	71

n.m. not meaningful

BUSINESS SEGMENTS

APL, NOL's container shipping business, reported first half 2013 revenue of US$3.7 billion, sliding 8% from last year. APL posted a loss of US$146 million on a Core EBIT level, a 39% improvement from a year ago.

"Weak demand coupled with an over-supply situation in the industry have continued to put severe pressure on freight rates. This has impacted revenue significantly," said APL President Kenneth Glenn. "By maintaining a strong cost discipline, we achieved a better performance despite the deteriorating demand and freight rate environment. We expect that the realisation of our fleet renewal programme will further make significant improvements to our cost base."

In the first half of 2013, APL's average revenue per forty-foot equivalent unit (FEU) dropped 7%, while efficiency improvements helped reduce cost of sales per FEU by 8%.

As at half year of 2013, APL has taken delivery of 19 out of 34 new vessels. These larger, more fuel-efficient vessels replace smaller and older ones in the fleet, and will increasingly reduce APL's vessel slot costs. Yield management remains APL's focus, as it manages capacity to match market demand. Its headhaul utilisation stayed above 90% in the first half of 2013.

NOL's supply chain management business, APL Logistics, continued on its steady growth trajectory. In the first half of 2013, its revenue rose 4% year-on-year to US$781 million. At the same time, its Core EBIT climbed 18% to US$26 million. Core EBIT margin improved to 3.4% from 2.9% as a result of greater operating efficiency and productivity growth.

International Logistics Services revenue improved 15% to US$283 million on rising volume, driven by business expansion in the consumer and retail sectors within emerging markets in Asia/Middle East. International Logistics Services Core EBIT rose 40% year-on-year to US$14 million. APL Logistics' Contract Logistics business registered a slight 2% drop in revenue to US$498 million, with Core EBIT remaining flat at US$12 million.

"While we were adversely impacted in the second quarter by an unseasonal slowdown in our automotive segment, all our other lines of business have grown on a year-on-year basis," said APL Logistics President Jim McAdam. "We are also pleased to see that our growth strategy in the emerging markets is being realised."

OUTLOOK

General market conditions and freight rates continued to deteriorate in the second quarter of 2013, with few signs of a quick recovery. Along with poor market demand, the container shipping industry remains burdened with over-capacity and weak freight rates. NOL's cost base will continue to improve through operating efficiencies, aided by lower vessel slot costs with the delivery of its larger and more fuel-efficient ships. Barring unforeseen circumstances, the Group remains on track to deliver a better performance than in 2012.

1H13 OPERATING PERFORMANCE

Liner Shipping

		1H13	1H12	Change % Better/(Worse)		2Q13	2Q12	Change % Better/(Worse)
Revenue (US$m)		3,695	4,004	(8)		1,728	1,994	(13)
Core EBIT (US$m)		(146)	(239)	39		(45)	7	n.m.
Average Revenue/FEU (US$)		2,347	2,513	(7)		2,315	2,615	(11)
Volume (‘000 FEU)		1,477	1,511	(2)		705	720	(2)

n.m. not meaningful

Logistics

		1H13	1H12	Change % Better/(Worse)		2Q13	2Q12	Change % Better/(Worse)
Revenue (US$m)		781	755	4		354	361	(2)
Core EBIT (US$m)		26	22	18		10	9	11
Core EBIT Margin (%)		3.4	2.9	17		2.9	2.5	16

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About NOL

Neptune Orient Lines (NOL) is a Singapore-based global container shipping and logistics company. Its container shipping arm, APL, provides world-class container shipping and terminal services, as well as intermodal operations supported by leading-edge IT and e-commerce. Its logistics business, 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.