



NEPTUNE ORIENT LINES LIMITED (Reg. No. 196800632D)  
Unaudited Quarterly Financial Information  
For the 3rd Quarter Ended 23 September 2011

## 1.(a)(i) Consolidated Income Statement

|  | Group                |                      |                           | Group               |                     |                           |
|--|----------------------|----------------------|---------------------------|---------------------|---------------------|---------------------------|
|  | YTD 2011<br>US\$'000 | YTD 2010<br>US\$'000 | % Increase/<br>(Decrease) | Q3 2011<br>US\$'000 | Q3 2010<br>US\$'000 | % Increase/<br>(Decrease) |
| Revenue                                    | 6,808,257            | 6,647,805            | 2                         | 2,213,590           | 2,429,151           | (9)                       |
| Cost of sales                              | (6,360,266)          | (5,778,341)          | 10                        | (2,089,105)         | (1,930,038)         | 8                         |
| Gross profit                               | 447,991              | 869,464              | (48)                      | 124,485             | 499,113             | (75)                      |
| Other gains (net)                          |                      |                      |                           |                     |                     |                           |
| - Miscellaneous                            | 7,002                | 6,280                | 11                        | 2,107               | 2,094               | 1                         |
| - Finance and investment income            | 5,362                | 2,767                | 94                        | 1,280               | 1,210               | 6                         |
| Expenses                                   |                      |                      |                           |                     |                     |                           |
| - Administrative                           | (519,848)            | (486,301)            | 7                         | (177,613)           | (178,879)           | (1)                       |
| - Finance                                  | (39,885)             | (44,891)             | (11)                      | (15,890)            | (13,205)            | 20                        |
| - Other operating                          | (31,952)             | (14,114)             | 126                       | (15,814)            | 156                 | N/M                       |
| Share of results of associated companies   | 8,048                | 2,937                | 174                       | 2,237               | 1,140               | 96                        |
| Share of results of joint ventures         | 595                  | 877                  | (32)                      | 218                 | 147                 | 48                        |
| (Loss)/Profit before income tax            | (122,687)            | 337,019              | N/M                       | (78,990)            | 311,776             | N/M                       |
| Income tax expense                         | (32,527)             | (51,177)             | (36)                      | (11,230)            | (29,145)            | (61)                      |
| Net (loss)/profit for the financial period | (155,214)            | 285,842              | N/M                       | (90,220)            | 282,631             | N/M                       |
| Net (loss)/profit attributable to:         |                      |                      |                           |                     |                     |                           |
| Equity holders of the Company              | (157,755)            | 283,463              | N/M                       | (91,098)            | 282,260             | N/M                       |
| Non-controlling interest                   | 2,541                | 2,379                | 7                         | 878                 | 371                 | 137                       |
|  | (155,214)            | 285,842              | N/M                       | (90,220)            | 282,631             | N/M                       |

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

|  | Group                |                      |                           | Group               |                     |                           |
|--|----------------------|----------------------|---------------------------|---------------------|---------------------|---------------------------|
|  | YTD 2011<br>US\$'000 | YTD 2010<br>US\$'000 | % Increase/<br>(Decrease) | Q3 2011<br>US\$'000 | Q3 2010<br>US\$'000 | % Increase/<br>(Decrease) |
| (A) Other Income Including Interest Income   | 9,201                | 7,237                | 27                        | 1,903               | 2,695               | (29)                      |
| (B) Interest on Borrowings   | (24,196)             | (24,774)             | (2)                       | (8,101)             | (7,526)             | 8                         |
| (C) Depreciation and Amortisation  | (211,696)            | (207,885)            | 2                         | (67,271)            | (65,910)            | 2                         |
| (D) (Allowance for)/Write-back of Doubtful Debts and Bad Debts Written Off                 | (10,132)             | 1,052                | N/M                       | (1,045)             | 2,542               | N/M                       |
| (E) Write-back/(Write-off) of Provision for Impairment in Value of Investments             | 3                    | (4)                  | N/M                       | -                   | -                   | 0                         |
| (F) Foreign Exchange Gain/(Loss)   | 7,051                | 985                  | 616                       | (8,134)             | 7,591               | N/M                       |
| (G) Adjustment for Over/(Under) Provision for Tax in Prior Years                           | 2,100                | (16,243)             | N/M                       | 1,429               | (17,018)            | N/M                       |
| (H) Profit on Sale of Investments, Property, Plant and Equipment and Investment Properties | 2,248                | 1,451                | 55                        | 857                 | 479                 | 79                        |
| (I) Write-back/(Write-off) of Inventories  | 85                   | (424)                | N/M                       | (10)                | (8)                 | 25                        |

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

|   | Group                |                      | Group               |                     |
|---|----------------------|----------------------|---------------------|---------------------|
|   | YTD 2011<br>US\$'000 | YTD 2010<br>US\$'000 | Q3 2011<br>US\$'000 | Q3 2010<br>US\$'000 |
| Net (loss)/profit for the financial period  | (155,214)            | 285,842              | (90,220)            | 282,631             |
| Other comprehensive income:   |                      |                      |                     |                     |
| Fair value (losses)/gains on cash flow hedges                                     | (11,641)             | (36,085)             | (58,016)            | 2,210               |
| Fair value (gains)/losses on cash flow hedges transferred to the income statement | (24,167)             | (38,032)             | 15,204              | 7,036               |
| Fair value (losses)/gains on available-for-sale financial asset                   | (31)                 | 29                   | (13)                | (12)                |
| Currency translation differences  | (1,469)              | 4,499                | (10,792)            | 5,407               |
| Tax on fair value gains and losses  | 512                  | (777)                | 89                  | (461)               |
| Other comprehensive (loss)/income for the financial period, net of tax            | (36,796)             | (70,366)             | (53,528)            | 14,180              |
| Total comprehensive (loss)/income for the financial period                        | (192,010)            | 215,476              | (143,748)           | 296,811             |
| Total comprehensive (loss)/income attributable to:                                |                      |                      |                     |                     |
| Equity holders of the Company   | (193,658)            | 213,004              | (143,958)           | 296,406             |
| Non-controlling interest  | 1,648                | 2,472                | 210                 | 405                 |
|   | (192,010)            | 215,476              | (143,748)           | 296,811             |

N/M: Not meaningful

## 1.(b)(i) Balance Sheets

|  | Group                    |                         |                           | Company                  |                         |                           |
|--|--------------------------|-------------------------|---------------------------|--------------------------|-------------------------|---------------------------|
|  | 23 Sept 2011<br>US\$'000 | 31 Dec 2010<br>US\$'000 | % Increase/<br>(Decrease) | 23 Sept 2011<br>US\$'000 | 31 Dec 2010<br>US\$'000 | % Increase/<br>(Decrease) |
| <b>ASSETS</b>  |                          |                         |                           |                          |                         |                           |
| <b>Current Assets</b>  |                          |                         |                           |                          |                         |                           |
| Cash and cash equivalents  | 365,123                  | 977,212                 | (63)                      | 5,217                    | 118,166                 | (96)                      |
| Trade and other receivables <sup>1</sup>                           | 1,120,461                | 1,082,005               | 4                         | 1,286,469                | 1,393,866               | (8)                       |
| Inventories at cost  | 321,627                  | 243,626                 | 32                        | -                        | -                       | 0                         |
| Derivative financial instruments                                   | 4,563                    | 14,117                  | (68)                      | -                        | -                       | 0                         |
| Other current assets   | 105,062                  | 85,493                  | 23                        | 2,635                    | 3,582                   | (26)                      |
| <b>Total current assets</b>  | <b>1,916,836</b>         | <b>2,402,453</b>        | <b>(20)</b>               | <b>1,294,321</b>         | <b>1,515,614</b>        | <b>(15)</b>               |
| <b>Non-current Assets</b>  |                          |                         |                           |                          |                         |                           |
| Investments in subsidiaries  | -                        | -                       | 0                         | 1,000,894                | 1,000,894               | 0                         |
| Investments in associated companies                                | 97,072                   | 48,861                  | 99                        | -                        | -                       | 0                         |
| Investments in joint ventures                                      | 29,141                   | 28,248                  | 3                         | -                        | -                       | 0                         |
| Available-for-sale financial asset                                 | 37                       | 68                      | (46)                      | -                        | -                       | 0                         |
| Property, plant and equipment                                      | 4,662,168                | 3,691,444               | 26                        | 1,767,344                | 782,327                 | 126                       |
| Investment properties  | 16,031                   | 14,071                  | 14                        | -                        | -                       | 0                         |
| Deferred charges   | 13,818                   | 10,177                  | 36                        | 2,998                    | 1,455                   | 106                       |
| Intangible assets  | 33,697                   | 25,192                  | 34                        | 29                       | 49                      | (41)                      |
| Goodwill arising on consolidation                                  | 129,095                  | 129,095                 | 0                         | -                        | -                       | 0                         |
| Deferred income tax assets   | 5,006                    | 3,854                   | 30                        | -                        | -                       | 0                         |
| Derivative financial instruments                                   | -                        | 14,015                  | (100)                     | -                        | 14,015                  | (100)                     |
| Other non-current assets   | 88,287                   | 83,579                  | 6                         | 1,012                    | 976                     | 4                         |
| <b>Total non-current assets</b>                                    | <b>5,074,352</b>         | <b>4,048,604</b>        | <b>25</b>                 | <b>2,772,277</b>         | <b>1,799,716</b>        | <b>54</b>                 |
| <b>TOTAL ASSETS</b>  | <b>6,991,188</b>         | <b>6,451,057</b>        | <b>8</b>                  | <b>4,066,598</b>         | <b>3,315,330</b>        | <b>23</b>                 |
| <b>LIABILITIES</b>   |                          |                         |                           |                          |                         |                           |
| <b>Current Liabilities</b>   |                          |                         |                           |                          |                         |                           |
| Trade and other payables   | 1,313,758                | 1,174,158               | 12                        | 358,325                  | 127,474                 | 181                       |
| Current income tax liabilities                                     | 99,751                   | 83,072                  | 20                        | 7,449                    | 10,328                  | (28)                      |
| Borrowings   | 48,535                   | 21,023                  | 131                       | 29,000                   | 775                     | 3,642                     |
| Provisions   | 46,671                   | 49,202                  | (5)                       | -                        | -                       | 0                         |
| Deferred income  | 862                      | 490                     | 76                        | -                        | -                       | 0                         |
| Derivative financial instruments                                   | 18,328                   | 3,523                   | 420                       | -                        | -                       | 0                         |
| Other current liabilities <sup>2</sup>                             | 251,803                  | 284,612                 | (12)                      | -                        | -                       | 0                         |
| <b>Total current liabilities</b>                                   | <b>1,779,708</b>         | <b>1,616,080</b>        | <b>10</b>                 | <b>394,774</b>           | <b>138,577</b>          | <b>185</b>                |
| <b>Non-current Liabilities</b>                                     |                          |                         |                           |                          |                         |                           |
| Borrowings   | 1,985,423                | 1,338,177               | 48                        | 773,485                  | 216,785                 | 257                       |
| Provisions   | 131,915                  | 129,989                 | 1                         | -                        | -                       | 0                         |
| Deferred income  | 4,126                    | 569                     | 625                       | -                        | -                       | 0                         |
| Deferred income tax liabilities                                    | 15,228                   | 18,157                  | (16)                      | 10,699                   | 10,699                  | 0                         |
| Derivative financial instruments                                   | 15,994                   | 10,059                  | 59                        | 3,883                    | -                       | N/M                       |
| Other non-current liabilities                                      | 71,602                   | 72,215                  | (1)                       | -                        | -                       | 0                         |
| <b>Total non-current liabilities</b>                               | <b>2,224,288</b>         | <b>1,569,166</b>        | <b>42</b>                 | <b>788,067</b>           | <b>227,484</b>          | <b>246</b>                |
| <b>TOTAL LIABILITIES</b>   | <b>4,003,996</b>         | <b>3,185,246</b>        | <b>26</b>                 | <b>1,182,841</b>         | <b>366,061</b>          | <b>223</b>                |
| <b>NET ASSETS</b>  | <b>2,987,192</b>         | <b>3,265,811</b>        | <b>(9)</b>                | <b>2,883,757</b>         | <b>2,949,269</b>        | <b>(2)</b>                |
| <b>EQUITY</b>  |                          |                         |                           |                          |                         |                           |
| Share capital  | 1,822,093                | 1,820,019               | 0                         | 1,822,093                | 1,820,019               | 0                         |
| Treasury shares  | (5,216)                  | (5,216)                 | 0                         | (5,216)                  | (5,216)                 | 0                         |
|  | 1,816,877                | 1,814,803               | 0                         | 1,816,877                | 1,814,803               | 0                         |
| Shares held by employee benefit trust                              | (4,266)                  | (3,761)                 | 13                        | -                        | -                       | 0                         |
| Treasury shares reserve  | (1,195)                  | (1,195)                 | 0                         | (1,195)                  | (1,195)                 | 0                         |
| Retained earnings  | 1,085,735                | 1,338,743               | (19)                      | 1,031,869                | 1,093,595               | (6)                       |
| Other reserves   | 40,044                   | 73,814                  | (46)                      | 36,206                   | 42,066                  | (14)                      |
| Capital and reserves attributable to equity holders of the Company | 2,937,195                | 3,222,404               | (9)                       | 2,883,757                | 2,949,269               | (2)                       |
| Non-controlling interest   | 49,997                   | 43,407                  | 15                        | -                        | -                       | 0                         |
| <b>TOTAL EQUITY</b>  | <b>2,987,192</b>         | <b>3,265,811</b>        | <b>(9)</b>                | <b>2,883,757</b>         | <b>2,949,269</b>        | <b>(2)</b>                |
| <b>Net current assets</b>  | <b>137,128</b>           | <b>786,373</b>          | <b>(83)</b>               | <b>899,547</b>           | <b>1,377,037</b>        | <b>(35)</b>               |

<sup>1</sup> 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.

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

N/M: Not meaningful

1.(b)(ii) Borrowings

| The Group<br>as at 23 September 2011                          | Secured<br>loans | Unsecured<br>loans | Secured<br>finance lease<br>liabilities | Total            |
|---|------------------|--------------------|---|------------------|
|   | US\$'000         | US\$'000           | US\$'000                                | US\$'000         |
| Amount repayable on or before 21 September 2012, or on demand | 10,244           | 30,182             | 8,109                                   | 48,535           |
| Amount repayable on or before:                                |                  |                    |   |                  |
| 20 September 2013   | 12,713           | 700,196            | 8,042                                   | 720,951          |
| 19 September 2014   | 87,149           | 302,940            | 8,394                                   | 398,483          |
| 18 September 2015   | 13,610           | -                  | 8,960                                   | 22,570           |
| 16 September 2016   | 16,901           | -                  | 9,655                                   | 26,556           |
| Thereafter  | 20,525           | 546,980            | 249,358                                 | 816,863          |
|   | <b>161,142</b>   | <b>1,580,298</b>   | <b>292,518</b>                          | <b>2,033,958</b> |

  

| As at 31 December 2010                    | Secured<br>loans | Unsecured<br>loans | Secured<br>finance lease<br>liabilities | Total            |
|---|------------------|--------------------|---|------------------|
|   | US\$'000         | US\$'000           | US\$'000                                | US\$'000         |
| Amount repayable in FY 2011, or on demand | 11,206           | 1,212              | 8,605                                   | 21,023           |
| Amount repayable in:                      |                  |                    |   |                  |
| FY 2012                                   | 12,219           | -                  | 7,617                                   | 19,836           |
| FY 2013                                   | 13,272           | 350,000            | 8,015                                   | 371,287          |
| FY 2014                                   | 12,635           | 300,000            | 8,522                                   | 321,157          |
| FY 2015                                   | 14,125           | -                  | 9,111                                   | 23,236           |
| Thereafter                                | 33,395           | 312,643            | 256,623                                 | 602,661          |
|   | <b>96,852</b>    | <b>963,855</b>     | <b>298,493</b>                          | <b>1,359,200</b> |

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<br>as at 23 September 2011          | Vessels          | Containers     | Terminals        | Chassis       | Others <sup>3</sup> | Total            |
|---|------------------|----------------|------------------|---------------|---------------------|------------------|
|   | US\$'000         | US\$'000       | US\$'000         | US\$'000      | US\$'000            | US\$'000         |
| Amount repayable for the remainder of FY 2011 | 231,138          | 16,423         | 14,946           | 6,892         | 16,626              | 286,025          |
| Amount repayable in :                         |                  |                |                  |               |                     |                  |
| FY 2012                                       | 672,019          | 60,994         | 100,006          | 18,087        | 55,749              | 906,855          |
| FY 2013                                       | 511,558          | 56,681         | 95,532           | 13,307        | 37,869              | 714,947          |
| FY 2014                                       | 394,086          | 53,627         | 84,553           | 9,448         | 25,155              | 566,869          |
| FY 2015                                       | 240,851          | 41,640         | 81,038           | 2,882         | 18,044              | 384,455          |
| Thereafter                                    | 682,084          | 27,007         | 744,696          | -             | 14,601              | 1,468,388        |
|   | <b>2,731,736</b> | <b>256,372</b> | <b>1,120,771</b> | <b>50,616</b> | <b>168,044</b>      | <b>4,327,539</b> |

  

| As at 31 December 2010      | Vessels          | Containers     | Terminals        | Chassis       | Others <sup>3</sup> | Total            |
|-----------------------------|------------------|----------------|------------------|---------------|---------------------|------------------|
|                             | US\$'000         | US\$'000       | US\$'000         | US\$'000      | US\$'000            | US\$'000         |
| Amount repayable in FY 2011 | 706,456          | 22,937         | 101,620          | 29,799        | 57,397              | 918,209          |
| Amount repayable in :       |                  |                |                  |               |                     |                  |
| FY 2012                     | 590,535          | 22,937         | 97,982           | 17,966        | 48,196              | 777,616          |
| FY 2013                     | 493,619          | 22,937         | 93,307           | 13,315        | 32,116              | 655,294          |
| FY 2014                     | 388,271          | 22,936         | 84,398           | 9,453         | 20,710              | 525,768          |
| FY 2015                     | 240,851          | 12,516         | 81,053           | 2,884         | 14,922              | 352,226          |
| Thereafter                  | 664,211          | 24,718         | 745,148          | -             | 13,235              | 1,447,312        |
|                             | <b>3,083,943</b> | <b>128,981</b> | <b>1,203,508</b> | <b>73,417</b> | <b>186,576</b>      | <b>4,676,425</b> |

<sup>3</sup> Others relate mainly to warehouse space, warehouse equipment, office space and land.



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

| COMPANY  | Share capital<br>US\$'000 | Treasury shares<br>US\$'000 | Treasury shares reserves<br>US\$'000 | Retained earnings<br>US\$'000 | Other reserves<br>US\$'000 | Total equity<br>US\$'000 |
|--|---------------------------|-----------------------------|--------------------------------------|-------------------------------|----------------------------|--------------------------|
| Balance at 1 January 2011                                  | 1,820,019                 | (5,216)                     | (1,195)                              | 1,093,595                     | 42,066                     | 2,949,269                |
| Dividends to equity holders                                | -                         | -                           | -                                    | (95,253)                      | -                          | (95,253)                 |
| Employee equity compensation schemes:                      |                           |                             |                                      |                               |                            |                          |
| - value of employee services                               | -                         | -                           | -                                    | -                             | 1,967                      | 1,967                    |
| - new shares issued  | 1,908                     | -                           | -                                    | -                             | (1,220)                    | 688                      |
| Total comprehensive income for the financial period        | -                         | -                           | -                                    | 7,089                         | 3,767                      | 10,856                   |
| Balance at 1 July 2011                                     | 1,821,927                 | (5,216)                     | (1,195)                              | 1,005,431                     | 46,580                     | 2,867,527                |
| Employee equity compensation schemes:                      |                           |                             |                                      |                               |                            |                          |
| - value of employee services                               | -                         | -                           | -                                    | -                             | 1,416                      | 1,416                    |
| - new shares issued  | 166                       | -                           | -                                    | -                             | (30)                       | 136                      |
| Total comprehensive income/(loss) for the financial period | -                         | -                           | -                                    | 26,438                        | (11,760)                   | 14,678                   |
| Balance at 23 September 2011                               | 1,822,093                 | (5,216)                     | (1,195)                              | 1,031,869                     | 36,206                     | 2,883,757                |

  

| COMPANY  | Share capital<br>US\$'000 | Treasury shares<br>US\$'000 | Treasury shares reserves<br>US\$'000 | Retained earnings<br>US\$'000 | Other reserves<br>US\$'000 | Total equity<br>US\$'000 |
|--|---------------------------|-----------------------------|--------------------------------------|-------------------------------|----------------------------|--------------------------|
| Balance at 26 December 2009                                | 1,815,479                 | (5,216)                     | (1,195)                              | 1,085,061                     | 38,740                     | 2,932,869                |
| Employee equity compensation schemes:                      |                           |                             |                                      |                               |                            |                          |
| - value of employee services                               | -                         | -                           | -                                    | -                             | 1,535                      | 1,535                    |
| - new shares issued  | 3,460                     | -                           | -                                    | -                             | (2,927)                    | 533                      |
| Total comprehensive income for the financial period        | -                         | -                           | -                                    | 408                           | -                          | 408                      |
| Balance at 25 June 2010                                    | 1,818,939                 | (5,216)                     | (1,195)                              | 1,085,469                     | 37,348                     | 2,935,345                |
| Employee equity compensation schemes:                      |                           |                             |                                      |                               |                            |                          |
| - value of employee services                               | -                         | -                           | -                                    | -                             | 504                        | 504                      |
| - new shares issued  | 381                       | -                           | -                                    | -                             | (47)                       | 334                      |
| Total comprehensive income/(loss) for the financial period | -                         | -                           | -                                    | 4,126                         | (3,474)                    | 652                      |
| Balance at 17 September 2010                               | 1,819,320                 | (5,216)                     | (1,195)                              | 1,089,595                     | 34,331                     | 2,936,835                |

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 previous period of the immediately preceding financial year.

Issued and paid up capital

As at 23 September 2011, the Company's issued and paid-up capital (including treasury shares) comprised 2,584,990,400 (31 December 2010: 2,583,364,922) ordinary shares. The Company's issued and paid-up capital (excluding treasury shares) comprised 2,583,263,683 (31 December 2010: 2,581,638,205) ordinary shares.

Share options

As at 31 December 2010, there were 46,682,418 outstanding 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 9 months ended 23 September 2011, 916,999 and 32,932 share options were exercised to take up unissued shares of the Company at the subscription price of S\$1.05 per share and S\$2.10 per share respectively and 1,236,771 share options were cancelled.

As at 23 September 2011, options to subscribe for 44,495,716 ordinary shares remain outstanding under the NOL SOP.

Performance shares

As at 31 December 2010, there were 675,547 outstanding performance shares under the NOL Performance Share Plan 2004 ("NOL PSP 2004").

During the 9 months ended 23 September 2011, 675,547 performance shares under the NOL PSP 2004 were vested on 2 January 2011.

In addition, the Company awarded 2,656,000 new performance shares under the NOL Performance Share Plan 2010 ("NOL PSP 2010") and 175,000 performance shares were cancelled.

As at 23 September 2011, 2,481,000 performance shares remain outstanding under the NOL PSP 2010.

Restricted shares

As at 31 December 2010, there was no award of restricted shares under the NOL Restricted Share Plan 2010 ("NOL RSP 2010").

During the 9 months ended 23 September 2011, the Company awarded 5,134,000 restricted shares under the NOL RSP 2010 and 205,000 restricted shares were cancelled.

As at 23 September 2011, 4,929,000 restricted shares remain outstanding under the NOL RSP 2010.

Treasury shares

As at 31 December 2010, 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 performance shares under the NOL PSP 2004.

During the 9 months ended 23 September 2011, no treasury shares were re-issued by the Company pursuant to the NOL SOP, NOL PSP 2004, NOL PSP 2010 and NOL RSP 2010.

In addition, no shares were purchased for the purposes of fulfilling the Company's obligations under the NOL SOP, NOL PSP 2004, NOL PSP 2010 and NOL RSP 2010.

As at 23 September 2011, there were 1,726,717 treasury shares remaining that have not been re-issued.

2. Basis of Preparation

The preparation of the third quarter 2011 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 23 September 2011 and the reported amounts of revenue and expenses during the financial period from 1 January 2011 to 23 September 2011. 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 third quarter ended 23 September 2011 to be false or misleading in any material aspect.

On behalf of the board of directors

CHRISTOPHER LAU                      NG YAT CHUNG  
Director                                      Director

Dated this 31 October 2011

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 3, 2011, 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 31 December 2010.

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 1 January 2011, the Group and the Company adopted/early adopted the new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS"), which are effective for the Group's financial period beginning 1 January 2011.

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

|                           |  |
|---------------------------|--|
| FRS 24 (revised)          | : Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)                                |
| Amendments to FRS 32      | : Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)                         |
| Amendments to INT FRS 114 | : Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)             |
| INT FRS 119               | : Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010) |

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies and did not have any significant impact on the Group and the Company, except as discussed below:

1) FRS 24 (revised) Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party on the disclosure of related party transaction.

As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group.

2) Amendments to FRS 32 Classification of Rights Issues

The Group has adopted Amendments to FRS 32 prospectively to future rights issue from 1 January 2011.

The Amendments to FRS 32 addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment states that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments, regardless of the currency in which the exercise price is denominated if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

3) Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement

The Group has adopted INT FRS 114 prospectively from 1 January 2011, but it is not expected to have a material impact on the Group.

The Amendments to INT FRS 114 removes an unintended consequence of INT FRS 114 relating to voluntary pension prepayments when there is a minimum funding requirement. An unintended consequence of the interpretation, prior to the amendment, was that INT FRS 114 could prevent the recognition of an asset for any surplus arising from such voluntary prepayment of minimum funding contributions in respect of future service. The interpretation has been amended to require an asset to be recognised in these circumstances.

4) INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments

The Group has adopted INT FRS 119 retrospectively, but it is not expected to have a material impact on the Group.

INT FRS 119 clarifies the accounting when an entity renegotiates the terms of its financial liability with the result that the entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability. INT FRS 119 clarifies that:

- Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid';
- Equity instruments issued should be measured at the fair value of the equity instruments, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment; and
- Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in the income statement.

8.(b) **Comparatives**

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

9.

|  | YTD 2011      | YTD 2010     | Q3 2011       | Q3 2010      |
|--|---------------|--------------|---------------|--------------|
| <b>GROUP</b>   |               |              |               |              |
| <b>(Loss)/Earnings per ordinary share after deducting any provision for preference dividends (adjusted to exclude shares held by employee benefit trust and treasury shares)</b> |               |              |               |              |
| <b>a) Based on the weighted average number of ordinary shares on issue</b>   | (6.12 US cts) | 11.00 US cts | (3.53 US cts) | 10.95 US cts |
| <b>b) On a fully diluted basis (detailing any adjustments made to the earnings)</b>  | (6.12 US cts) | 10.96 US cts | (3.53 US cts) | 10.91 US cts |

10. **Net Asset Value**

|   | Group                |                     |                  | Company              |                     |                  |
|---|----------------------|---------------------|------------------|----------------------|---------------------|------------------|
|   | 23 Sept 2011<br>US\$ | 31 Dec 2010<br>US\$ | Inc / (Dec)<br>% | 23 Sept 2011<br>US\$ | 31 Dec 2010<br>US\$ | Inc / (Dec)<br>% |
| <b>Net Asset Value per ordinary share based on issued share capital (adjusted to exclude treasury shares) of the issuer</b> | 1.14                 | 1.25                | (8.80)           | 1.12                 | 1.14                | (1.75)           |

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

Income Statement:

YTD 2011 vs YTD 2010

NOL Group achieved revenue of US\$6.81 billion (YTD 2010: US\$6.65 billion), an increase of US\$0.16 billion or 2% year-on-year (YoY). This is mainly due to increase in logistics revenue from higher volumes across the various logistics businesses.

The Group's cost of sales increased by US\$0.58 billion or 10% YoY to US\$6.36 billion mainly due to higher costs associated with higher volumes and higher bunker costs.

Administrative expenses increased by US\$34 million or 7% YoY to US\$520 million mainly due to higher general overhead expenses.

Other operating expenses increased by US\$18 million or 126% YoY to US\$32 million mainly due to increase in allowance for doubtful debts and write-back of provision for litigation in YTD 2010.

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\$158 million in YTD 2011 compared to net profit of US\$283 million in YTD 2010, mainly due to higher costs associated with higher volumes and higher bunker costs.

Q3 2011 vs Q3 2010

NOL Group achieved revenue of US\$2.21 billion (Q3 2010: US\$2.43 billion), a decrease of US\$0.22 billion or 9% year-on-year (YoY). This is mainly due to decrease in liner revenue from lower freight rates across most major trade lanes.

The Group's cost of sales increased by US\$0.16 billion or 8% YoY to US\$2.09 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\$16 million mainly due to foreign exchange losses.

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\$91 million in Q3 2011 compared to net profit of US\$282 million in Q3 2010, mainly due to higher costs associated with higher volumes and higher bunker costs.

Balance Sheet:

NOL Group's total assets increased by US\$540 million from US\$6.45 billion as at 31 December 2010 to US\$6.99 billion as at 23 September 2011. The increase in total assets was mainly due to increase in inventories and property, plant and equipment, partially offset by decrease in cash and cash equivalents. The increase in inventories was attributed to higher bunker prices and the increase in property, plant and equipment was mainly due to progressive payments made for the new vessels that the Group had ordered. Please refer to the explanation below for the decrease in cash and cash equivalents.

The Group's total liabilities increased by US\$819 million from US\$3.19 billion as at 31 December 2010 to US\$4.00 billion as at 23 September 2011. 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\$279 million from US\$3.27 billion as at 31 December 2010 to US\$2.99 billion as at 23 September 2011 mainly due to net losses incurred during YTD 2011 and payment of dividends to equity holders.

Cashflow:

NOL Group's cash and cash equivalents decreased by US\$612 million from US\$977 million as at 31 December 2010 to US\$365 million as at 23 September 2011 mainly due to net cash outflow from investing activities of US\$1.2 billion, partially offset by net cash inflow from financing activities of US\$588 million and net cash inflow from operating activities of US\$22 million (after taking into account of non cash adjustments to the income statement). Net cash outflow from investing activities was mainly due to progressive payments made for the new vessels that the Group had ordered. Net cash inflow from financing activities was mainly due to additional proceeds from borrowings, partially offset by payment of dividends to equity holders [see Note 1(c)].

|                                  | YTD 2011<br>US\$m | YTD 2010<br>US\$m | Q3 2011<br>US\$m | Q3 2010<br>US\$m |
|----------------------------------|-------------------|-------------------|------------------|------------------|
| <b>(a) Revenue</b>               |                   |                   |                  |                  |
| Liner <sup>4</sup>               | 5,868             | 5,857             | 1,904            | 2,157            |
| Logistics                        | 1,015             | 880               | 333              | 302              |
| Elimination                      | (75)              | (89)              | (24)             | (30)             |
| <b>Total</b>                     | <b>6,808</b>      | <b>6,648</b>      | <b>2,213</b>     | <b>2,429</b>     |
| <b>(b) Core EBIT<sup>5</sup></b> |                   |                   |                  |                  |
| Liner <sup>4</sup>               | (149)             | 314               | (88)             | 301              |
| Logistics                        | 49                | 45                | 16               | 18               |
| <b>Total</b>                     | <b>(100)</b>      | <b>359</b>        | <b>(72)</b>      | <b>319</b>       |

<sup>4</sup> The financial results of "Others" have been combined with the Liner business unit with effect from Q1 2011.

<sup>5</sup> Earnings before Interest, Tax and Exceptional (Non-Recurring) Items.

(c) **Analysis by Business Units**

(i) **Liner**

YTD 2011 vs YTD 2010

Liner achieved YTD 2011 revenue of US\$5.87 billion, similar to last year mainly due to higher volumes transported which was offset by decline in freight rates.

Volume rose by 8% YoY to 2.2 million FEUs mainly due to increase in volume in the Asia/Middle East and Asia-Europe trade.

Average revenue per FEU declined by 9% YoY to US\$2,560 mainly due to fall in rates in the Asia-Europe and Asia/Middle East trade.

Liner recorded a Core EBIT loss of US\$149 million mainly due to declining rates and higher bunker price, which has increased by 30% YoY in YTD 2011.

Q3 2011 vs Q3 2010

Liner achieved Q3 2011 revenue of US\$1.90 billion, a year-on-year (YoY) decrease of 12% due to lower freight rates across major trade lanes, partially offset by higher volumes.

Volume rose by 7% YoY to 0.7 million FEUs mainly due to increase in volume in the Asia/Middle East and Asia-Europe trade.

Average revenue per FEU declined by 19% YoY to US\$2,539 mainly due lower freight rates across the major trade lanes, particularly in the Asia-Europe and Asia/Middle East trade.

Liner recorded a Core EBIT loss of US\$88 million mainly due to lower rates and higher bunker price, which increased by 45% YoY in Q3 2011.

**LINER Q3 RESULTS 2011 and 2010**

*Unaudited*

|                                     | YTD 2011     | YTD 2010     | Q3 2011      | Q3 2010      |
|-------------------------------------|--------------|--------------|--------------|--------------|
| <b>Load Factors %</b>               |              |              |              |              |
| Transpacific Eastbound              | 85%          | 92%          | 89%          | 95%          |
| Asia-Europe Westbound               | 96%          | 98%          | 95%          | 98%          |
| Transatlantic Westbound             | 100%         | 96%          | 99%          | 99%          |
| Intra-Asia Westbound                | 99%          | 96%          | 100%         | 99%          |
| Asia-Latin America/Mexico Eastbound | 91%          | 99%          | 97%          | 99%          |
| <b>Headhaul</b>                     | <b>92%</b>   | <b>95%</b>   | <b>94%</b>   | <b>97%</b>   |
| <b>Volume ('000 FEU)</b>            |              |              |              |              |
| <u>Americas</u>                     |              |              |              |              |
| Transpacific                        | 623          | 663          | 203          | 226          |
| Latin America                       | 135          | 138          | 44           | 44           |
|                                     | <u>758</u>   | <u>801</u>   | <u>247</u>   | <u>270</u>   |
| <u>Europe</u>                       |              |              |              |              |
| Asia-Europe                         | 360          | 317          | 116          | 109          |
| Transatlantic                       | 101          | 96           | 30           | 31           |
|                                     | <u>461</u>   | <u>413</u>   | <u>146</u>   | <u>140</u>   |
| <u>Asia/Middle East</u>             |              |              |              |              |
| Intra-Asia                          | 936          | 788          | 306          | 245          |
| <b>Total Volume <sup>6</sup></b>    | <b>2,155</b> | <b>2,002</b> | <b>699</b>   | <b>655</b>   |
| <b>Operating Expenses (US\$m)</b>   |              |              |              |              |
| <u>Americas</u>                     |              |              |              |              |
| Transpacific                        | 2,639        | 2,566        | 867          | 887          |
| Latin America                       | 495          | 499          | 164          | 156          |
|                                     | <u>3,134</u> | <u>3,065</u> | <u>1,031</u> | <u>1,043</u> |
| <u>Europe</u>                       |              |              |              |              |
| Asia-Europe                         | 1,061        | 924          | 357          | 315          |
| Transatlantic                       | 348          | 312          | 110          | 106          |
|                                     | <u>1,409</u> | <u>1,236</u> | <u>467</u>   | <u>421</u>   |
| <u>Asia/Middle East</u>             |              |              |              |              |
| Intra-Asia                          | 1,474        | 1,242        | 494          | 392          |
| <b>Total Operating Expenses</b>     | <b>6,017</b> | <b>5,543</b> | <b>1,992</b> | <b>1,856</b> |
| <b>Analysis of Expenses (US\$m)</b> |              |              |              |              |
| Operating Cost                      | 5,429        | 4,977        | 1,797        | 1,655        |
| General and Administrative          | 384          | 366          | 130          | 137          |
| Depreciation and Amortisation       | 204          | 200          | 65           | 63           |
| Others <sup>7</sup>                 | -            | -            | -            | 1            |
| <b>Total Operating Expenses</b>     | <b>6,017</b> | <b>5,543</b> | <b>1,992</b> | <b>1,856</b> |

<sup>6</sup> Represents volume recognised from each Bill of Lading upon commencement of shipment on vessels.

<sup>7</sup> Others consists of non-controlling interest and share of results of associated companies and joint ventures.



(c) **Analysis by Business Units (continued)**

(ii) **Logistics**

YTD 2011 vs YTD 2010

Logistics achieved YTD 2011 revenue of US\$1.02 billion, 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\$639 million, a YoY increase of 22% due to higher volumes in the rail and land transport business segment and business areas that service the automotive and retail sectors.

International Services achieved revenue of US\$376 million, a YoY increase of 5% due to higher shipment volume in the forwarding business segment.

Logistics achieved a Core EBIT of US\$49 million for YTD 2011, an increase of US\$4 million or 9% YoY, mainly due to higher earnings achieved in the Contract Logistics segment, particular the rail and land transport business segment and business areas that service the automotive sector, but partially offset by higher administrative and technology costs associated with expanding the business.

Q3 2011 vs Q3 2010

Logistics achieved Q3 2011 revenue of US\$333 million, a year-on-year (YoY) increase of 10% mainly due to higher volumes in the Contract Logistics business segment.

Contract Logistics achieved revenue of US\$206 million, a YoY increase of 26% due to higher volumes in the rail and land transport business segment and business areas that service the automotive and retail sectors.

International Services achieved revenue of US\$127 million, a YoY decrease of 8% due to lower freight rates.

Logistics achieved a Core EBIT of US\$16 million for Q3 2011, a decrease of US\$2 million or 11% YoY. The higher earnings in Contract Logistics was offset by higher operating, administrative and technology costs to grow the business, and forex loss mainly due to stronger US dollar during the quarter.

**LOGISTICS Q3 RESULTS 2011 and 2010**

*Unaudited*  
US\$ millions

|                                    | YTD 2011     | YTD 2010   | Q3 2011    | Q3 2010    |
|------------------------------------|--------------|------------|------------|------------|
| <b>BY REGION</b>                   |              |            |            |            |
| <b>Revenue</b>                     |              |            |            |            |
| Americas                           | 631          | 539        | 203        | 178        |
| Europe                             | 120          | 108        | 40         | 41         |
| Asia/Middle East                   | 264          | 233        | 90         | 83         |
| <b>Total Revenue</b>               | <b>1,015</b> | <b>880</b> | <b>333</b> | <b>302</b> |
| <b>BY BUSINESS SEGMENT</b>         |              |            |            |            |
| <b>Revenue</b>                     |              |            |            |            |
| Contract Logistics Services        | 639          | 523        | 206        | 164        |
| International Services             | 376          | 357        | 127        | 138        |
| <b>Total Revenue</b>               | <b>1,015</b> | <b>880</b> | <b>333</b> | <b>302</b> |
| <b>Operating Expenses</b>          |              |            |            |            |
| Contract Logistics Services        | 619          | 512        | 200        | 162        |
| International Services             | 347          | 323        | 117        | 122        |
| <b>Total Operating Expenses</b>    | <b>966</b>   | <b>835</b> | <b>317</b> | <b>284</b> |
| <b>Core EBIT<sup>8</sup></b>       |              |            |            |            |
| Contract Logistics Services        | 20           | 11         | 6          | 2          |
| International Services             | 29           | 34         | 10         | 16         |
| <b>Total Core EBIT<sup>8</sup></b> | <b>49</b>    | <b>45</b>  | <b>16</b>  | <b>18</b>  |
| <b>Analysis of Expenses</b>        |              |            |            |            |
| Operating Cost                     | 824          | 708        | 267        | 240        |
| General and Administrative         | 141          | 120        | 49         | 42         |
| Depreciation and Amortisation      | 7            | 8          | 2          | 3          |
| Others <sup>9</sup>                | (6)          | (1)        | (1)        | (1)        |
| <b>Total Operating Expenses</b>    | <b>966</b>   | <b>835</b> | <b>317</b> | <b>284</b> |

<sup>8</sup> Earnings before Interest, Tax and Exceptional (Non-Recurring) Items.

<sup>9</sup> Others consists of non-controlling interest and share of results of associated companies and joint ventures.

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

N.A.

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.**

Global economic conditions have not improved. With continued low freight rates in container shipping and slowing trade demand, NOL Group expects to report a loss for the full year in 2011.

14. **Dividend**

(a) **Any dividend recommended for the current financial period 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**

| <b>Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual</b> | <b>YTD 2011<br/>US\$'000</b> | <b>YTD 2010<br/>US\$'000</b> | <b>Q3 2011<br/>US\$'000</b> | <b>Q3 2010<br/>US\$'000</b> |
|--|------------------------------|------------------------------|-----------------------------|-----------------------------|
| <b>Transactions for the Purchase of Goods and Services</b>   |                              |                              |                             |                             |
| PSA Corporation Limited and its associates   | 163,880                      | 131,127                      | 51,870                      | 43,073                      |
| Sembcorp Marine Ltd and its associates   | -                            | 502                          | -                           | 256                         |
| Singapore Telecommunications Limited and its associates  | 110                          | -                            | 39                          | -                           |
| <b>Transactions for the Purchase of Assets</b>   |                              |                              |                             |                             |
| Singapore Telecommunications Limited and its associates  | -                            | 821                          | -                           | 774                         |
| <b>Transactions for the Leasing-in of Assets</b>   |                              |                              |                             |                             |
| Sembcorp Marine Ltd and its associates   | 2,579                        | 2,325                        | 828                         | 757                         |

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 31 October 2011