APL

CMA CGM group

Preliminary unaudited Financial Highlights

For the year ended 30 December 2016

14 March 2017

	FY 16	FY 15[1] Restated[2]	Change Better/(Worse)	2H 16	2H 15 Restated[2]	Change Better/(Worse)
Revenue (US$m)	4,642	5,410	(14%)	2,491	2,484	-
Core EBITDA (US$m)	67	294	(77%)	70	65	8%
Core EBIT (US$m)	(270)	(89)	(203%)	(80)	(127)	37%
Core EBIT Margin (%)	-5.8%	-1.6%	(4.2%pt)	-3.2%	-5.1%	1.9%pt
Net (loss)/profit including Non-Recurring Items (US$m)	(1,196)	(198)	(504%)	(762)	(170)	(348%)
Net (loss)/profit excluding Non-Recurring Items (US$m)	(369)	(213)	(73%)	(108)	(181)	40%
Volume ('000 FEUs)	2,552	2,469	3%	1,356	1,220	11%
Average Freight Revenue per FEU (US$)	1,619	1,887	(14%)	1,647	1,769	(7%)
Cost of Sales per FEU (US$)	1,754	2,034	14%	1,724	1,957	12%

[1] FY15 pertains to Liner results excluding divested Logistics business unit.
[2] Restated due to recognition of an onerous contract in prior years.

<u>Operations Review</u>

Full year revenue of US$4.6 billion in 2016 was 14% lower than 2015, driven by a 14% decline in average freight revenue per FEU to US$1,619, which was partially offset by a 3% increase in volumes to 2.55 million FEUs.

Cost reductions and operational optimisations resulted in a significant reduction of cost of sales of US$280 per FEU in 2016 compared to the previous year. However, it was not enough to fully mitigate the impact of negative market conditions, resulting in a full year Core EBIT (Earnings before Interest and Taxes) loss of US$270 million. Core EBITDA remained positive at US$67 million.

Net loss including non-recurring items stood at US$1.2 billion. Excluding non-recurring items of US$827million which mainly comprise loss on disposal of vessels as well as a write down in value of an IT system, NOL incurred a full year net loss of US$369 million.

Integration with CMA CGM Group

NOL's integration with the CMA CGM Group continues to deliver operating improvements and commercial growth opportunities. With access to the scale and resources of the CMA CGM Group, APL now operates with flexibility within a robust framework while sharpening its cost advantage.

Since its acquisition by the CMA CGM Group in June 2016, APL achieved a reduction of 12% or US$233 in cost of sales per FEU during the last six months of 2016 versus the corresponding period in 2015. This is a result of rigorous cost management as well as cost savings through operational and procurement synergies with the CMA CGM Group.

The cost improvements outrun the 7% fall in freight rates in 2H16, narrowing Core EBIT loss by 37% from US$127 million in the same period in 2015 to US$80 million.

Tapping on the Group's network, APL has launched 24 new service offerings since June 2016. In the Trans-Pacific, APL has taken over the US Lines business, strengthening its book of business in the US. APL has also expanded its market reach and entered new markets in Latin America, re-entered the direct India–Northern Europe trade and gained access to the West Mediterranean to/from US East Coast market.

APL remains a standalone brand within the CMA CGM Group. In April 2017, APL will join the OCEAN ALLIANCE, enlarging its network coverage with 38 OCEAN ALLIANCE services that APL is offering. Beyond the OCEAN ALLIANCE, APL is offering over 70 services globally.