NOL's 2013 financial performance up 82%

Group narrows net loss; lifted by US$470m cost savings and building sale

SINGAPORE, 20 February 2014 – NOL Group today reported a 2013 net loss of US$76 million, improving 82% from a US$412 million loss the previous year.

The Group's full year financial results were helped by a non-recurring US$200 million gain from the completed sale of its headquarter building in Singapore, as well as its continued focus on operational efficiency and cost management, which delivered US$470 million worth of cost savings in 2013. Coupled with US$504 million saved in 2012, NOL had shed almost US$1 billion in costs over the past two years.

"The delivery of new tonnage in 2013 added to the over-capacity in the container shipping industry. Overall freight rates declined through the year, with the fourth quarter recording one of the lowest levels the industry has seen in the last three years," said NOL Group CEO Ng Yat Chung. "Despite the tough environment, the Group put in a better financial performance. We started the year with an improved cost base which we continued to build on. In particular, our liner business strengthened its operating results, delivering a significant 72% improvement in Core EBITDA."

NOL Group reported positive Core EBITDA of US$150 million, a 24% year-on-year improvement from 2012. Over the same period, NOL's revenue dropped 7% to US$8.8 billion. NOL registered a Core EBIT loss of US$167 million, a 9% improvement from a year earlier.

FINANCIAL PERFORMANCE

		FY13	FY12	Better/(Worse) Change %		4Q13	4Q12	Better/(Worse) Change %
Revenue (US$m)		8,831	9,512	(7)		2,334	2,499	(7)
Core EBITDA (US$m)		150	121	24		7	25	(72)
Core EBIT (US$m)		(167)	(183)	9		(82)	(56)	(46)
Net loss (US$m)		(76)	(412)	82		(137)	(91)	(51)

Note:

1) With effect from 3Q13, in addition to interest expense, the definition of Core EBIT has changed to exclude other finance expense and income. Comparative numbers have been restated accordingly
2) 2012's results are restated for comparative purposes due to retrospective application of Amendments to FRS 19: Employee Benefit (Revised), which is effective from financial year 2013.

BUSINESS SEGMENTS

APL, NOL's container shipping business, reported a 9% dip in revenue to US$7.3 billion, which the company attributed to capacity management and a sharp fall in freight rates. In spite of the lower revenue, APL made a 2013 Core EBIT improvement of 8% over 2012, registering a loss of US$231 million.

"Our revenue was hard hit by a drastic drop in freight rates. We had also experienced one of the weakest third and fourth quarters in recent years," said APL President Kenneth Glenn. "APL's improved cost structure will sustain our long-term growth, evidenced by our improving operating results. We are also sharpening our competitive edge through the adoption of a function-led management approach to speed up decision-making and improve market responsiveness."

In 2013, APL's headhaul utilisation stayed above 90%. Its average revenue per forty-foot-equivalent unit (FEU) dropped 8%, while operational efficiencies and lower bunker prices helped reduce cost of sales per FEU by 8%. By the end of 2013, APL had taken delivery of 24 out of 34 new vessels. APL expects to reap even greater operational efficiencies with the arrival of the remaining 10 fuel-efficient vessels in 2014, which will replace 20 smaller vessels on expiring charters.

NOL's supply chain management business, APL Logistics, maintained its steady performance in 2013 despite the weak global economy. It delivered revenue of US$1.6 billion, up 2% from

2012. APL Logistics remained profitable, posting a full year Core EBIT of US$64 million, 4% down from the previous year. The decline was largely attributed to a lower contribution from its Contract Logistics business.

In 2013, Contract Logistics experienced a slight 2% drop in revenue to US$1 billion, with Core EBIT at US$22 million. This was mainly due to an extended automotive plant shutdown in North America in the second and third quarters of 2013, further hampered by a slow sector recovery in the rest of the year. Over the same period, International Logistics Services' revenue improved 10% year-on-year to US$585 million, fuelled by business expansion in emerging markets in Asia/Middle East and Latin America. International Logistics Services' 2013 Core EBIT rose 35% year-on-year to US$42 million.

OUTLOOK

Global economic growth prospects are uncertain. Conditions in the liner industry are expected to remain challenging due to continued over-supply of capacity. Liner freight rates will remain under pressure. The Group will continue its focus on managing costs and operational efficiencies with the aim to improve its financial performance in 2014.

FY 2013 AND 4Q 2013 OPERATING PERFORMANCE

Liner Shipping

		FY13	FY12	Change % Better/ (Worse)	4Q13	4Q12	Change % Better/ (Worse)
Revenue (US$m)		7,329	8,054	(9)	1,922	2,089	(8)
Core EBITDA (US$m)		74	43	72	(15)	(4)	(275)
Core EBIT* (US$m)		(231)	(250)	8	(101)	(82)	(23)
Average Revenue/FEU (US$)		2,318	2,509	(8)	2,218	2,419	(8)
Volume ('000 FEU)		2,946	3,020	(2)	800	802	-

Logistics

		FY13	FY12	Change % Better/ (Worse)	4Q13	4Q12	Change % Better/ (Worse)
Revenue (US$m)		1,586	1,555	2	434	435	-
Core EBITDA (US$m)		76	78	(3)	22	29	(24)
Core EBIT* (US$m)		64	67	(4)	19	26	(27)
Core EBIT margin		4.0	4.3	-	4.4	6.0	-

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Media enquiries

Pamela Pung
Telephone: (65) 6371 7959
Email: Pamela_Pung@nol.com.sg

Clarence Au Kheng Sheng
Telephone: (65) 6371 5180
Email: Kheng_Sheng_Au@nol.com.sg

Investor enquiries

Au Kah Soon
Telephone: (65) 6371 2597
Email: Kah_Soon_Au@nol.com.sg

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.