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NOL narrows Fourth Quarter Core EBIT loss by 79%

Group's full year Core EBIT loss reduced by 54%

SINGAPORE, 13 February 2015 - NOL Group today reported a fourth quarter 2014 Core EBIT (Earnings Before Interest, Taxes and Non-Recurring Items) loss of US\$17 million, a year-on-year reduction of 79%. On a full year basis, the Group posted a Core EBIT loss of US\$76 million and a net loss of US\$260 million.

The Group also improved its Core EBITDA in the quarter, bringing it to US\$92 million compared to US\$7 million in the same period last year. Singapore-based NOL attributed this to its continuous focus on operational efficiency and rigorous cost management. The Group recorded US\$430 million worth of cost savings in 2014.

“In spite of challenging conditions, especially on the US West Coast, our container shipping arm reduced its operating losses, delivering a year-on-year improvement in Core EBITDA, reflecting the progress made in its cost and efficiency drive. At the same time, our logistics business continued to grow, expanding its capability and presence in key growth markets,” said NOL Group CEO Ng Yat Chung. “While we are seeing some benefits from the current trend of lower bunker prices, the longer term impact of the drop in fuel price on container freight rates is uncertain. More port congestion, resulting from further deterioration in the labour situation on the US West Coast, is a potential risk factor.”

FINANCIAL PERFORMANCE

	FY14	FY13	Better/(Worse) Change %	4Q14	4Q13	Better/(Worse) Change %
Revenue (US\$m)	8,617	8,831	(2)	2,228	2,334	(5)
Core EBITDA (US\$m)	317	150	111	92	7	1,214
Core EBIT (US\$m)	(76)	(167)	54	(17)	(82)	79
Net loss (US\$m)	(260)	(76) ¹	(241)	(85)	(137)	38

¹ FY13 results includes NRI of US\$200m gain from sale of NOL headquarter building.

BUSINESS SEGMENTS

APL's operational performance strengthens amid challenges

APL, NOL's container shipping business, narrowed its year-on-year Core EBIT loss by 64% to US\$37 million in the fourth quarter, attributing it to its efforts to manage costs and increase operational efficiencies.

APL cut back its fleet capacity and enhanced cargo selection to improve its operating performance. Volume fell 8% in the quarter over the prior year as a result of capacity management and fewer sailings in the Transpacific services calling Southern California as US port congestion continued. Fourth quarter revenue dropped 7% to US\$1.8 billion compared to the same period last year.

"Southern California port congestion arising from trucker shortage and chassis issues, among others, negatively impacted both our cost and service levels in the second and third quarters of 2014. Congestion on the US West Coast due to ongoing labour negotiation hampered our operational ability in the fourth quarter," said APL President Kenneth Glenn. "Despite the difficulties, APL performed better year-on-year due to stringent cost management and operational efficiency. We will maintain our focus on reducing costs, leveraging network efficiencies, and concentrating on yield management in key trade routes. In addition, we have 19 chartered ships scheduled for expiry in 2015 – this will further enhance our cost structure."

In 2014, APL's headhaul utilisation went up to 94% from 91% in 2013. APL expanded its cooperation with G6 Alliance partners into the North America West Coast and Transatlantic trade lanes to reap economies of scale.

APL Logistics enhances capabilities for further growth

NOL's supply chain management business, APL Logistics recorded 5% growth in fourth quarter revenue to US\$458 million and a Core EBIT of US\$20 million.

"APL Logistics maintained its positive performance due to a steady revenue growth across all markets. We have completed our organisational transition in support of our growth strategy focusing on four verticals, namely automotive, consumer, industrials and retail in high growth markets. APL Logistics continues to ensure it delivers reliable services while making strategic investments to further strengthen its sales, operational and information technology capabilities," said APL Logistics President Beat Simon.

APL Logistics continued to deliver innovative supply chain solutions through its joint venture company in India. APL Logistics VASCOR Automotive started operations of AutoLinxSM, a rail-based solution for finished vehicle distribution across India. Further development in India was made through the acquisition of the remaining 24% shareholding in India Infrastructure & Logistics Private Limited which operates freight rail train services in India.

During the year, APL Logistics through its joint venture company VASCOR Ltd, also acquired Commonwealth Express Ltd, a US-based specialist in asset-based transportation and brokerage services. The acquisition enhances VASCOR's capabilities and service portfolio to serve a diverse customer group in the US.

DIVIDENDS

Due to losses incurred, the NOL Board of Directors has recommended that no dividends be declared for financial year 2014. The Company's current dividend policy is to pay 20% of net profit after tax. Going forward, in view of the volatility of the container shipping industry, the Board will decide on dividend payments after taking into consideration the profitability, investment opportunities and the overall capital management plan of the Group.

FY 2014 AND 4Q 2014 OPERATING PERFORMANCE

Liner Shipping

	FY14	FY13	Change % Better/ (Worse)	4Q14	4Q13	Change % Better/ (Worse)
Revenue (US\$m)	7,039	7,329	(4)	1,792	1,922	(7)
Core EBITDA (US\$m)	237	71 ¹	234	68	(18) ¹	n.m.
Core EBIT (US\$m)	(143)	(234) ¹	39	(37)	(104) ¹	64
Average Revenue/FEU (US\$)	2,264	2,318	(2)	2,179	2,218	(2)
Volume ('000 FEU)	2,827	2,946	(4)	734	800	(8)

n.m. not meaningful

¹ FY13 and 4Q13 Core EBITDA and Core EBIT have been restated due to change in cost allocation between Liner and Logistics.

Logistics

	FY14	FY13	Change % Better/ (Worse)	4Q14	4Q13	Change % Better/ (Worse)
Revenue (US\$m)	1,659	1,586	5	458	434	5
Core EBITDA (US\$m)	80	79 ¹	1	24	25 ¹	(4)
Core EBIT (US\$m)	67	67 ¹	-	20	22 ¹	(9)
Core EBIT margin (%)	4.0	4.2	-	4.4	5.1	-

¹ FY13 and 4Q13 Core EBITDA and Core EBIT have been restated due to change in cost allocation between Liner and Logistics

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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.