

# 1Q 2014 Performance Review

14 May 2014



# Forward Looking Statements

The following presentation includes forward-looking statements, which involve known and unknown risks and uncertainties, that could cause actual results or performance to differ. Forward looking information is based on current views and assumptions of management, including, but not limited to, prevailing economic and market conditions. Such statements are not, and should not be interpreted as a forecast or projection of future performance.

# 1Q 2014 Performance Review



# NOL Group 1Q14 Results Highlights

## Group reports YoY improvement in 1Q Core EBIT

- Revenue eased 4% to US\$2.3b
- Achieved US\$80m cost savings
- Core EBIT loss improved 14% YoY to US\$65m
- Net loss before NRI narrowed 16% to US\$98m

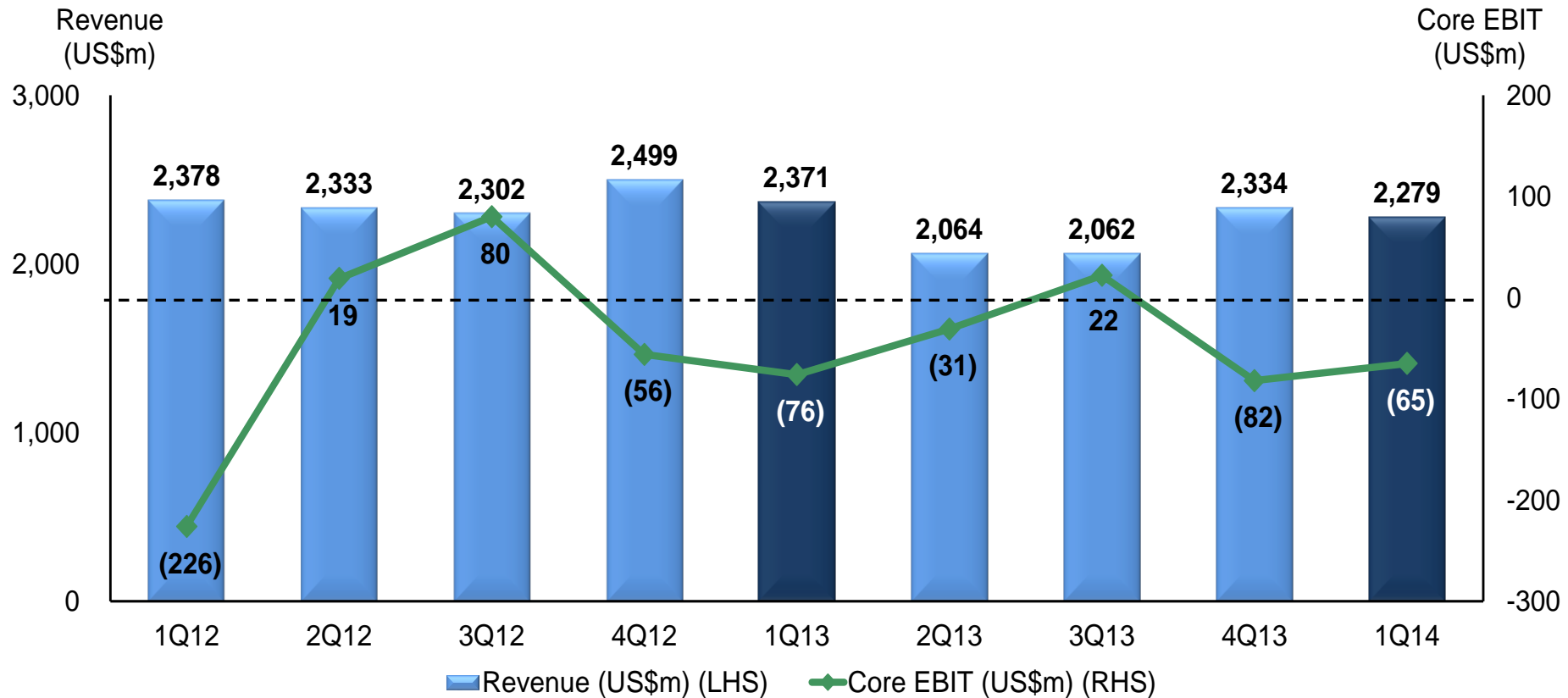
## Liner capacity & cost discipline drove improved results

- Revenue fell 5% YoY as overcapacity impacted freight rates in core trade lanes
- Disciplined capacity management while growing volume 2% YoY
- Operational efficiencies reduced Core EBIT loss 10% YoY to US\$83m

## Logistics increased profitability

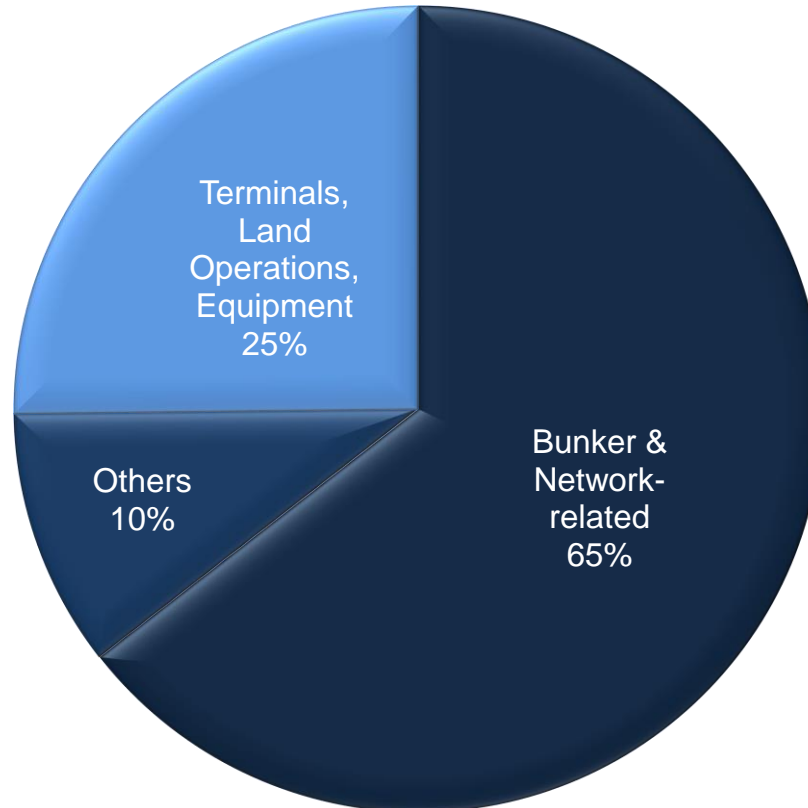
- Firm demand in Europe & Asia/Mid-East offset lower US revenue
- Logistics Core EBIT of US\$18m, up 13% YoY on firmer margins

# Operational & cost efficiencies continued to improve Group Core EBIT



# Group achieved US\$80m cost savings

## 1Q14 cost savings categories



# Group will continue its focus on efficiency

Global economic prospects and trading conditions remain uncertain. Oversupply of shipping capacity will continue to exert pressure on liner freight rates. The Group aims to improve its financial performance in 2014, through its continued focus on cost discipline and drive for operational efficiency.

## 2. 1Q 2014 Financial Performance

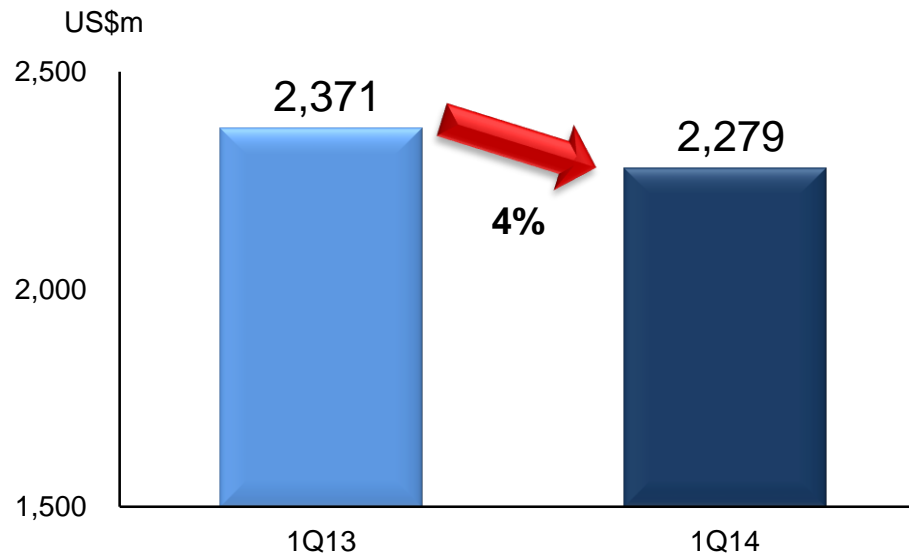




# Group Financial Highlights

Revenue declined 4% on weaker freight rates

## Revenue

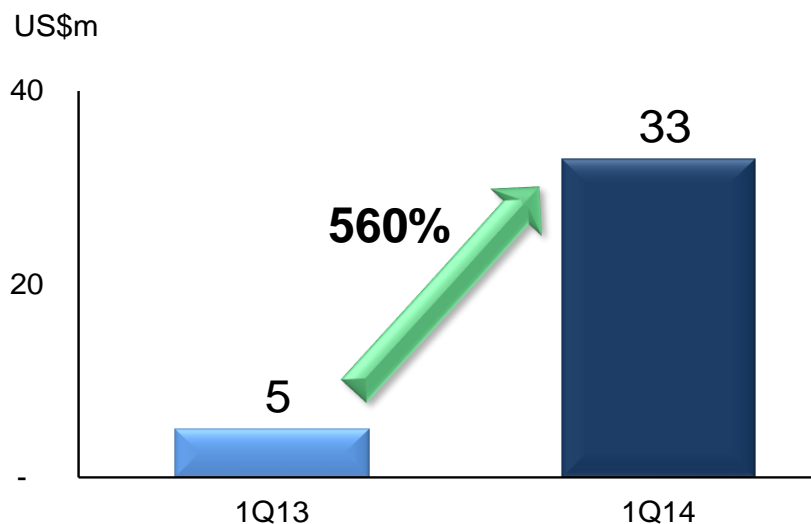


(US\$m)	1Q13	1Q14	% ▲ Better/ (Worse)
Liner	1,967	1,878	(5)
Logistics	427	423	(1)
Elimination	(23)	(22)	4
<b>Total</b>	<b>2,371</b>	<b>2,279</b>	<b>(4)</b>

# Group Financial Highlights

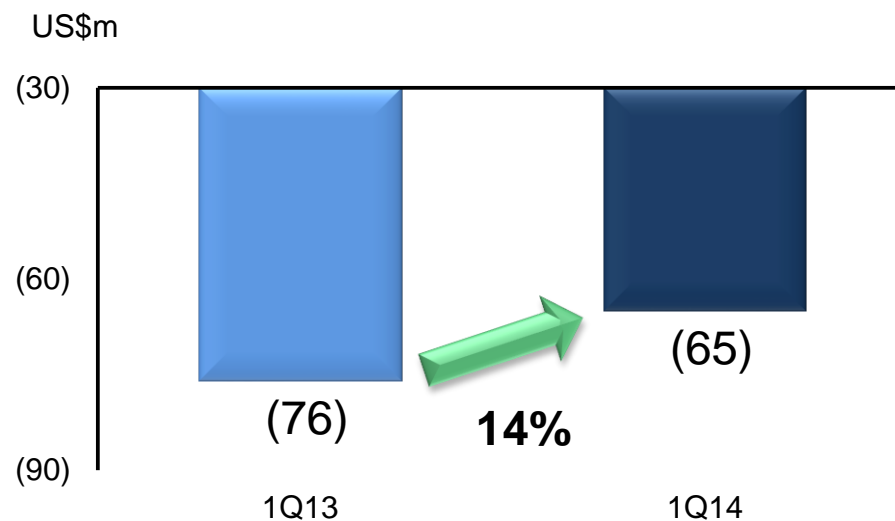
Significantly improved Core EBITDA & Core EBIT

## Core EBITDA



(US\$m)	1Q13	1Q14	% ▲ Better/ (Worse)
Liner	(14)	12	n.m.
Logistics	19	21	11
<b>Total</b>	<b>5</b>	<b>33</b>	<b>560</b>

## Core EBIT



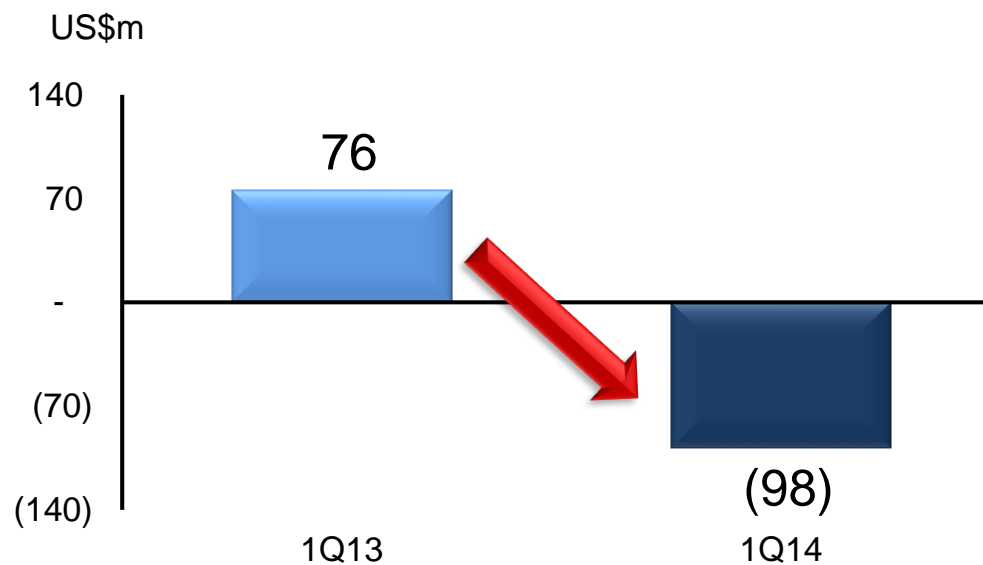
(US\$m)	1Q13	1Q14	% ▲ Better/ (Worse)
Liner	(92)	(83)	10
Logistics	16	18	13
<b>Total</b>	<b>(76)</b>	<b>(65)</b>	<b>14</b>

- 1) With effect from 3Q13, in addition to interest expense, the definition of Core EBIT and Core EBITDA have changed to exclude other finance expense and income. Comparative numbers restated accordingly
- 2) Core EBIT excludes non-recurring items

# Group Financial Highlights

1Q13 net result included US\$200m NOL building sale gain

## Net Profit / (Loss)



1Q13 included  
US\$200m building  
sale gain

# Group Balance Sheet Highlights

US\$m	4 Apr 14	27 Dec 13
Total Assets	8,842	9,029
Total Liabilities	6,816	6,898
Total Equity	2,026	2,131
Total Debt	4,720	4,866
Total Cash	605	981
Net Debt	4,115	3,885
Gearing (Gross)	2.33 x	2.28 x
Gearing (Net)	2.03 x	1.82 x
NAV per share (US\$)	0.76	0.80
(S\$)	0.96	1.02

# Group Cash Flow Highlights

US\$m

1Q14

1Q13

**Cash & Cash Equivalents – Beginning @ Q1**

**981**

**897**

*Cash Inflow / (Outflow)*

Operating Activities

35

15

Investing/Capex Activities

(252)

(48)

Financing Activities

(159)

446

**Cash & Cash Equivalents – Closing @ Q1**

**605**

**1,310**

Note:

1) 1Q13 Investing/Capex Activities includes proceeds from NOL building sale

# Group Capital Expenditure

US\$m

1Q14

1Q13

1. Vessels

216

336

2. Equipment / Facilities

3

6

3. Drydock

11

17

4. IT

14

23

5. Others

4

3

**Total**

**248**

**385**

## 3. Liner

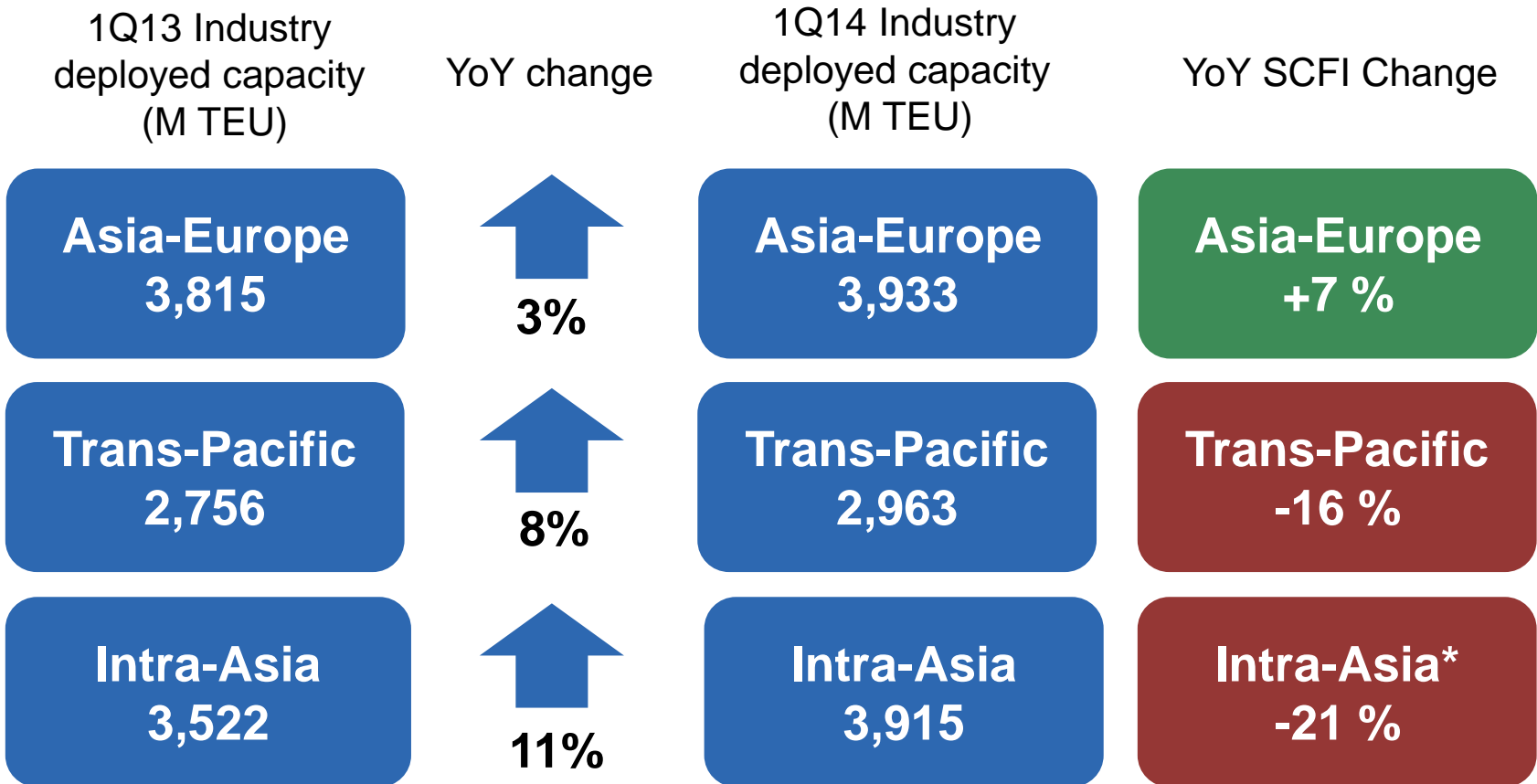
# Liner 1Q 2014 Highlights

## Capacity & cost discipline delivered improved results

- Industry overcapacity pressured freight rates in core trade lanes: Trans-Pacific and Intra-Asia
- Disciplined capacity management while growing volume 2% YoY
- Lower freight rates reduced revenue 5% YoY to US\$1.9b
- Focused cost management improved cost of sales/FEU by 6% YoY
- Fleet efficiency improved with delivery of 7 vessels (ave size 10,500 TEU) and disposal/return of 6 vessels (ave size 6,700 TEU)
- Bunker consumption reduced 5% YoY (35k MT)
- Core EBIT loss reduced 10% to US\$83m



# Overcapacity in APL core trades drove down spot freight rates



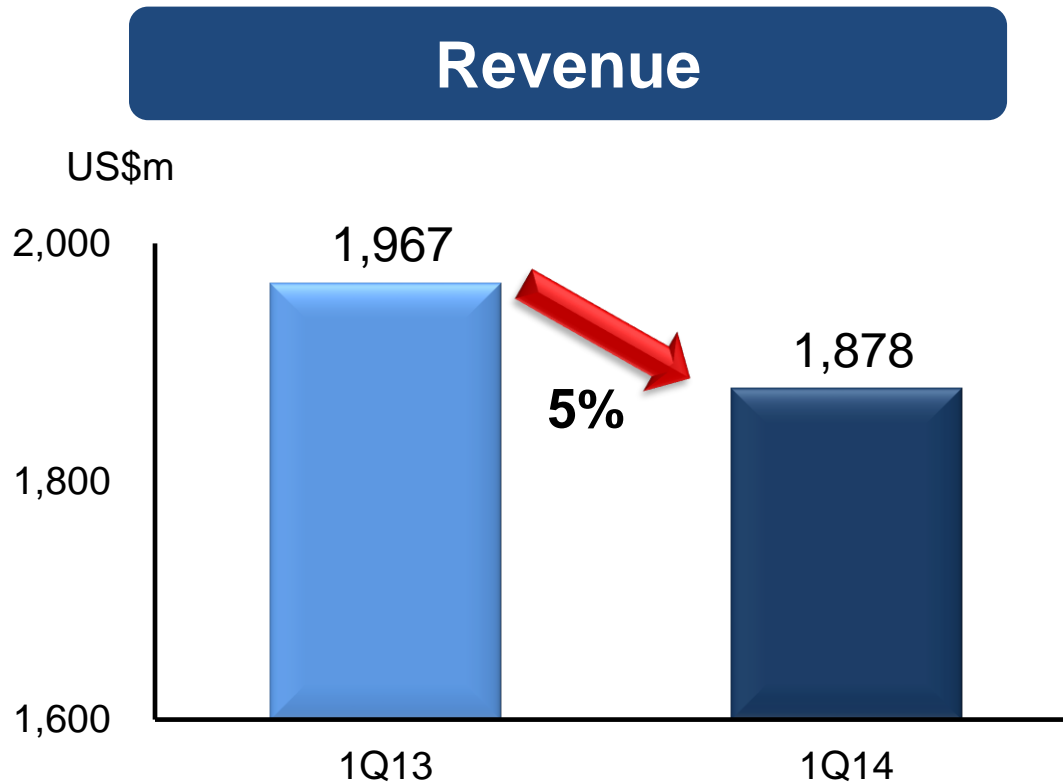
**Notes:**

1) Source: Alphaliner

2) \* Intra-Asia SCFI YoY % Change is a blended average of short sea and long haul trade routes

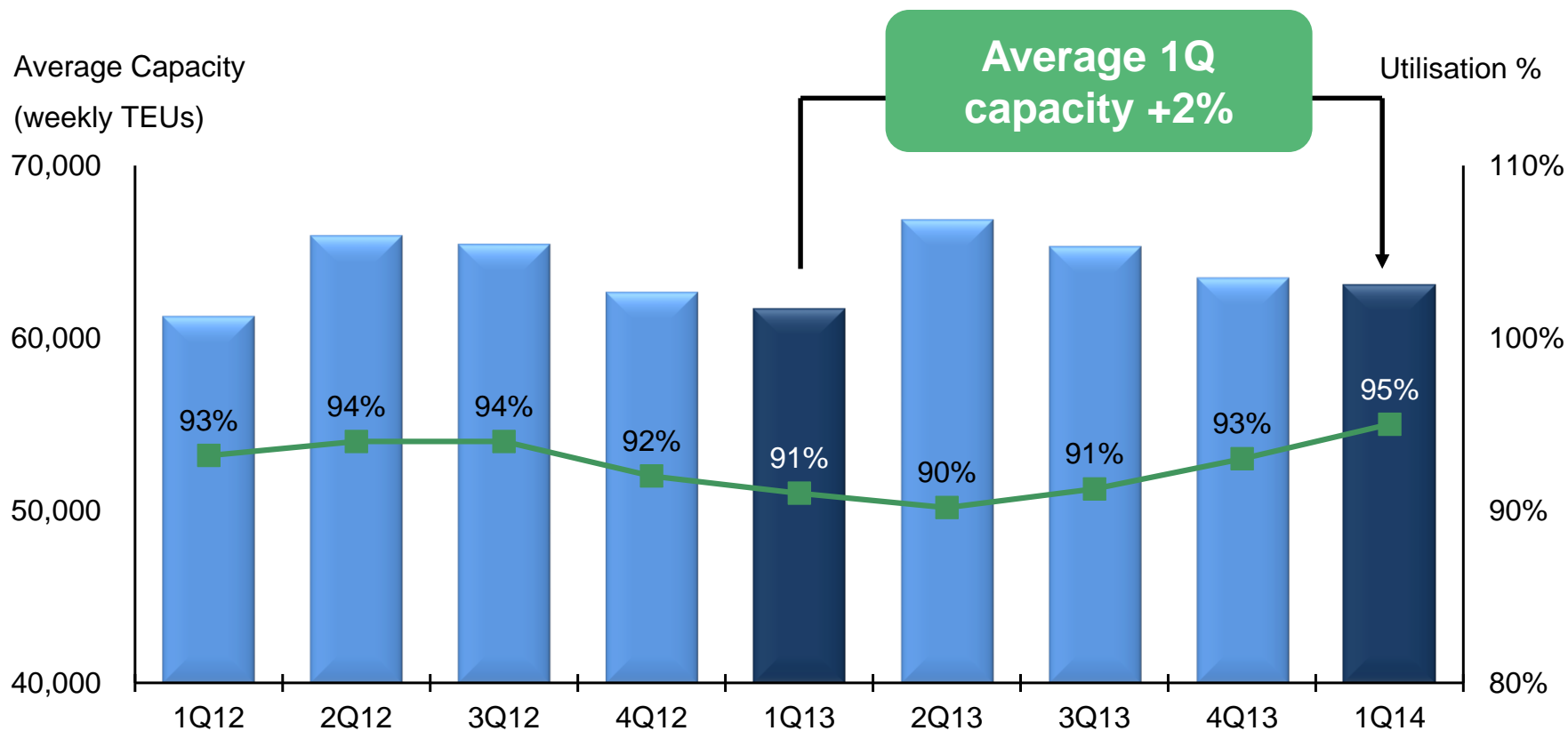


# APL partly mitigates rate weakness through capacity management & cargo mix



- Revenue/FEU fell 6% YoY on industry overcapacity in Trans-Pacific & Intra-Asia
- Revenue down 5% on lower freight rates

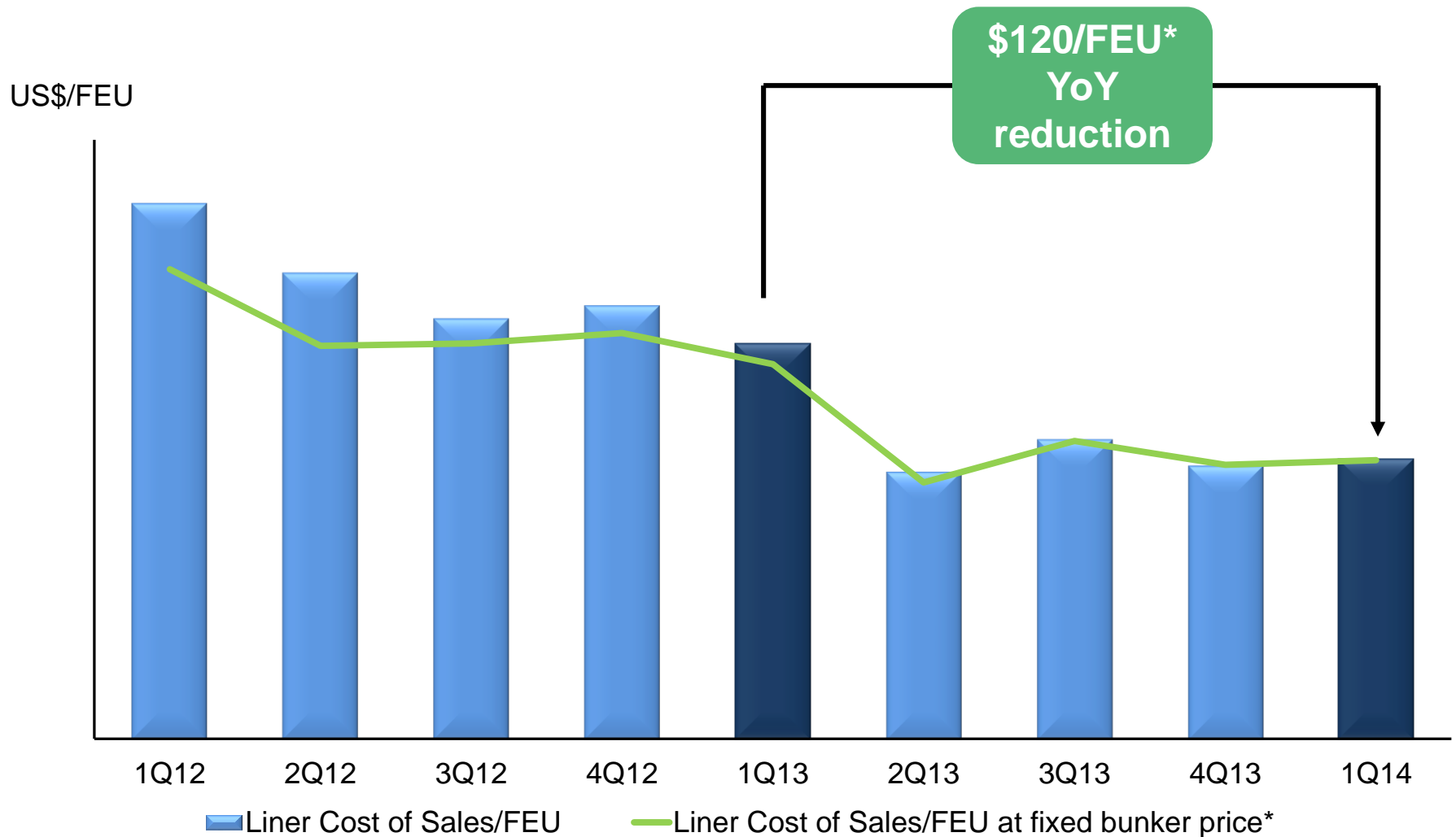
# Strict capacity management maintained high utilisation rate, helped by 2% YoY volume growth



Note: Figures are based on the headhaul leg of main linehaul services  
The capacity figures take into account "winter program" initiations



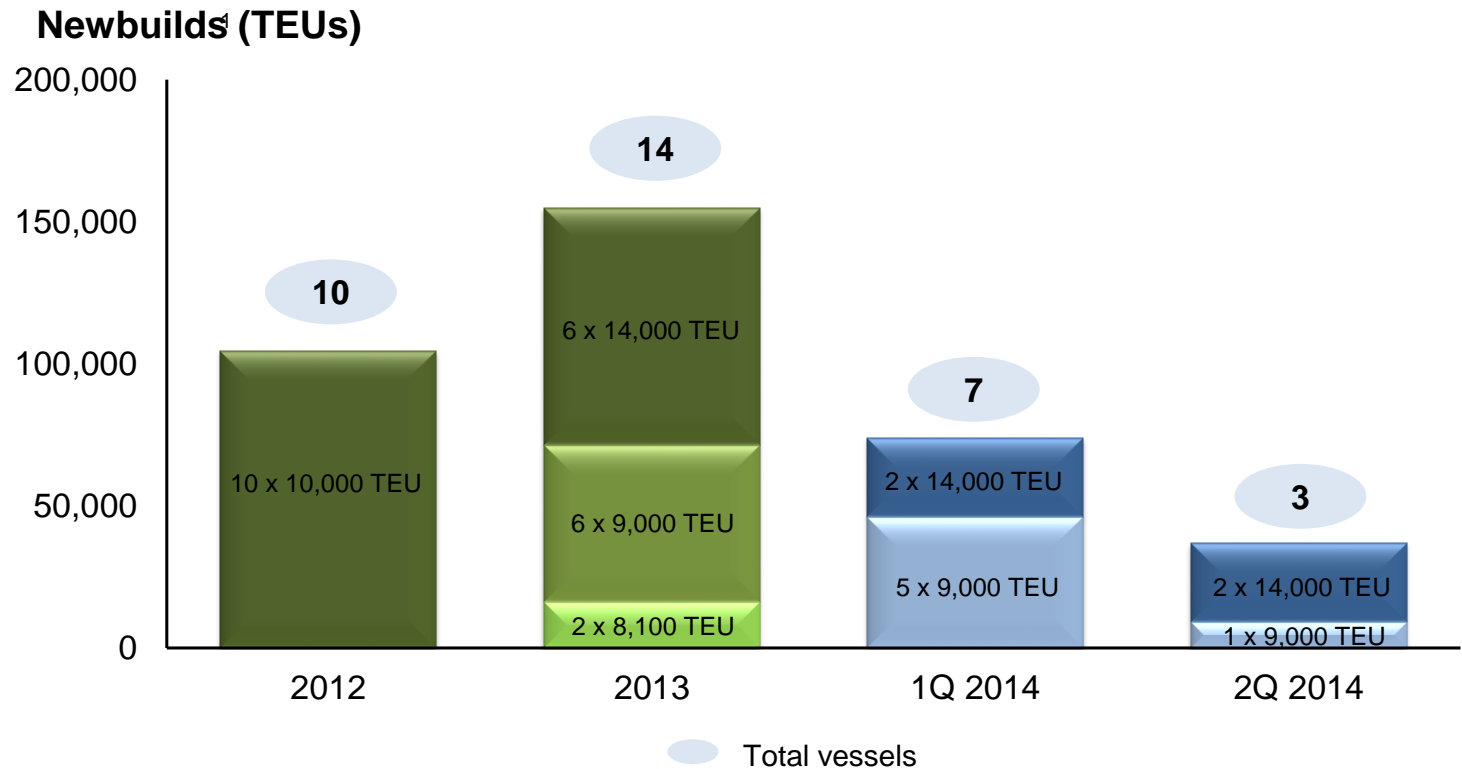
# Increased competitiveness as slot costs continue to be reduced



\* Calculated cost of sales per FEU at fixed bunker price of US\$600/MT from 1Q12 to 1Q14



# Vessel returns due FY14 offer opportunity to further increase competitiveness through fleet modernisation



	2012	2013	1Q14	2Q – 4Q14
Charter returns/ vessel disposals	31	14	6	14

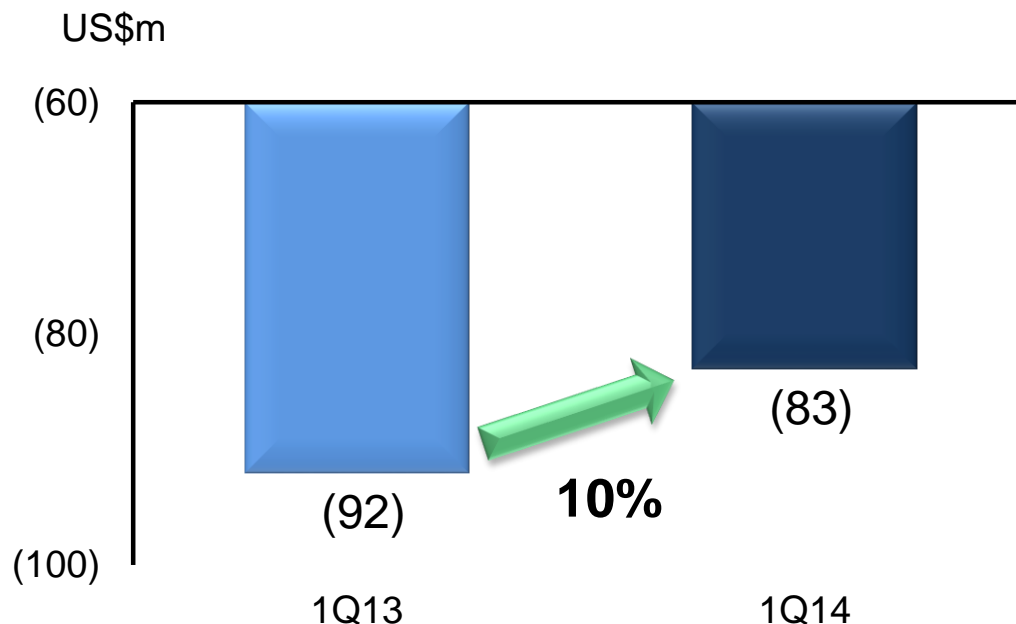
Note: 1) 5 out of the 10 x 14,000 TEU vessels for delivery between 2013 and 2014 will be chartered out to MOL

# Core EBIT loss reduced by 10% YoY

## Core EBIT

Cost of sales/FEU  
-6% YoY

Round trip  
profitability



- Strict cost management
- Focus on round-trip profitability

*Note: 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 restated accordingly*

# Liner business conditions

## Industry

- Overcapacity will persist
- Cascading of large ships expected to impact multiple trade lanes
- Increased scrapping to partially remove inefficient capacity

## APL

- Continue focus on:
  - Improved competitiveness by lowering slot costs
  - Being the customer's carrier of choice
  - Sustained cost & efficiency mindset
  - Operational excellence to reduce complexity, increase productivity

## 4. Logistics





# Logistics 1Q14 Results Highlights

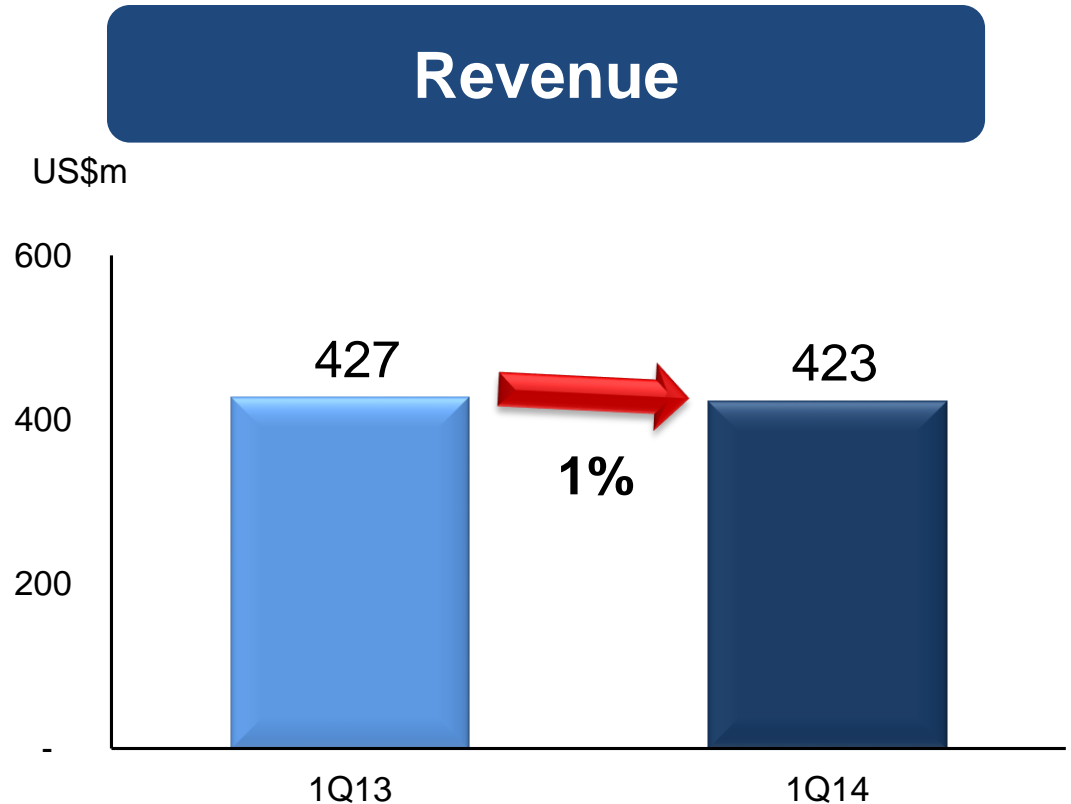
## Firm business conditions in Europe & Emerging Markets delivered improved Core EBIT

- Stronger Europe growth helped offset lower US business
- Stable Asia/Middle East demand
- Revenue US\$423m, eased 1% YoY
- Core EBIT of US\$18m, improved 13% YoY
- Core EBIT margin of 4.3%, up from 3.7% in 1Q13

# Revenue eased 1% in 1Q14

Severe US weather affected transport network

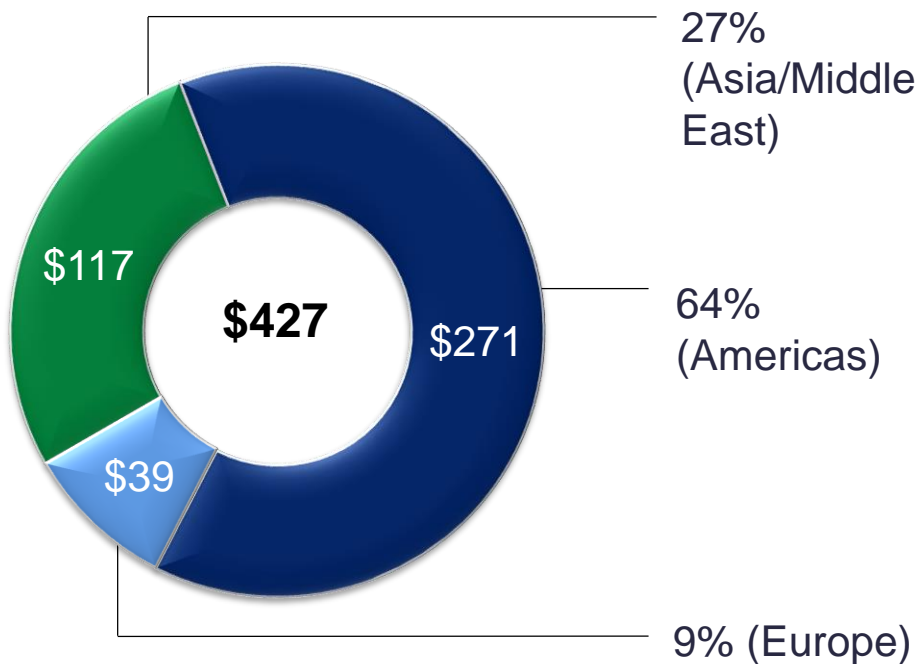
Continued demand in Europe & Asia/ME



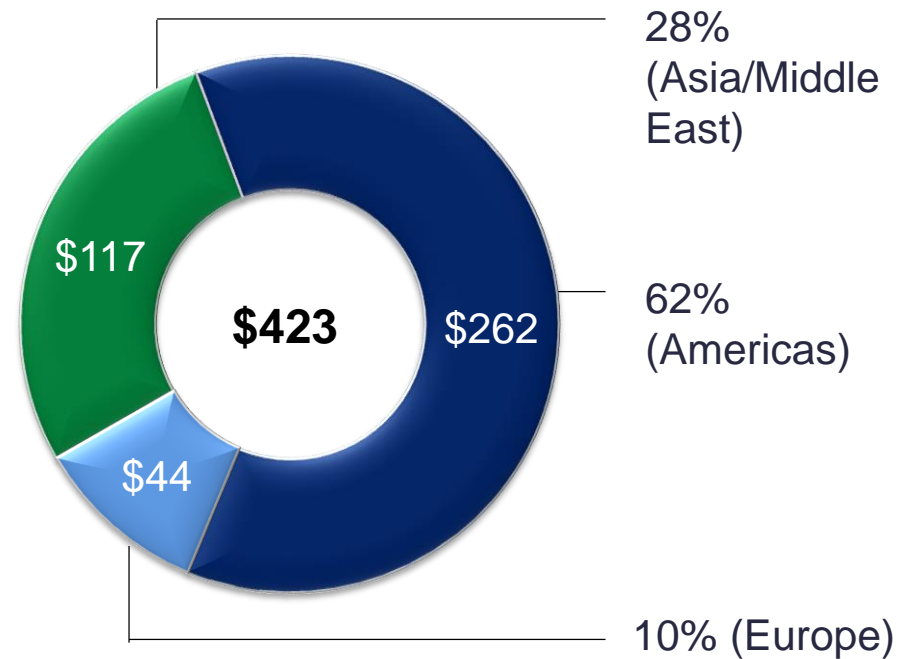
- Europe segment grew 13% YoY
- US segment down 3% YoY

# Revenue Trend by Region

Firm demand in Europe and Asia/Middle East



**1Q13 Revenue Breakdown  
– by Region (US\$m)**



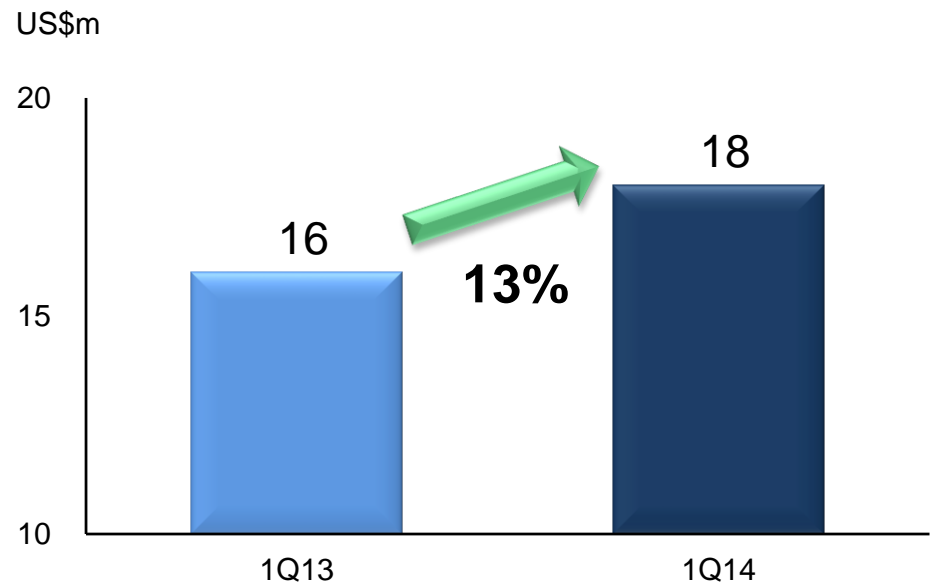
**1Q14 Revenue Breakdown  
– by Region (US\$m)**

# Core EBIT improved 13% on higher margins

Improved margins

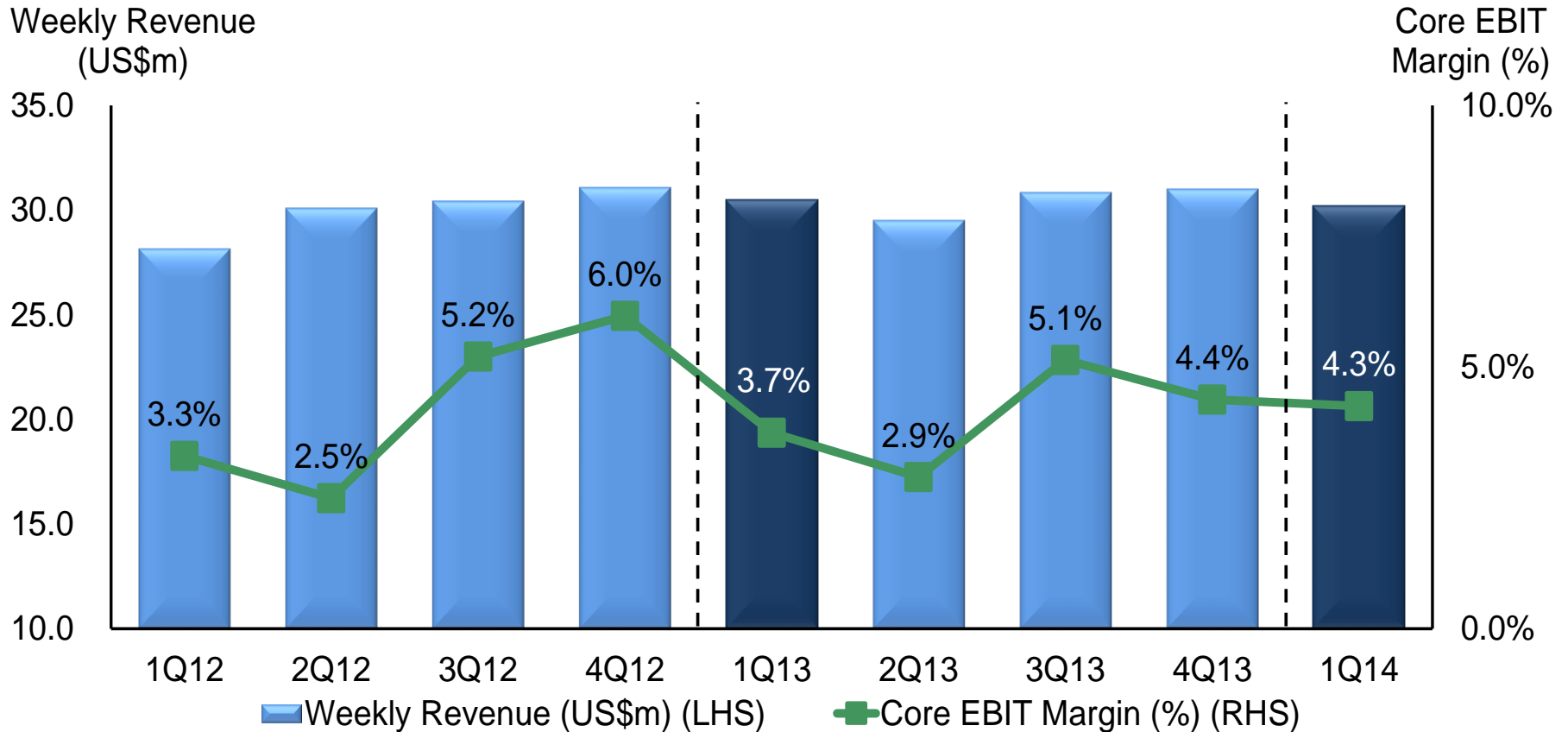
Cost discipline

## Core EBIT



*Note: 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 restated accordingly*

# Revenue and Core EBIT Margin Trend



# Logistics business conditions

## Industry

- Severe weather conditions in the U.S. slowed down the U.S. market
- Growing consumption in emerging markets provide new supply chain management opportunities

## APL Logistics

- Growth focus in selected verticals and attractive markets
- Maintain financial & cost discipline in pursuing opportunities

# Appendix

# Group Financial Highlights

Core EBIT improved 14% YoY, Net loss ex-NRI improved 16% YoY

US\$m	1Q14	1Q13	% ▲ Better/ (Worse)
Revenue	2,279	2,371	(4)
Core EBITDA	33	5	560
Core EBIT (before non-recurring items)	(65)	(76)	14
Non-recurring items <sup>1</sup>	-	192	(100)
EBIT	(65)	116	n.m.
Net (loss)/profit to owners of the company	(98)	76	n.m.
Net loss to owners of the company (before non-recurring items)	(98)	(116)	16

Note:

1) 1Q13 non-recurring items includes US\$200m gain from sale of NOL building

2) With effect from 3Q13, in addition to interest expense, the definition of Core EBITDA, Core EBIT and EBIT have changed to exclude other finance expense and income. Comparative numbers restated accordingly.





# Financial Highlights by Business Segment

Revenue (US\$m)	1Q14	1Q13	% ▲ Better/ (Worse)
Liner	1,878	1,967	(5)
Logistics	423	427	(1)
Elimination	(22)	(23)	4
<b>Total Revenue</b>	<b>2,279</b>	<b>2,371</b>	<b>(4)</b>

Core EBIT (US\$m)	1Q14	1Q13	% ▲ Better/ (Worse)
Liner	(83)	(92)	10
Logistics	18	16	13
<b>Total Core EBIT</b>	<b>(65)</b>	<b>(76)</b>	<b>14</b>

*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 restated accordingly

# Liner Results Summary

US\$m	1Q14	1Q13	% ▲ Better/ (Worse)
Revenue	1,878	1,967	(5)
Core EBITDA	12	(14)	n.m.
Core EBIT	(83)	(92)	10
EBIT	(82)	72	n.m.
Core EBIT margin (%)	(4.4)	(4.7)	

*Note:*

- 1) *With effect from 3Q13, in addition to interest expense, the definition of Core EBITDA, Core EBIT and EBIT have changed to exclude other finance expense and income. Comparative numbers restated accordingly*
- 2) *1Q13 EBIT of US\$72m is mainly due to US\$172m non-recurring item from sale of NOL building*

# Liner Operational Update

Volume ('000 FEUs)	1Q14	1Q13	% ▲
Transpacific	224	224	-
Intra-Asia	344	340	1
Asia-Europe	119	109	9
Latin America	53	52	2
Transatlantic	45	47	(4)
<b>Total</b>	<b>785</b>	<b>772</b>	<b>2</b>

Average Revenue/FEU (US\$)	1Q14	1Q13	% ▲
Transpacific	3,292	3,471	(5)
Intra-Asia	1,264	1,425	(11)
Asia-Europe	2,410	2,413	-
Latin America	3,271	3,591	(9)
Transatlantic	2,689	2,628	2
<b>Total</b>	<b>2,233</b>	<b>2,376</b>	<b>(6)</b>

Note: Based on point of sailing and inclusive of headhaul and backhaul trade.

# Logistics Results Highlights

US\$m	1Q14	1Q13	% ▲ Better/ (Worse)
Revenue	423	427	(1)
Core EBITDA	21	19	11
Core EBIT	18	16	13
EBIT	17	44	(61)
Core EBIT margin (%)	4.3	3.7	

*Note:*

- 1) *With effect from 3Q13, in addition to interest expense, the definition of Core EBITDA, Core EBIT and EBIT have changed to exclude other finance expense and income. Comparative numbers restated accordingly*
- 2) *1Q13 EBIT of US\$44m is mainly due to US\$28m non-recurring item from sale of NOL building*

# Performance Breakdown

Firmer margins improved Core EBIT by 13% to US\$18m

	1Q14	1Q13	% ▲ Better/ (Worse)
<b>Revenue (US\$m)</b>	<b>423</b>	<b>427</b>	<b>(1)</b>
• Contract Logistics	271	274	(1)
• International Services	152	153	(1)
<b>Core EBIT (US\$m)</b>	<b>18</b>	<b>16</b>	<b>13</b>
• Contract Logistics	9	8	13
• International Services	9	8	13
<b>Core EBIT Margin (%)</b>	<b>4.3</b>	<b>3.7</b>	
• Contract Logistics	3.3	2.9	
• International Services	5.9	5.2	

# Group Fuel and Currency Exposures

## Bunker

- The Group continues to recover part of its fuel price increases from customers through bunker adjustment factors.
- The Group also maintains a policy of hedging its bunker exposures.

## Foreign exchange

- Major foreign currency exposures are in Euro, Singapore Dollar, Canadian Dollar, Japanese Yen and Chinese Renminbi.
- The Group maintains a policy of hedging its foreign exchange exposures.

**End of Presentation  
Thank You**

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