NOL reduces Core EBIT loss despite difficult trading conditions

Cost management and efficiency gains lift Group's performance

SINGAPORE, 7 August 2014 – NOL Group today posted a 2Q 2014 net loss of US$54 million. Nevertheless, the Group has continued to make gains at the operating level, bringing its 2Q 2014 Core EBIT (Earnings Before Interest, Taxes and Non-Recurring Items) loss down to US$15 million, a year-on-year improvement of 52%.

The Group also improved its Core EBITDA this quarter, doubling it to US$78 million compared to US$39 million in the same period last year. NOL attributed the better results to its continuing focus on cost management and operational efficiency, which returned US$115 million worth of cost savings in the second quarter of 2014. Along with US$80 million recorded in the first quarter, this brings its total savings so far this year to nearly US$200 million, adding to the almost US$1 billion accrued in the preceding two years.

"The Group put in an improved performance despite the persistent, difficult trading conditions. We have more to do, but both business units have continued to make gains in improving our costs and efficiencies," said NOL Group President & CEO Ng Yat Chung.

FINANCIAL PERFORMANCE

		1H14	1H13	Change % Better/(Worse)		2Q14	2Q13	Change % Better/(Worse)
Revenue (US$m)		4,329	4,435	(2)		2,050	2,064	(1)
Core EBITDA (US$m)		111	44	152		78	39	100
Core EBIT (US$m)		(80)	(107)	25		(15)	(31)	52
Net (loss) / profit (US$m)		(152)	41	n.m.		(54)	(35)	(55)

n.m. not meaningful

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 have been restated accordingly.

BUSINESS SEGMENTS

<u>APL more competitive with improved cost management</u>

APL, NOL's container shipping business, made a 29% improvement in its 2Q 2014 Core EBIT over the same period last year, recording a loss of US$29 million. APL's Core EBITDA stood at US$61 million this quarter, climbing 135% from a year ago. Cost of sales per forty-foot-equivalent unit (FEU) went up by 3% year-on-year in 2Q 2014 due largely to a nation-wide trucking shortage in the US, port congestion issues in Southern California, as well as empty equipment repositioning costs. APL reported second quarter 2014 revenue of almost US$1.7 billion, a slight 2% year-on-year drop in spite of a 6% decline in volume due to strict capacity management.

"The improvement in our second quarter operating results is significant given that we saw reduced revenue and higher operating costs. We were able to achieve this through our continued focus on lowering fixed costs," said APL President Kenneth Glenn. "We have now taken delivery of all our newbuildings and are returning more of our less efficient and expensive chartered tonnage."

APL's headhaul utilisation was at 95% in the second quarter of 2014. In 2Q 2014, APL experienced steady volume with freight rates rising 13% year-on-year in the Asia-Europe trade. Compared to the same period last year, volume was stable in the Trans-Pacific trade with freight rates falling 3%. Meanwhile, APL's Intra-Asia trade shed 9% in volume against a 2% dip in freight rates amidst APL's capacity management efforts.

APL Logistics well-positioned for growth

NOL's supply chain management business, APL Logistics, lifted its Core EBIT 40% year-on-year to US$14 million in the second quarter of this year. Over the same period, it brought up its Core EBITDA by 31% to US$17 million. Its 2Q 2014 revenue stood at US$379 million, growing 7% year-on-year.

In 2Q 2014, revenue growth across all regions delivered improved results for APL Logistics. A recovery in the North American automotive sector after a slow first quarter further hampered by severe weather conditions, helped propel its business. At the same time, APL Logistics experienced stable business demand in emerging markets and in Europe. The company's continued focus on cost discipline also contributed to its operating performance.

"At the year-on-year level, APL Logistics made improvements in key performance matrices in the second quarter of this year. We also experienced business growth across all regions," said APL Logistics President Beat Simon. "Our strategy to seek growth opportunities in selected industry verticals and attractive markets is on track. We will make further investments in sales and operational capabilities to enhance the delivery of quality service to our customers."

1H/2Q 2014 OPERATING PERFORMANCE

Liner Shipping

		1H14	1H13	Change % Better/(Worse)		2Q14	2Q13	Change % Better/(Worse)
Revenue (US$m)		3,567	3,695	(3)		1,689	1,728	(2)
Core EBITDA (US$m)		73	12	508		61	26	135
Core EBIT (US$m)		(112)	(133)	16		(29)	(41)	29
Average Revenue/FEU (US$)		2,273	2,347	(3)		2,320	2,315	-
Volume (‘000 FEU)		1,447	1,477	(2)		662	705	(6)

Logistics

		1H14	1H13	Change % Better/(Worse)		2Q14	2Q13	Change % Better/(Worse)
Revenue (US$m)		802	781	3		379	354	7
Core EBITDA (US$m)		38	32	19		17	13	31
Core EBIT (US$m)		32	26	23		14	10	40

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 have been restated accordingly.

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.