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NOL reduces year-to-date Core EBIT loss

Group's cost and efficiency gains partly offset by congestion in Southern California

SINGAPORE, 31 October 2014 – NOL Group today reported a third quarter 2014 net loss of US\$23 million. Year-to-date, the Group reported Core EBIT (Earnings Before Interest, Taxes and Non-Recurring Items) loss of US\$59 million, a 31% reduction from the same period last year.

Singapore-based NOL also said that its cost management and efficiency drive has delivered US\$290 million of cost savings year-to-date. The savings were primarily achieved through a more efficient fleet and network optimization. These savings were largely offset by lower rates, lower volumes and increased costs from Southern California port congestion.

“Our focus on increasing operational efficiencies remains on track,” said NOL Group CEO Ng Yat Chung. “However, our liner business faced tough operating conditions in the second and third quarters due to severe port congestion in Southern California, and this has negatively impacted our financial performance.”

FINANCIAL PERFORMANCE

	YTD14	YTD13	Change % Better/(Worse)	3Q14	3Q13	Change % Better/(Worse)
Revenue (US\$m)	6,389	6,497	(2)	2,060	2,062	(0)
Core EBIT (US\$m)	(59)	(85)	31	21	22	(5)
Net (loss)/profit (US\$m)	(175)	61 ¹	n.m.	(23)	20	n.m.

n.m. not meaningful

¹ YTD13 results includes NRI of US\$200m gain from sale of NOL headquarter building.

BUSINESS SEGMENTS

APL, NOL's container shipping business, reported third quarter 2014 Core EBIT of US\$6 million, up from US\$3 million in the same period last year. APL registered lower revenue for the quarter at US\$1.7 billion, a year-on-year dip of 2% due to freight rate pressures and lower cargo volumes. APL said volumes were partly impacted by port congestion issues in Southern California, which has also caused a significant increase in operating costs.

"Our unwavering focus on reducing fixed costs continues to show results," said APL President Kenneth Glenn. "Unfortunately, the industry-wide port congestion issues in Southern California have adversely impacted our performance. Given APL's significant business presence in Southern California, we are working simultaneously on several fronts to urgently address these issues. This includes realigning our network to facilitate smooth cargo flow through the US West Coast, and working with our partners on equipment and productivity challenges."

NOL's supply chain management business, APL Logistics, recorded third quarter 2014 revenue of US\$399 million, an increase of 8% from a year ago. It recorded third quarter Core EBIT of US\$15 million.

"APL Logistics continued its steady performance year-on-year as a result of growth in key emerging markets," said APL Logistics President Beat Simon. "We remain focused on growing our business in key industry verticals and high-growth markets."

APL Logistics' positive performance was driven by broad-based and steady demand growth across all markets, particularly in the Asia-Middle East region. Its growth strategy is on track as it focuses on its core verticals: Auto, Consumer, Industrials and Retail.

2014 YEAR-TO-DATE (YTD) OPERATING PERFORMANCE

Liner Shipping

	YTD14	YTD13	Change % Better/(Worse)
Revenue (US\$m)	5,247	5,407	(3)
Core EBIT (US\$m)	(106)	(130)	18
Average Revenue/FEU (US\$)	2,294	2,355	(3)
Volume ('000 FEU)	2,093	2,146	(2)

Logistics

	YTD14	YTD13	Change % Better/(Worse)
Revenue (US\$m)	1,201	1,152	4
Core EBIT (US\$m)	47	45	4
Core EBIT margin (%)	3.9	3.9	-

3Q14 OPERATING PERFORMANCE

Liner Shipping

	3Q14	3Q13	Change % Better/(Worse)	2Q14	Change % Better/(Worse)
Revenue (US\$m)	1,680	1,712	(2)	1,689	(1)
Core EBIT (US\$m)	6	3	100	(29)	n.m.
Average Revenue/FEU (US\$)	2,343	2,372	(1)	2,320	1
Volume ('000 FEU)	646	669	(3)	662	(2)

n.m. not meaningful

Logistics

	3Q14	3Q13	Change % Better/(Worse)	2Q14	Change % Better/(Worse)
Revenue (US\$m)	399	371	8	379	5
Core EBIT (US\$m)	15	19	(21)	14	7
Core EBIT Margin (%)	3.8	5.1	-	3.7	-

Media enquiries

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

Monique Mathieu
Telephone: (65) 6371 5037
Email: Monique_Mathieu@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.