



2Q & 1H04 Results Review

Sustained Growth & Profitability

27 July 2004





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.



Contents of Presentation

1. Highlights

Sustained Growth & Profitability in 2Q04

Results Overview

P&L (US\$)	2Q04	2Q03	Change	1H04	1H03	Change
• Revenue (m)	1,450	1,292	12%	3,003	2,634	14%
• Core EBIT (m)	201	108	86%	377	150	151%
• Net Profit (m)	186	68	172%	354	89	299%
• EPS (cts per share)	12.95	5.82	123%	24.71	7.54	228%

Sustained Growth & Profitability in 2Q04

Net Income

2Q04	US\$186 m
1H04	US\$354 m
FY03	US\$429 m
1H04/FY03	83%

Sustained Growth & Profitability in 2Q04

Revenue

2Q04	US\$1.45 bn		12%
-------------	--------------------	---	------------

1H04	US\$3.00 bn		14%
-------------	--------------------	---	------------

Sustained Growth & Profitability in 2Q04

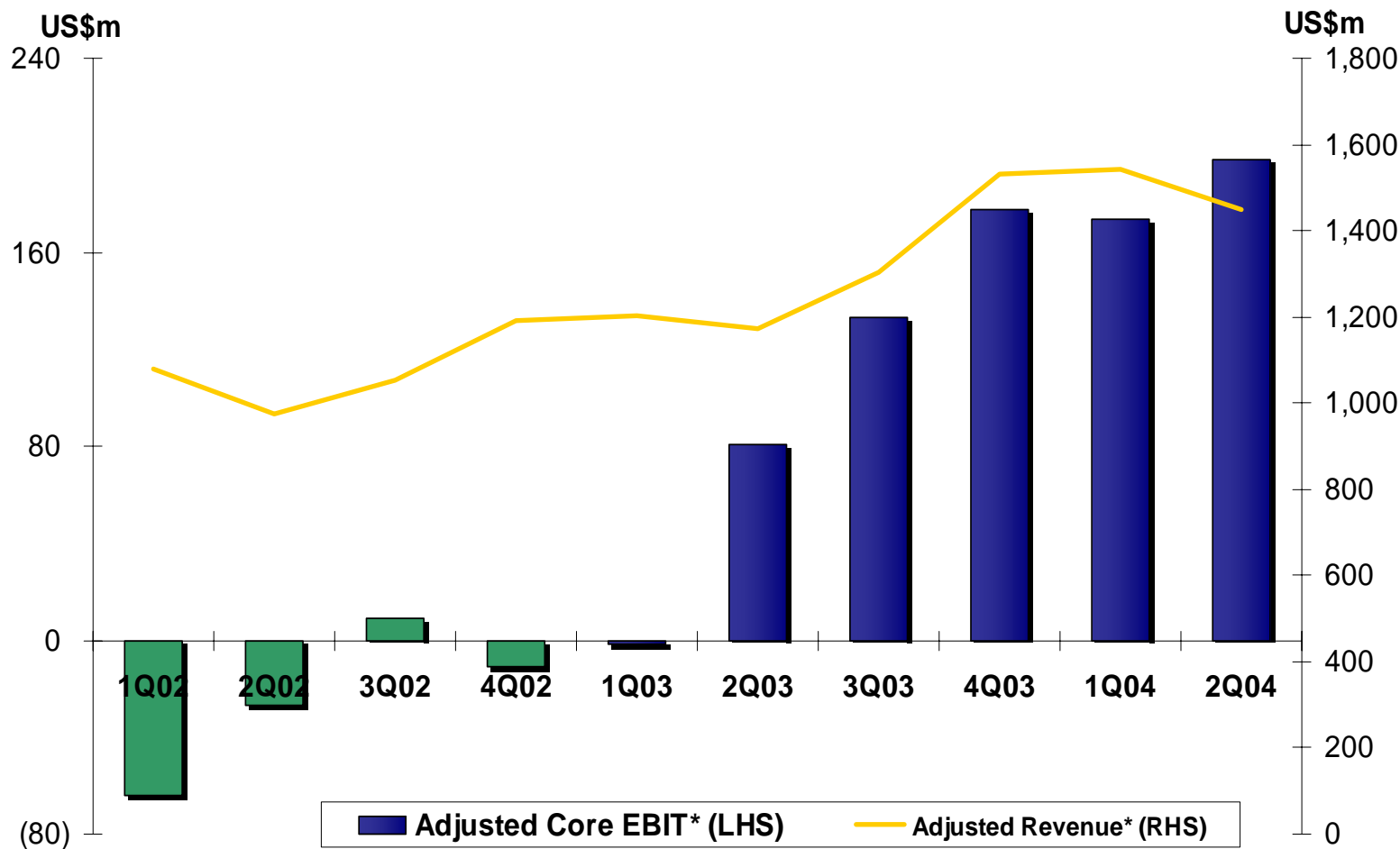
Basic EPS

2Q04 **12.95 US cts**  **123%**

1H04 **24.71 US cts**  **228%**

1H04/1H03 **3.3x**

Sustained Growth & Profitability in 2Q04



* Revenue and Core EBIT numbers exclude Chartering operations

Q1 and Q4 have additional 2 weeks each

NOL Group: Balance Sheet Highlights

	25 Jun'04	26 Dec'03
Total Debt	\$1,234 m	\$1,252 m
Total Equity	\$1,639 m	\$1,304 m
• <i>Retained Earnings</i>	\$276 m	(\$52 m)
Gearing (Gross)	0.75	0.96
Gearing (Net)	0.26	0.54
NAV per share (US\$)	1.14	0.91

Net Gearing

FY02 **4.46x**

FY03 **0.54x**

1H04 **0.26x**

Retained Earnings

FY02 (US\$481 m)

FY03 (US\$52 m)

1H04 US\$276 m

Dividends

➤ Policy:

- *Annual dividend of 8 Singapore cents per share net*
- *Or 20% of annual net profits, whichever is higher*
- *Sustain dividend payments through the cycle*
- *Reward shareholders in line with operating performance*

Dividends

➤ **Interim Dividend:**

- *7 Singapore cents per share net of 20% tax*
- *Implied interim yield of 3.0% net*
- *Remaining 20% payout to be declared at the final results*



Contents of Presentation

2. 2Q04 & 1H04 Group Financial Performance

NOL Group: Financial Highlights (US\$)

	2Q04 *	2Q03	Change	1H04	1H03	Change
➤ Revenue	\$1,450 m	\$1,292 m	12%	\$3,003m	\$2,634 m	14%
➤ Core EBITDA	\$259 m	\$180 m	44%	\$504 m	\$304 m	66%
• Depreciation & Amortisation**	(\$58 m)	(\$72 m)		(\$127 m)	(\$154 m)	
➤ Core EBIT	\$201m	\$108 m	86%	\$377 m	\$150 m	151%
• Net Interest Expense	(\$20 m)	(\$28 m)		(\$42 m)	(\$58 m)	
• Tax	(\$6 m)	(\$10 m)		(\$8 m)	(\$12 m)	
➤ Profit before EI***	\$175 m	\$70 m	150%	\$327 m	\$80 m	309%
• Exceptional Items	\$11 m	(\$2 m)		\$27 m	\$9 m	
➤ Net Profit	\$186 m	\$68 m	172%	\$354 m	\$89 m	299%

* NOL's 2Q04 results is for 3 April - 25 June 2004 while 1H04 results is for 27 Dec 2003 - 25 June 2004

** Part of amortisation is classified as exceptional items - write-down of US\$1m in 2Q03 & US\$3m in 1H03; write-back of goodwill amortisation due to early adoption of FRS103 of US\$4m in 2Q04 & US\$9m in 1H04

*** EI = Exceptional Items

NOL Group: Exceptional Items (US\$)

	2Q04	2Q03	1H04	1H03
1. Gain from asset disposal	\$1 m	-	\$9 m	\$12 m
2. Provisions for diminution in assets	-	(\$3 m)	-	(\$3 m)
3. Additional goodwill write-down	-	(\$1 m)	-	(\$3 m)
4. Reversal of goodwill amortisation*	\$4 m	-	\$9 m	-
5. Others	\$6 m	\$2 m	\$9 m	\$3 m
Total	\$11 m	(\$2 m)	\$27 m	\$9 m

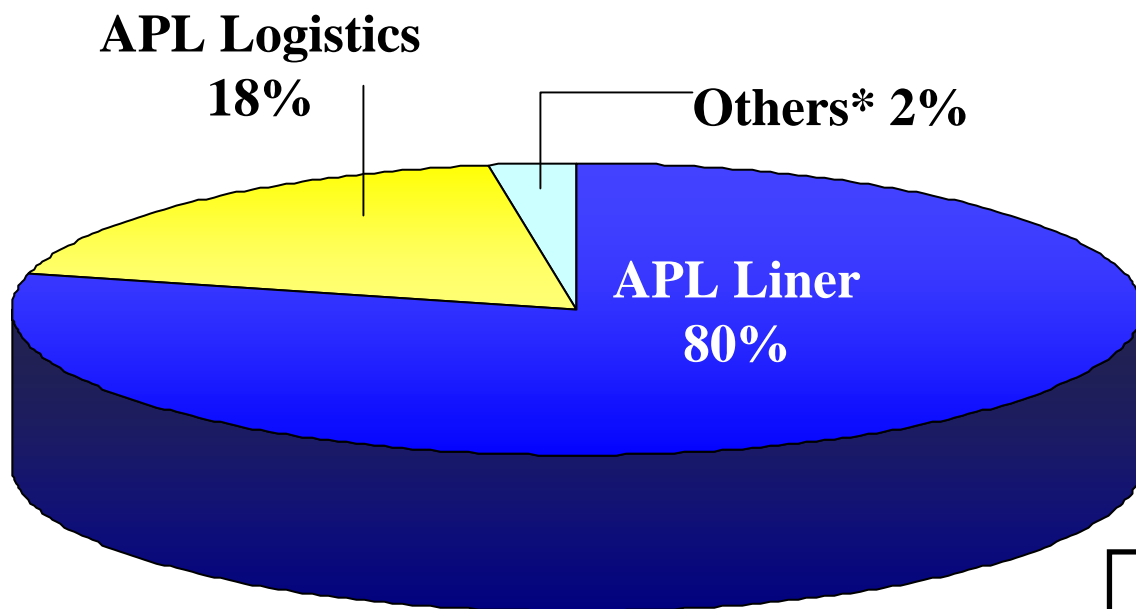
**Due to early adoption of FRS 103*

NOL Group: Balance Sheet (US\$)

	25 Jun'04	26 Dec'03
Total Assets	\$4,337 m	\$4,064 m
Total Liabilities	\$2,698 m	\$2,760 m
Total Equity	\$1,639 m	\$1,304 m
Total Debt	\$1,234 m	\$1,252 m
Gearing (Gross)	0.75	0.96
Gearing (Net)	0.26	0.54

NOL Group: Revenue Breakdown

1H04 Total Revenue : US\$3,003 million, up 14%



1H03 Revenue Breakdown:

Total : US\$2,634 m

APL Liner	:	72%
APL Logistics	:	17%
Others*	:	11%

**Others include Chartering revenue*

NOL Group: Revenue by Business Units (US\$)

	2Q04	2Q03	Change	1H04	1H03	Change
APL Liner	\$1,172 m	\$937 m	25%	\$2,403 m	\$1,894 m	27%
APL Logistics	\$263 m	\$223 m	18%	\$551 m	\$454 m	21%
Others *	\$33 m	\$166 m	(80%)	\$88 m	\$351 m	(75%)
Interco Elimination	(\$18 m)	(\$34 m)	47%	(\$39 m)	(\$65 m)	40%
Total Revenue	\$1,450 m	\$1,292 m	12%	\$3,003 m	\$2,634 m	14%

** Others include Chartering operations*

(AET and NAS were sold on 22 July 2003 and 16 March 2004 respectively)

NOL Group: Core EBIT by Business Units (US\$)

	2Q04	2Q03	Change	1H04	1H03	Change
APL Liner	\$189 m	\$82 m	130%	\$365 m	\$87 m	320%
APL Logistics	\$5 m	\$2 m	150%	\$8 m	\$1 m	700%
Others	\$7 m	\$24 m	(71%)	\$4 m	\$62 m	(94%)
Total Core EBIT	\$201 m	\$108 m	86%	\$377 m	\$150 m	151%

** Others include Chartering operations*

(AET and NAS were sold on 22 July 2003 and 16 March 2004 respectively)

NOL Group: Capital Expenditure (US\$)

1H04 & Outlook

	1H04	2H04	FY04
1. Vessels	\$1 m	\$5 m	\$6 m
2. Equipment	\$90 m	\$107 m	\$197 m
3. Drydock	\$5 m	\$9 m	\$14 m
4. IT	\$6 m	\$22 m	\$28 m
5. Others	\$5 m	\$113 m	\$118 m
Total	\$107 m	\$256 m	\$363 m

➤ **Bunker**

- *Hedging policy of up to 50% of requirements*
- *Hedged 15% at average price of US\$135 per metric tonne*
- *1H04 fuel costs, up US\$26m mainly due to increased vessel deployment*

➤ **Foreign exchange**

- *About US\$300m exposure to Euro, Japanese Yen and S\$*
- *For 2004, hedged 80% of Euro, 90% of Yen and 60% of S\$*



Contents of Presentation

3. Business Performance

- **APL Liner**
- **APL Logistics**

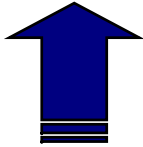
Continued Growth & Profit

	2Q04	2Q03	Change	1H04	1H03	Change
➤ Revenue	\$1,172 m	\$937 m	25%	\$2,403 m	\$1,894 m	27%
➤ Core EBITDA	\$239 m	\$128 m	87%	\$472 m	\$186 m	154%
• Depreciation & Amortisation	(\$50 m)	(\$46 m)		(\$107 m)	(\$99 m)	
➤ Core EBIT	\$189 m	\$82 m	130%	\$365 m	\$87 m	320%

Revenue

2Q04

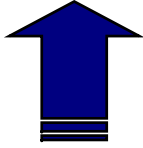
US\$1.17 bn



25%

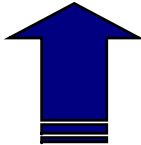
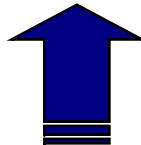
1H04

US\$2.40 bn



27%

Core EBIT

2Q04	US\$189 m <i>(16% Margin)</i>		130%
1H04	US\$365 m <i>(15% Margin)</i>		320%

97% of Group 1H04 Earnings

APL Liner: Operations Review

Increased Volume

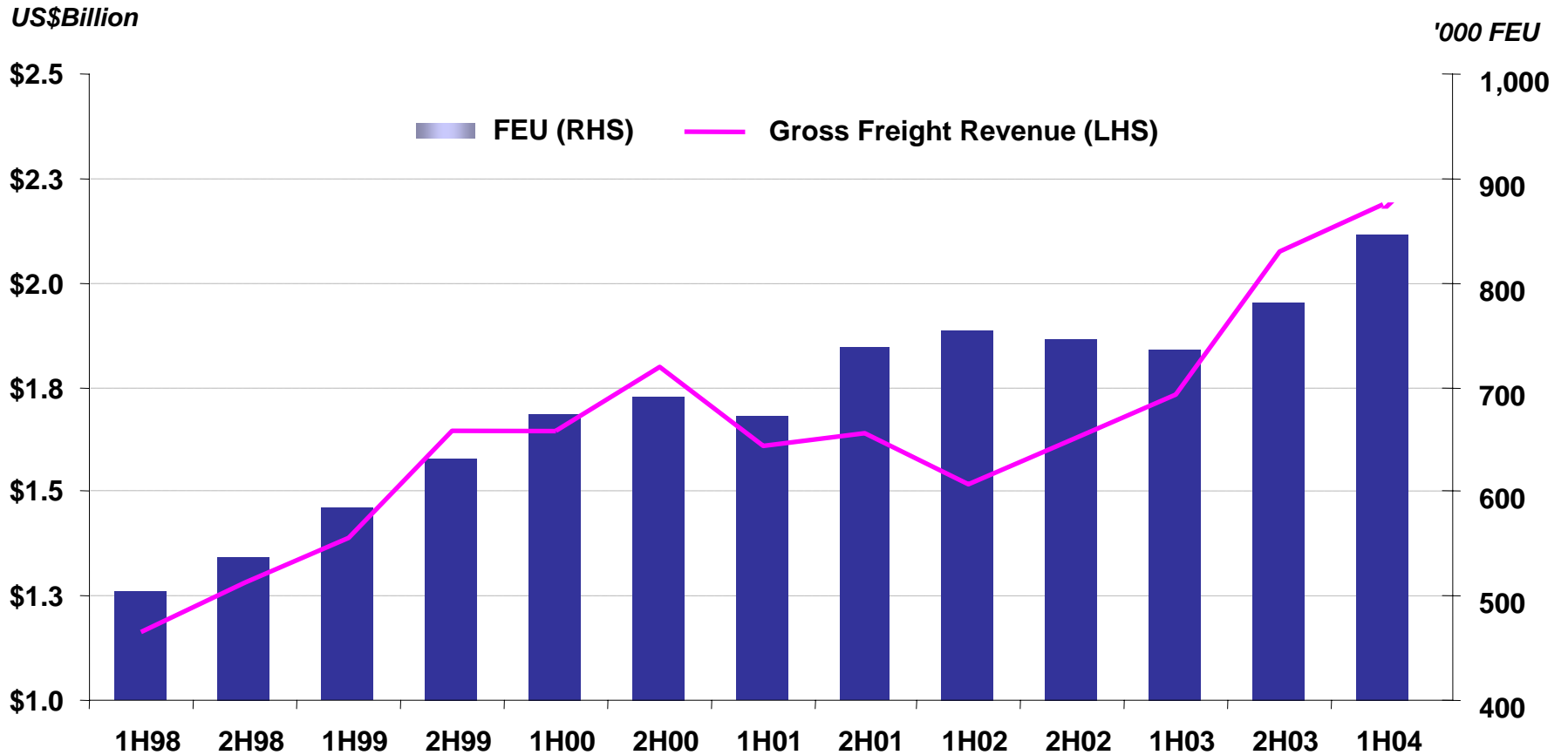
Region	2Q04	2Q03	Change	1H04	1H03	Change
• Americas	184	159	16%	395	351	13%
<i>Trans-Pacific</i>	<i>151</i>	<i>132</i>	<i>14%</i>	<i>326</i>	<i>295</i>	<i>11%</i>
<i>Latin America</i>	<i>33</i>	<i>27</i>	<i>22%</i>	<i>69</i>	<i>56</i>	<i>23%</i>
• Europe	101	92	10%	213	197	8%
<i>Asia Europe</i>	<i>75</i>	<i>68</i>	<i>10%</i>	<i>161</i>	<i>146</i>	<i>10%</i>
<i>Transatlantic</i>	<i>26</i>	<i>24</i>	<i>8%</i>	<i>52</i>	<i>51</i>	<i>2%</i>
• Asia/Middle East	119	88	35%	238	188	27%
Total	404	339	19%	846	736	15%

Note: Figures are in '000 FEUs

Increased Volume

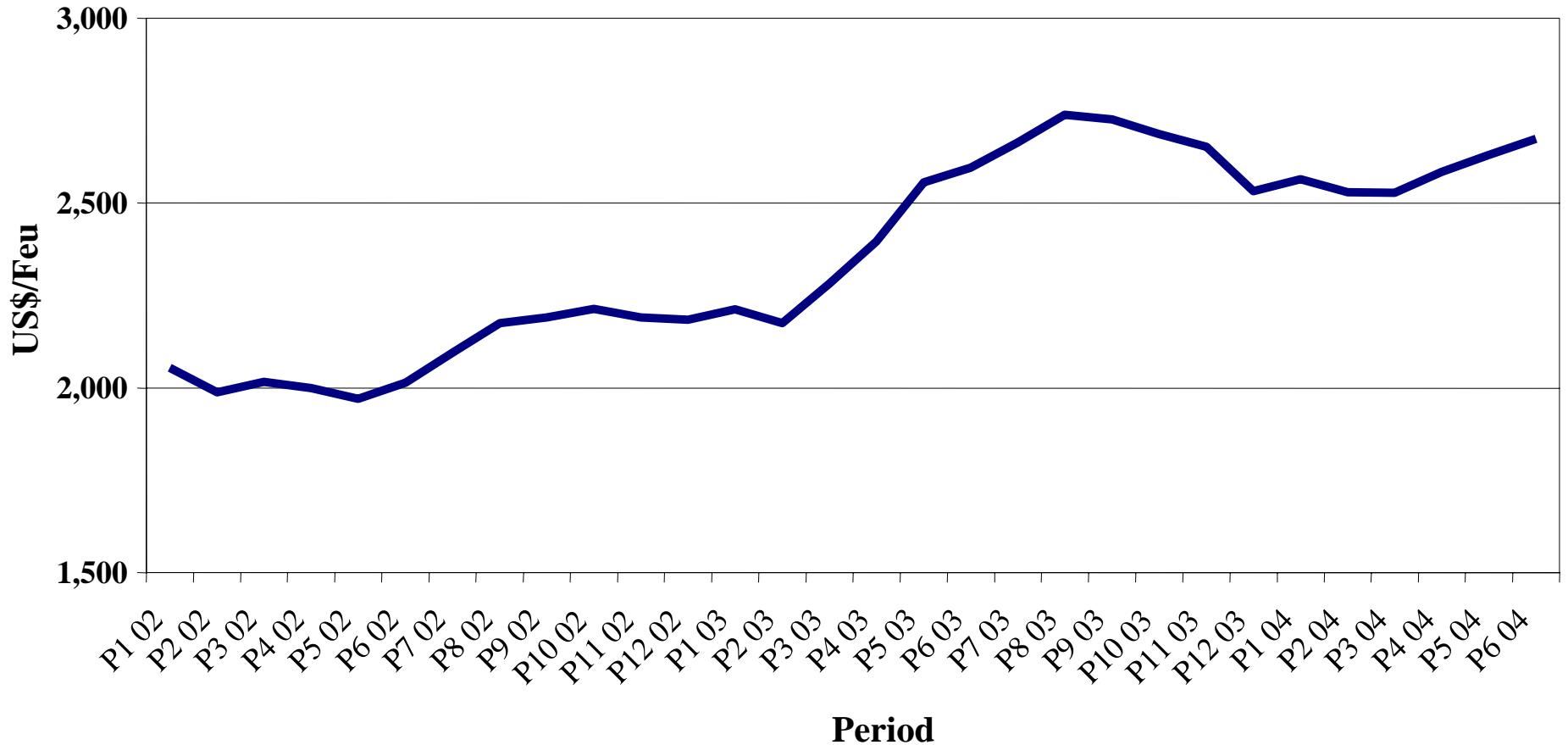
- **Americas remains about half of total volumes**
 - *Continued strong growth in Trans-Pacific*
- **Asia Europe volume driven by strong demand**
- **Volume growth stronger in Asia/Middle East**
 - *Handled 50,000 more FEUs than 1H03*
- **New services introduced**

Increased Volume



Rate Recovery

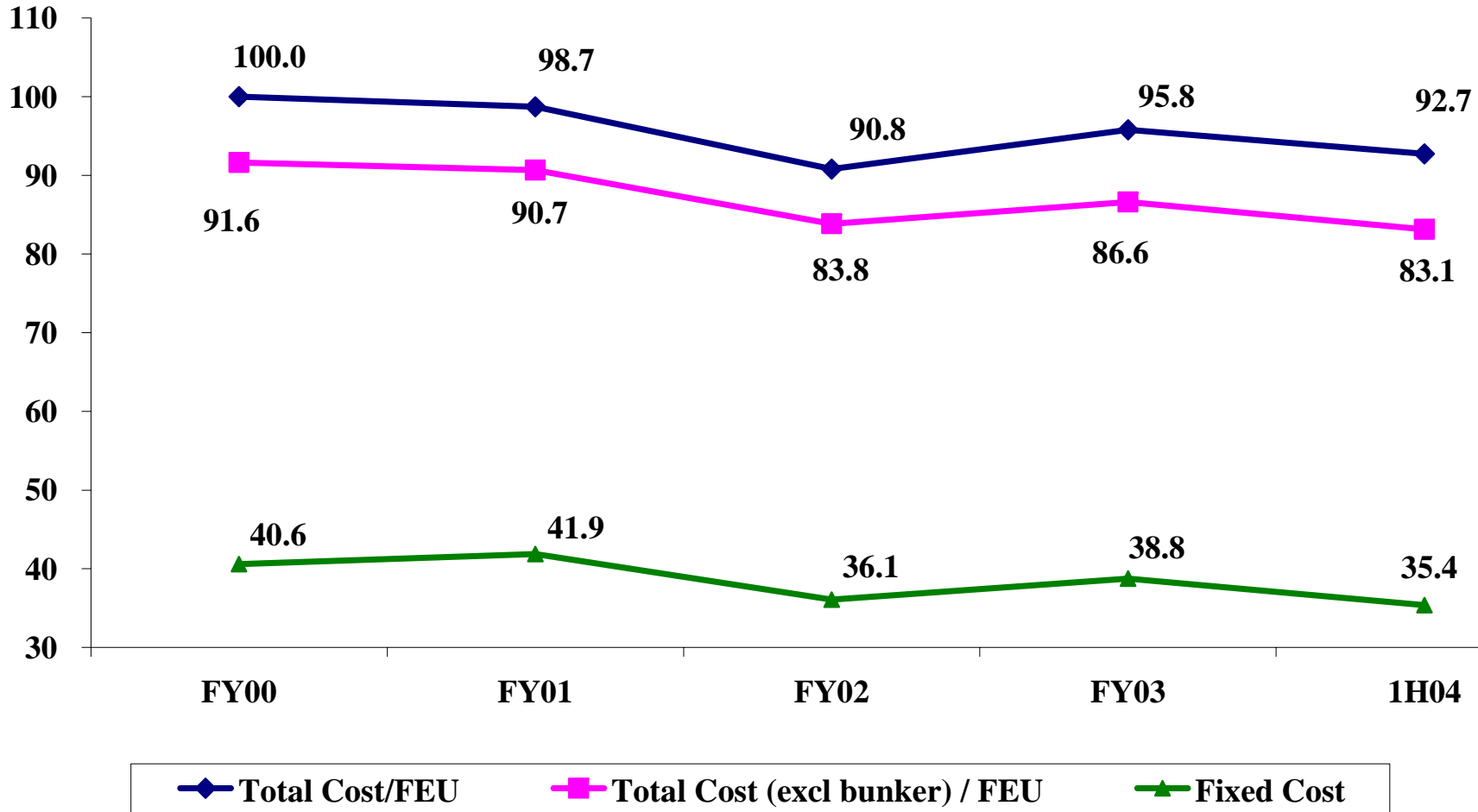
APL Average Revenue/FEU



APL Liner: Operations Review

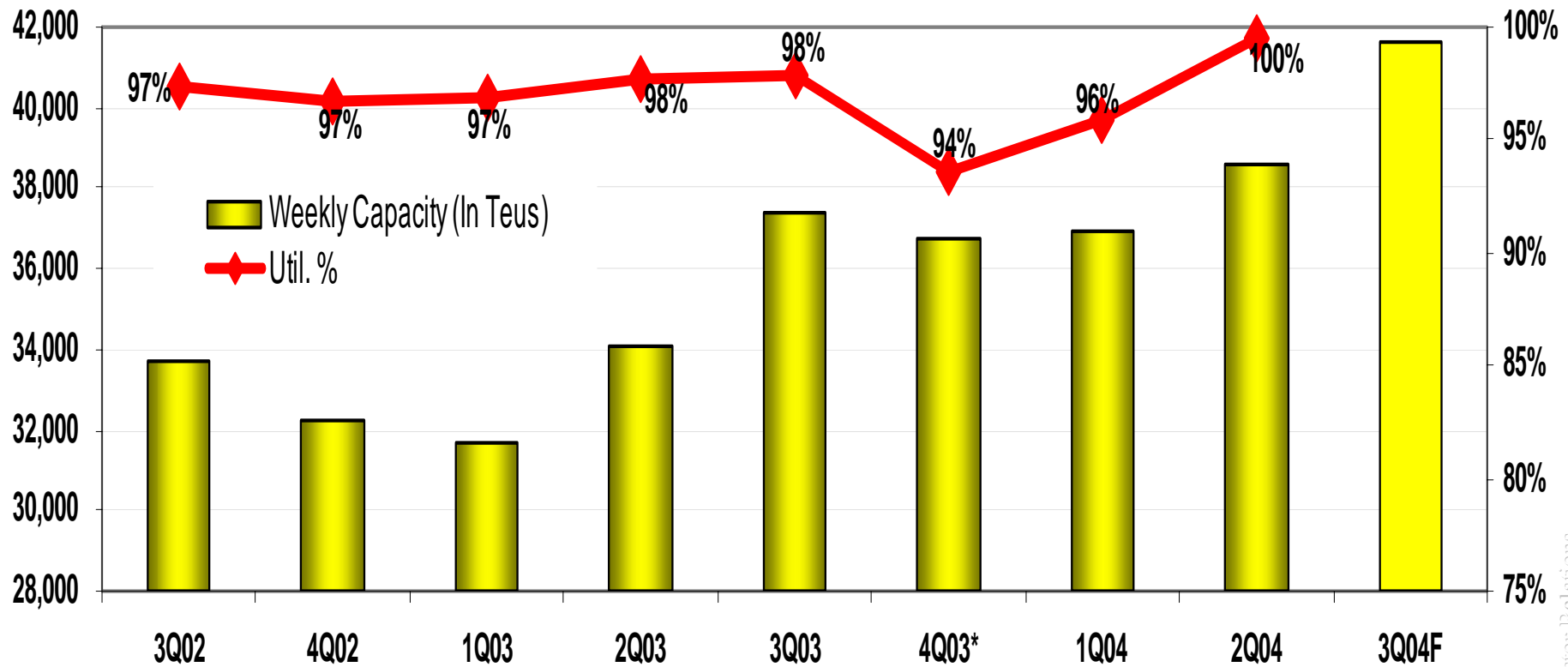
A higher proportion of Intra-Asia volumes and continued cost savings helped to maintain lower costs per FEU, mitigating higher fuel and charter costs

Operations Review



APL Network Capacity & Utilisation

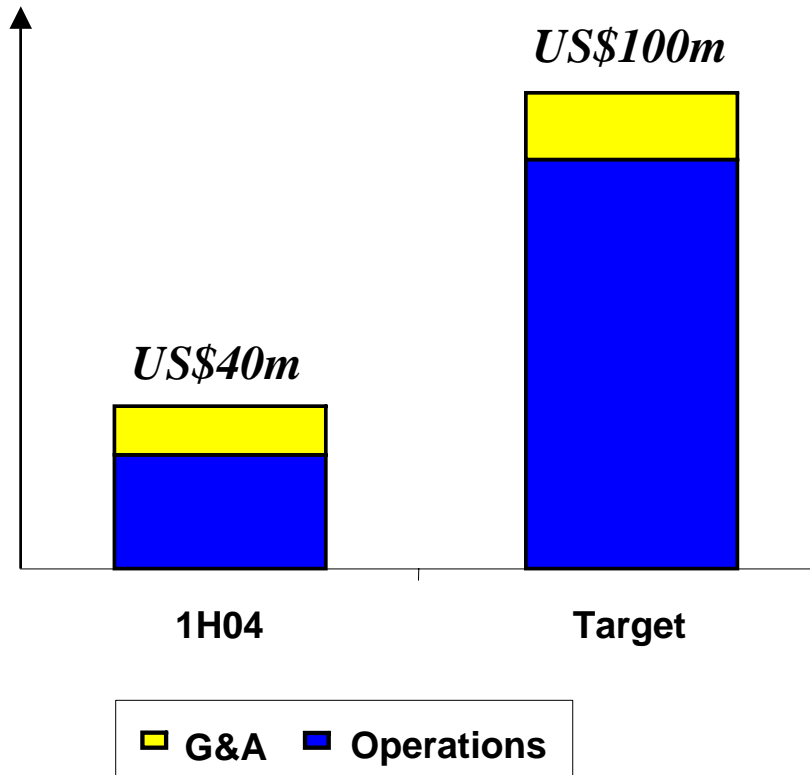
Successful capacity management at high utilisation levels



* Planned capacity reduction in 4Q03 due to seasonal adjustment for slack season

Note: Figures based on headhaul leg of main linehaul services

2004 Cost Savings Target on Track



- **Achieved US\$40m in 1H04**
- **US\$60m cost savings planned for 2H04**
- **Balance of the targeted cost savings to be achieved through:**
 - ✓ *Terminal lease initiatives*
 - ✓ *Operational efficiencies initiatives*
 - ✓ *Utilisation and balance improvement initiatives*
 - ✓ *Tight control on G&A spending*

APL Liner: Performance Review

Trade Review:

- Trans-Pacific volumes were strong, with TPEB (headhaul) growth of 11.2% y-o-y. Average revenue per FEU benefited from a general rate increase in the 2Q, up 15.2% y-o-y. TPWB volume and revenue per FEU up 9% and 3.4% respectively.
- Latin America's volumes were up 22% y-o-y boosted by continued strength of regional economies. Latin America Westbound (headhaul) increased 34% y-o-y. Rates remained flat.

Trade Review (Cont'd):

- Asia Europe maintained very strong volume levels, with improved backhaul volumes (growth of 17% y-o-y) and vessels operating at or near 100% utilisation in both directions. General rate increases in April also boosted average revenue per FEU further.
- Transatlantic volumes improved in the 2Q, up 9.3%, with strong eastbound flows, while average revenue rose 5% y-o-y.
- Intra-Asia volumes rose significantly. Intra-Asia East Asia and West Asia/Middle East up 22.8% and 29.4% respectively, driven by robust demand and the introduction of new services. This was also reflected in higher average revenue per FEU in both tradelanes.

APL Liner: Operations Review

Trade Imbalance:

Full Backhaul for every 10 FEUs Full Headhaul

<u>Trade</u>	<u>FY02</u>	<u>FY03</u>	<u>1Q04</u>	<u>2Q04</u>	<u>1H04</u>
• Trans-Pacific	5	5	6	5	5
• Asia-Europe	8	7	8	8	8
• Transatlantic	6	8	8	9	9

Industry: 2004 Planned Freight Rates Increase

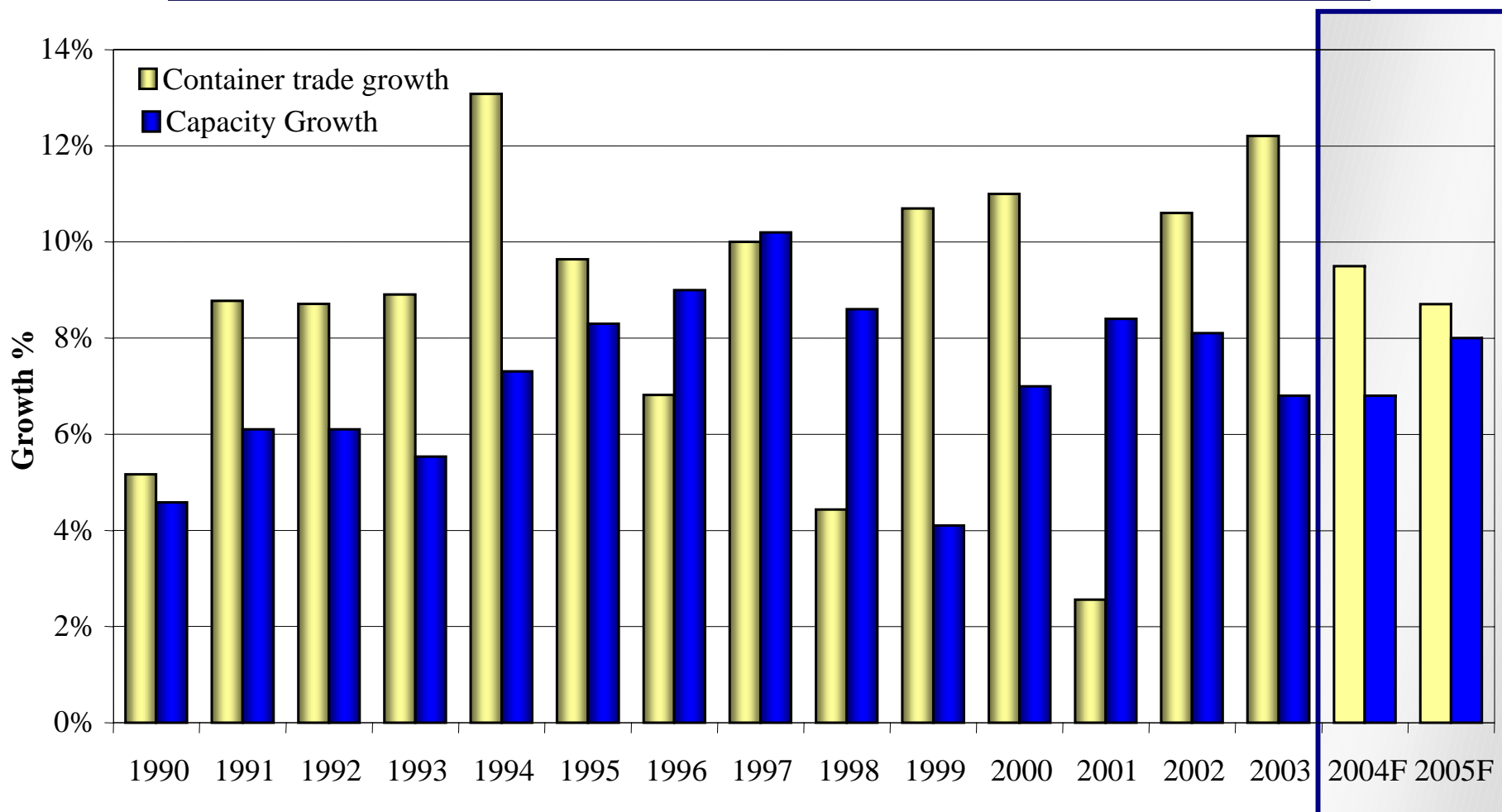
Tradelane	Effective Date	Proposed Quantum (per FEU)
Trans-Pacific EB		
(Canada only)	25-Aug-04	\$250
Trans-Pacific WB		
	1-Jul-04	\$200
Asia Europe WB		
	1-Jul-04	\$600
	1-Oct-04	\$300
Europe Asia EB		
	1-Oct-04	\$150
Transatlantic WB		
	1-Jul-04	\$350
	1-Oct-04	\$350
Transatlantic EB		
	1-Jul-04	\$300
	1-Oct-04	\$300

Tradelane	Effective Date	Proposed Quantum (per FEU)
Intra Asia		
- Australia / AADA	9-Aug-04	\$1,000
	1-Oct-04	\$500
- IADA (Shortsea)	1-Sep-04	\$100
- Subcontinent (ISAA)	1-Jul-04	\$300
- Gulf (IRA)	1-Jul-04	\$400
	1-Oct-04	\$500
- Redsea (IRSA)	1-Jul-04	\$300
Latin America (North/South)		
- LTSD	1-Aug-04	\$300
- LTND (WCSADA)	15-Jul-04	\$400
Latin America (East/West)		
- Mexico Eastbound	1-Jun-04	\$320
	<i>(PSS: \$200/F wef July 15 - Dec 31)</i>	
- Panama Eastbound	1-Jul-04	\$400

Industry: Global Demand & Supply

Demand/supply growth is projected to be balanced in the next two years, driven by global demand and space constraint in the shipyards

Container Trade - Demand and Supply 1990-2005F



Source : Clarksons / Drewry / MDS / NOL SPD

APL Liner: Current Year's Prospects (I)

- **The outlook for the rest of 2004 remains buoyant with strong volume growth and utilisation rates.**
- **Volumes are expected to remain healthy going into the second half of the year, as APL enters the peak season. New services/strings have been introduced and additional scheduled capacity is due to be delivered in 2H04.**
- **Increasing costs drive the need for further rate recovery in key trades:**
 - *Rate increase in Asia Europe in July'04*
 - *Rate increases in Intra-Asia short-sea and long-haul*
 - *Further rate recovery is planned on the Intra-Asia short-sea and long-haul routes in addition to a peak season surcharge on the Trans-Pacific trade*

APL Liner: Current Year's Prospects (II)

- **Strong focus on maximising asset utilisation, managing the mix of the business and controlling costs produced higher average revenue per FEU.**
- **APL along with the rest of the industry, also continues to face infrastructural pressures globally, which is putting upward pressure on other operating costs. However, improved efficiency, higher utilisation and cost management helped to mitigate the impact.**
- **China's steps to reduce the pace of growth of its domestic economy has so far had little impact on export volumes and APL will continue to leverage its strong pressures in this market.**



Contents of Presentation

3. Business Performance

- **APL Liner**

- **APL Logistics**

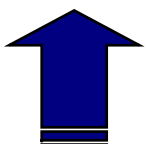
Improving Performance

	2Q04	2Q03	Change	1H04	1H03	Change
➤ Revenue	\$263 m	\$223 m	18%	\$551 m	\$454 m	21%
➤ Core EBITDA	\$10 m	\$8 m	25%	\$20 m	\$15 m	33%
• Depreciation & Amortisation	(\$5 m)	(\$6 m)		(\$12 m)	(\$14 m)	
➤ Core EBIT	\$5 m	\$2 m	150%	\$8 m	\$1 m	700%

Revenue

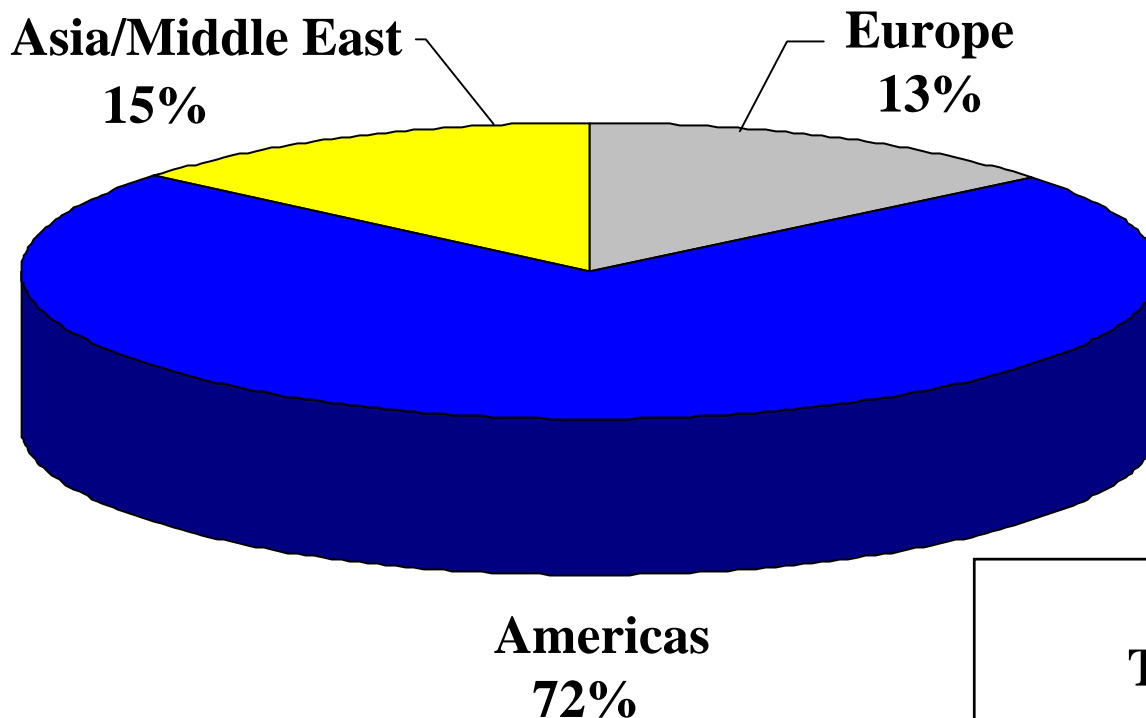
2Q04	US\$263 m		18%
1H04	US\$551 m		21%

Core EBIT

2Q04	US\$5 m		150%
1H04	US\$8 m		700%

APL Logistics: Operations Review

1H04 Turnover by Region : US\$551m, up 21%

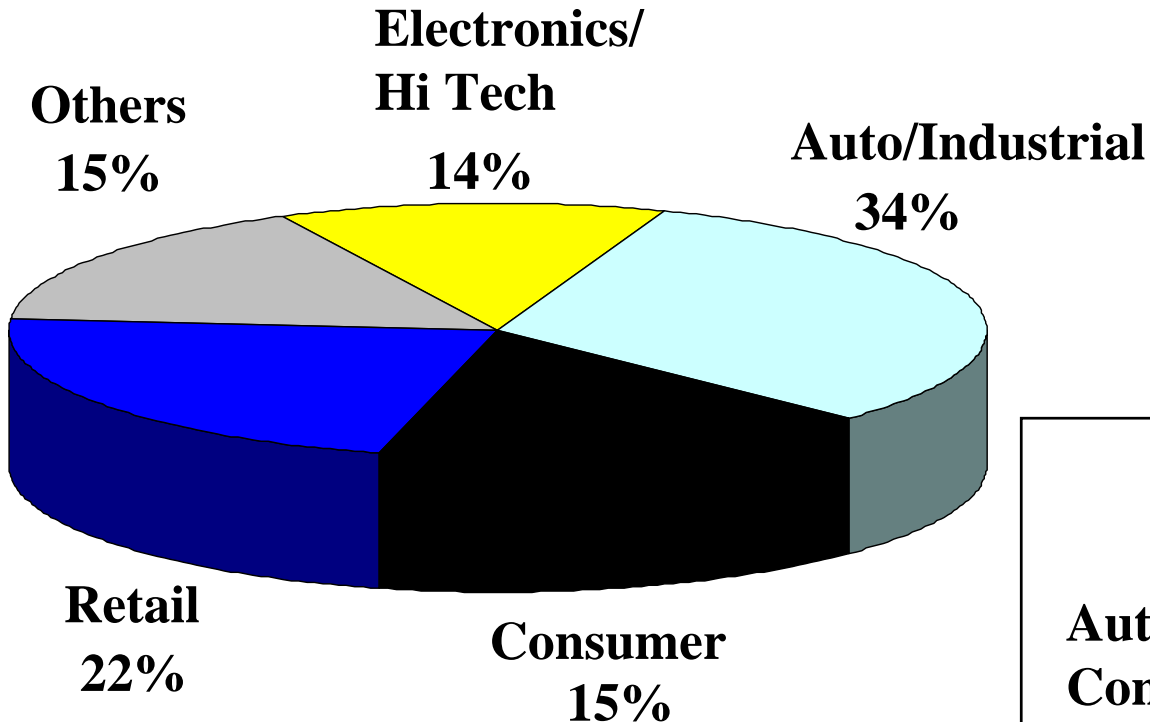


1H03 Breakdown :
Turnover = US\$454m

Americas	:	73%
Asia/Middle East	:	15%
Europe	:	12%

APL Logistics: Operations Review

1H04 Turnover by Customer Segment : US\$551m



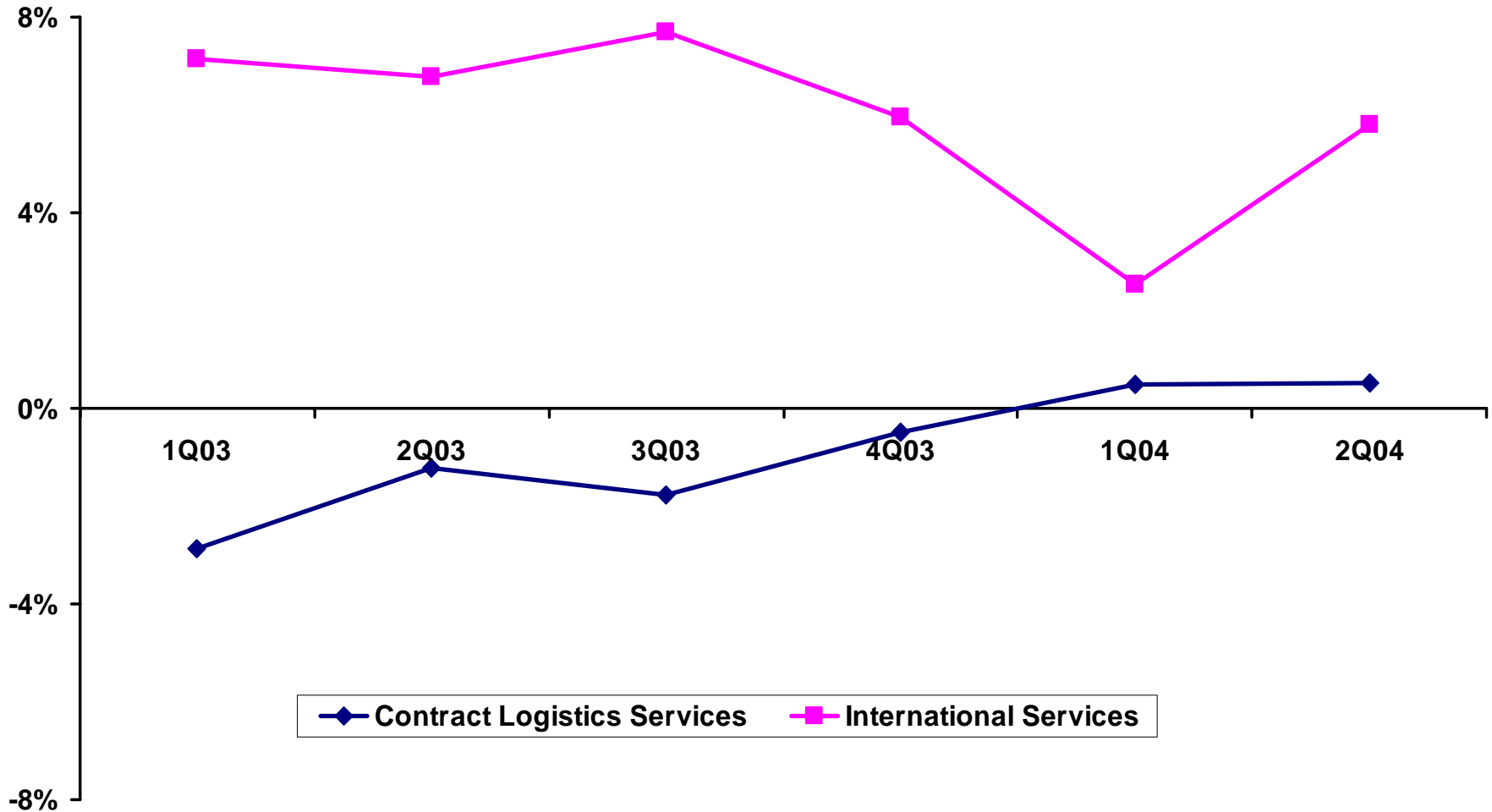
1H03 Breakdown : Turnover = US\$454m

Auto/Industrial	: 32%
Consumer	: 18%
Retail	: 25%
Electronics/Hi Tech	: 11%
Others	: 14%

APL Logistics: Operations Review

Business Segment	2Q04	2Q03	Change	1H04	1H03	Change
• Revenue	263	223	18%	551	454	21%
<i>Contract Logistics</i>	194	164	18%	403	339	19%
<i>International Services</i>	69	59	17%	148	115	29%
• Core EBIT	5	2	150%	8	1	700%
<i>Contract Logistics</i>	1	(2)	N.M.	2	(7)	N.M.
<i>International Services</i>	4	4	-	6	8	(25%)

Core EBIT Margin Trend:



APL Logistics: Performance Review (I)

- **Robust revenue growth of 18% in 2Q04 y-o-y:**
 - *Americas and Asia grew by 21% and 22% respectively*
 - *Reflected the strong performance in both Contract Logistics and International Services*
 - *Automotive growth continues to dominate*

- **Contract Logistics**
 - *Starting to see results from initiatives implemented in Americas*

 - *Improvement in EBIT margin as a result of terminating unprofitable accounts, rationalising of public facilities and labour productivity*

➤ International Services

- *Origin Logistics services have seen significant decline in margins due to new entrants and increase competition*
- *Strong growth in the forwarding business by leveraging existing infrastructure, particularly in Europe*

APL Logistics: Current Year's Prospects

- **Expecting strong performance in Contract Logistics to continue:**
 - *Contribution from Automotive to grow*
- **Strong growth in International Services:**
 - *Robust forwarding growth expected in all trades*
 - *Focus on Origin services*
 - *Continued growth in gateway Logistics/Deconsolidation services*



Contents of Presentation

4. Group Outlook for 2004

NOL Group: Positive Outlook

- **The Group expects to achieve significantly higher profits in 2004 via:**
 - *Improved yields and further cost cuts*
 - *Higher volumes and average revenues per unit*
- **Balance Sheet will remain strong**
 - *Retained earnings continue to increase*
 - *New dividend policy reflects confidence in earnings*
- **New growth opportunities:**
 - *Strengthen core capabilities*
 - *Extend business competencies to new markets*
 - *Enhance service offerings to customers*
 - *Align Liner and Logistics closer to derive more synergies*



End of Presentation

Thank You

APL Liner: Average Revenue Per FEU (US\$/FEU)*



Operations Review

Region	2Q04	2Q03	Change	1H04	1H03	Change
• Americas	\$3,278	\$3,148	4%	\$3,174	\$2,869	11%
• Europe	\$2,486	\$2,365	5%	\$2,460	\$2,267	9%
• Asia/Middle East	\$1,756	\$1,533	15%	\$1,718	\$1,497	15%
Total	\$2,630	\$2,517	4%	\$2,584	\$2,358	10%

* Reflects both Eastbound and Westbound blended rates for all trades touching major geographies