

# THE AMERICAS REGION REMAINS THE BEDROCK FOR NOL'S GLOBAL VALUE PROPOSITION.

## AMERICAS

In 2008, more than 54% of NOL Group revenue was generated from Container Shipping, Terminals and Logistics activities centred in the Americas. The region accounted for nearly two-thirds of the revenue generated by APL Logistics. But the 160th anniversary year in the Americas was also one of great transition. In the first half, unprecedented demand for US exports saw NOL's business expand. But this phenomenon dissipated with the global economic downturn and a contraction of consumer spending.

Waning consumer demand in the US and the corresponding slowdown in exports from China affected APL's bellwether Transpacific trade during 2008. Market share in the important eastbound trade initially increased but finished flat after a 20% capacity reduction was instituted in the face of softening demand. Total Transpacific volumes fell by 1% over 2007.

The full-year revenue picture was brightened considerably, however, through fuel cost recovery. A bunker fuel adjustment factor was included in every contract signed with a new customer in 2008. This saw Americas revenue per FEU increase by 15% over the prior year.

In the westbound Transpacific trade, a soft dollar and rising consumer demand in Asia, saw US exports rise dramatically during the first half. Double-digit growth was the norm for the Transpacific westbound Trade for much of 2008. During the second half, the dollar strengthened against other currencies. The dollar appreciation coupled with economic deterioration worldwide dampened demand for US exports and westbound volumes retreated from the historically high levels which existed earlier in the year.

The weak US dollar also contributed to strong export volumes in the Transatlantic trade. But weaker consumer spending resulted in reduced volumes in the Europe-to-US segment. The company concentrated its efforts on key markets in the trade and in the emerging market from the Eastern Mediterranean to the US.

Full-year Latin American volumes and revenue rose by 9% and 20%, respectively. This was driven largely by improved demand in the first three quarters of the year. The company adjusted its services to reflect regional changes in customer demand, with some north-south capacity withdrawn. A key Central American service was routed through Miami

for the first time, enabling customers to connect with APL's major European and Latin American trade routes.

A continuing source of strength in the Americas was the refrigerated cargo trade. The company's volume of "reefer" exports from the Americas grew 39% in 2008 from 2007.

NOL's terminal holdings in the Americas operated without disruption or congestion in 2008. That was testimony to careful planning and strong management in the midst of sensitive labor negotiations. A new six-year agreement was reached with the International Longshore and Warehouse Union that covers all West Coast marine terminals, including NOL's facilities at the ports of Los Angeles, Oakland and Seattle. The Oakland terminal – Global Gateway Central – concluded a two-year modernisation project that nearly doubled cargo-handling capacity, without expanding its footprint or halting operations.

In late 2008, the Americas initiated changes to put its cost structure on a more sustainable footing for the long term. This included position eliminations, consolidation from four to three sub-regions in the United States (West, Central and East), and the announcement that in 2009 the regional headquarters would move from Oakland, California to Phoenix, Arizona.

APL was named Best Transpacific Shipping Line at the 22nd Asian Freight and Supply Chain Awards. APL also collected the award for Best Shipping Alliance on behalf of The New World Alliance.

Consistent with NOL's effort to be more streamlined and effective in serving customers, APL Logistics changed its Americas organisation in 2008. The business removed a layer of management that stood between APL Logistics professionals in the field and senior management. The team in the field now works directly with Logistics executives in the following areas: Contract Logistics, International Services, Land Transport Services, Supply Chain Solutions and Supply Chain Technology.

APL Logistics continued to grow revenue in the Americas while strengthening key customer relationships. For example, a year after winning a contract for the international import logistics and freight transportation business of the Army & Air Force Exchange Service (AAFES), APL Logistics received the Logistics Best Valued Partner Award for 2008 from AAFES.