# 3Q 2008 Performance Review

29 October 2008

# 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.

By Ron Widdows
Group President & CEO

# 1. 3Q08 Financial Highlights

# 3Q 2008 Key Highlights

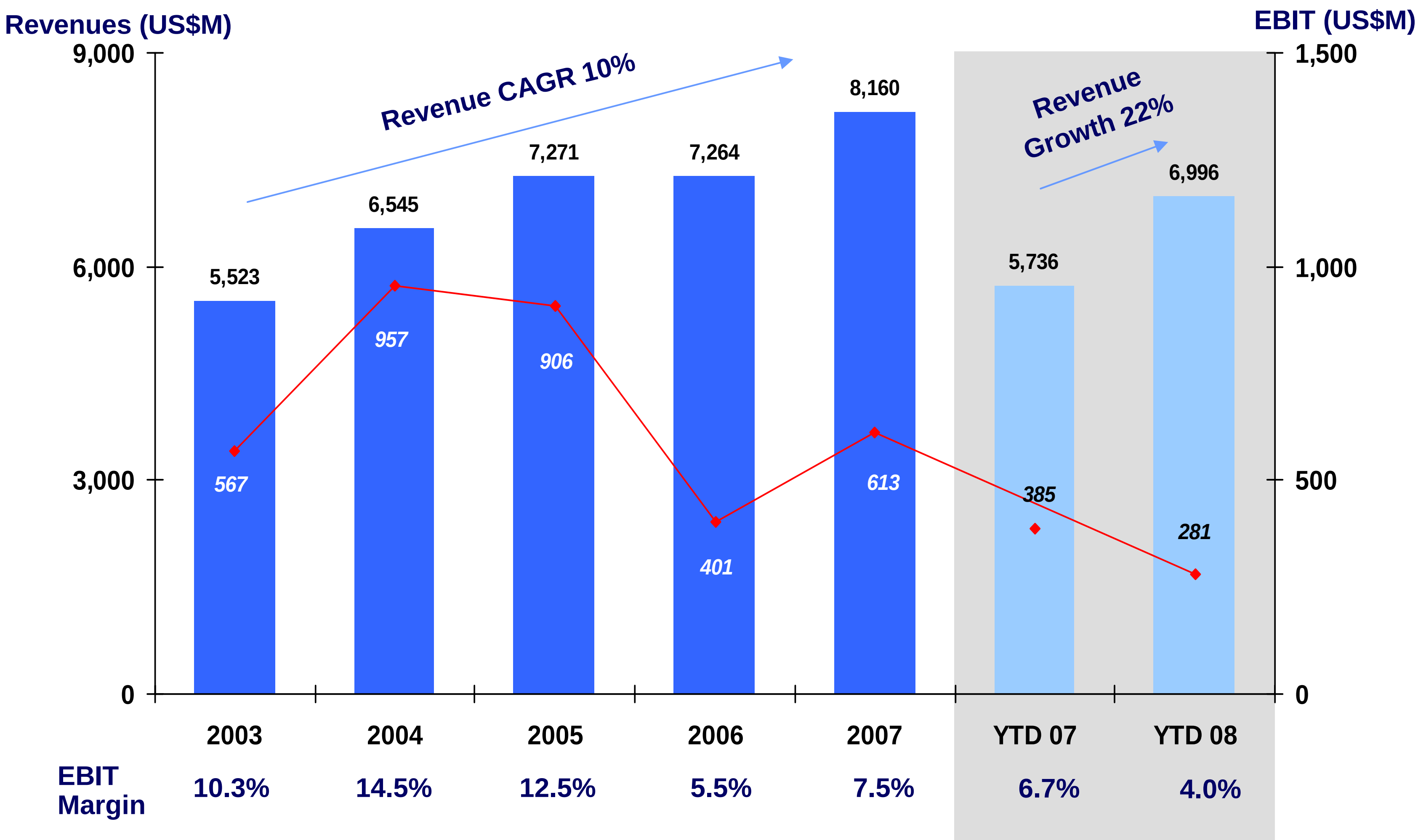
- Revenue grew by US$324 million or 16% year-on-year (YoY) to US$2.4 billion due primarily to growth in container shipping revenue through higher volumes and greater bunker recovery.
- Rapid deterioration in the container shipping market coupled with higher operating costs such as bunker has resulted in the Group recording 3Q08 EBIT of US$52 million, a decrease of 75% from US$209 million.
- 3Q08 Container Shipping volumes increased by 10% YoY to 622,000 mainly driven by volume increase in the Intra-Asia trade lane.
- Average revenue per FEU increased by 8% YoY primarily due to greater bunker recovery.
- Bunker prices continue to have a large impact on cost, with average spot bunker prices in 3Q08 increasing by 76% YoY.
- Logistics and Terminals division continue to provide stable earnings with 3Q08 EBIT of US$17 million and US$23 million respectively.

# Group Financial Highlights

| US$m | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| Revenue | **6,996** | 5,736 | 22 | **2,353** | 2,029 | 16 |
| EBIT | **281** | 385 | (27) | **52** | 209 | (75) |
| Net profit | **232** | 327 | (29) | **35** | 191 | (82) |
| Basic EPS (US cents) | **15.76** | 22.38 | (30) | **2.39** | 13.04 | (82) |

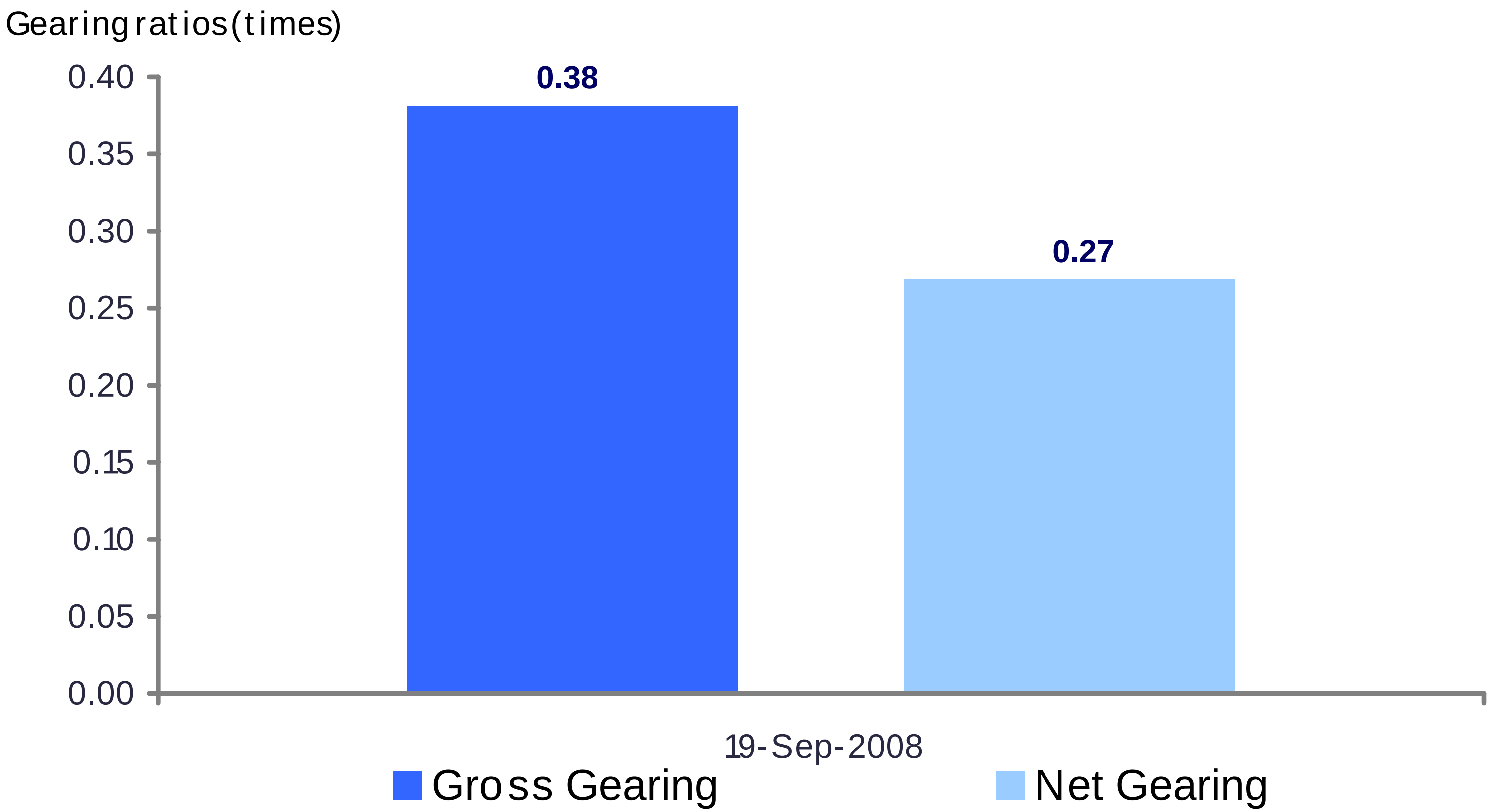
# Financial Performance

**The Group continued to generate revenue growth and a profit in a rapidly deteriorating and challenging container shipping environment.**



# Financial Stability

**Diligent financial management has provided NOL with a strong balance sheet to manage through the economic down-cycle.**



By Cedric Foo

Group Deputy President & CFO

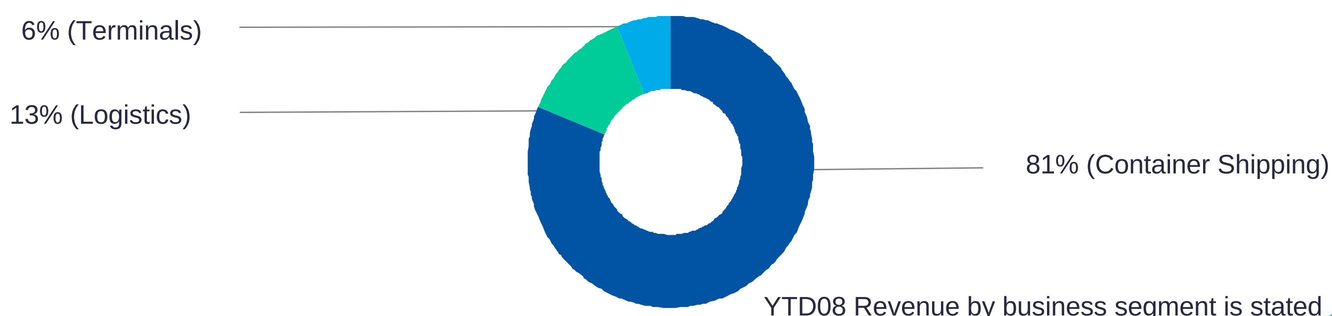
# 2. 3Q08 Financial Performance

# Group Financial Highlights

| US$m | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Revenue** | **6,996** | **5,736** | **22** | **2,353** | **2,029** | **16** |
| **EBITDA** | **468** | **568** | **(18)** | **113** | **269** | **(58)** |
| • Depreciation & Amortisation | (187) | (183) | 2 | (61) | (60) | 2 |
| **EBIT** | **281** | **385** | **(27)** | **52** | **209** | **(75)** |
| • Gross Interest Expense | (17) | (30) | (41) | (7) | (8) | (9) |
| • Tax | (32) | (28) | 14 | (10) | (10) | - |
| **Net profit to equity holders** | **232** | **327** | **(29)** | **35** | **191** | **(82)** |

# Group Revenue Breakdown

| US$m | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| Container Shipping | **5,981** | 4,663 | 28 | **2,038** | 1,673 | 22 |
| Logistics | **996** | 942 | 6 | **315** | 318 | (1) |
| Terminals | **429** | 446 | (4) | **146** | 145 | 1 |
| Others | **10** | 8 | 25 | **4** | 2 | 100 |
| Elimination | **(420)** | (323) | 30 | **(150)** | (109) | 38 |
| **Total Revenue** | **6,996** | **5,736** | **22** | **2,353** | **2,029** | **16** |




YTD08 Revenue by business segment is stated before inter-segment elimination.

# Group EBIT Breakdown

| US$m | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| Container Shipping | **177** | 278 | (36) | **9** | 173 | (95) |
| Logistics | **47** | 38 | 24 | **17** | 12 | 42 |
| Terminals | **54** | 66 | (18) | **23** | 22 | 5 |
| Others | **3** | 3 | - | **3** | 2 | 50 |
| **Total EBIT** | **281** | **385** | **(27)** | **52** | **209** | **(75)** |

# Balance Sheet Highlights

| US$m | 19 Sept '08 | 28 Dec '07 |
|---|---|---|
| Total Assets | 5,591 | 5,009 |
| Total Liabilities | 2,943 | 2,301 |
| Total Equity | 2,648 | 2,708 |
| Total Debt | 994 | 592 |
| Total Cash | 292 | 504 |
| Net Debt | 702 | 88 |
| Gearing (Gross) | 0.38 x | 0.22 x |
| Gearing (Net) | 0.27 x | 0.03 x |
| NAV per share (US$) | 1.77 | 1.81 |
| (S$) | 2.54 | 2.63 |

# Cash Flow Highlights

| US$m | YTD08 | YTD07 |
|---|---|---|
| **Cash & Cash Equivalents - Beginning** | **504** | **694** |
| *Cash Inflow/(outflow)* | | |
| Operating Activities | 422 | 505 |
| Investing/Capex Activities | (886) | (710) |
| Financing Activities | 252 | (142) |
| **Cash & Cash Equivalents – Closing** | **292** | **347** |

# Capital Expenditure

| US$m | YTD08 Actual | FY07 Actual |
|---|---|---|
| 1. Vessels | 320 | 386 |
| 2. Equipment / Facilities | 535 | 447 |
| 3. Drydock | 15 | 43 |
| 4. IT | 33 | 15 |
| 5. Others | 8 | 22 |
| **Total** | **911** | **913** |

# 3. Group Outlook

# Group Outlook

The recent collapse in world financial markets and resulting global economic uncertainty can be expected to lead to lower demand for container shipping services and reduced shipment levels and vessel utilisations. Logistics services will likely be impacted by a scaling back of electronic, automotive and retail shipments in coming months. These factors are creating very difficult operating conditions in the transportation and logistics sectors and placing pressures on profitability.

It is reasonable to expect a more pronounced and prolonged downturn than previously forecast for the container shipping industry.

Although the NOL Group has been profitable in the first three quarters of the year, an operating loss is expected for the fourth quarter.

In the face of these challenging conditions, the company is focused on managing costs and productivity, optimising yields and keeping its asset base tight by reducing capacity and adjusting its global service network.

# Appendix

# 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 bunker exposures.

**Foreign exchange**

- Major foreign currency exposures are in Euro, Chinese Yuan, Japanese Yen, Singapore Dollar, Canadian Dollar, Korean Won and Indian Rupee.
- The Group maintains a policy of hedging foreign exchange exposures.


# Operating Performance
# Container Shipping

By Eng Aik Meng
President, APL

# Container Shipping 3Q08 Highlights

- Revenue for 3Q08 increased by 22% year-on-year (YoY) to US$2.04 billion due to higher volumes and higher freight rates through greater bunker recovery (BAF).
  - In 3Q08, volume grew by 10% YoY due primarily to growth in Intra-Asia, Asia-Europe and Transpacific backhaul, offset by a decrease in Transpacific headhaul volumes.
  - 3Q08 average revenue per FEU was 8% higher YoY due primarily to higher bunker recovery.
  - In 3Q08, headhaul utilisation fell to 90% YoY due to slower headhaul growth in Asia-Europe and contracting volumes on headhaul Transpacific trade lane.
- For 3Q08, EBIT decreased by 95% YoY to US$9 million due to lower ex-bunker freight rates on the Asia-Europe and long-haul Intra-Asia trade lanes, slower demand growth in key trades resulting in lower utilisation and limited peak-season surcharge, and higher operating costs, particularly bunker.
  - Bunker cost per metric ton in 3Q08 increased by 76% YoY.

# Container Shipping Profit & Loss Summary

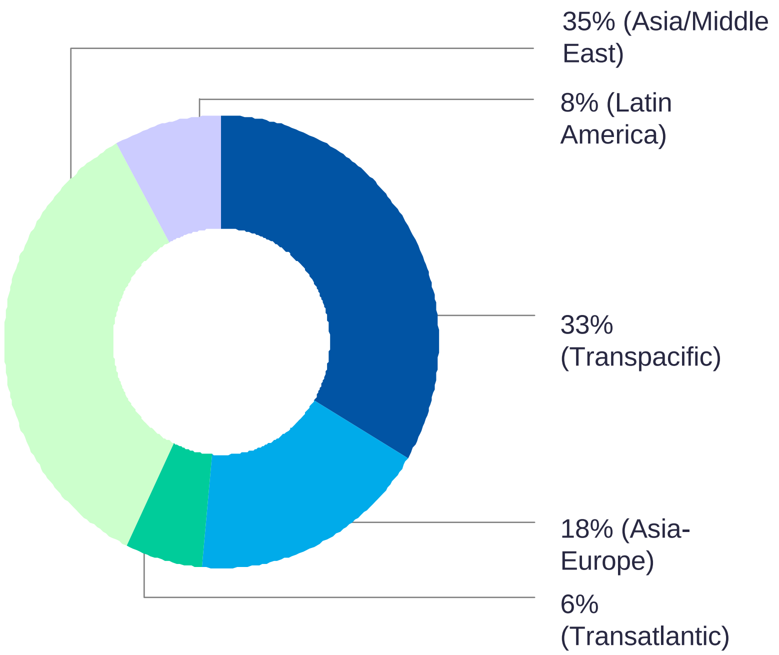
| US$m | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Revenue** | **5,981** | 4,663 | 28 | **2,038** | 1,673 | 22 |
| **EBITDA** | **338** | 434 | (22) | **62** | 224 | (72) |
| • Depreciation & Amortisation | **(161)** | (156) | 3 | **(53)** | (51) | 4 |
| **EBIT** | **177** | 278 | (36) | **9** | 173 | (95) |
| **EBIT Margin** | **3.0%** | 6.0% | | **0.4%** | 10.3% | |

# Container Shipping Volume Growth

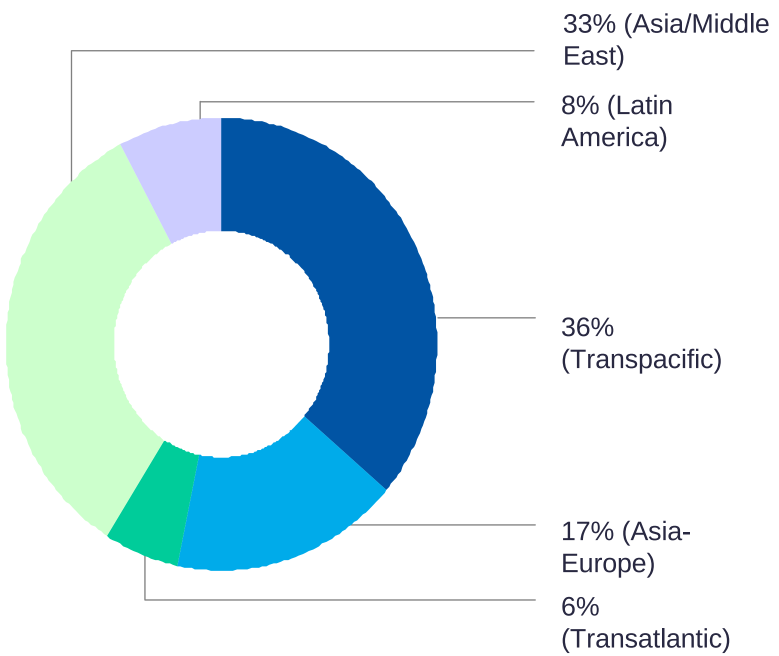
| '000 FEUs | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Americas** | **795** | **716** | **11** | **259** | **247** | **5** |
| Transpacific | 642 | 589 | 9 | 209 | 203 | 3 |
| Latin America | 153 | 127 | 20 | 50 | 44 | 14 |
| **Europe** | **454** | **405** | **12** | **147** | **130** | **13** |
| Asia-Europe | 342 | 311 | 10 | 111 | 98 | 13 |
| Transatlantic | 112 | 94 | 19 | 36 | 32 | 13 |
| **Asia/Middle East** | **642** | **567** | **13** | **216** | **187** | **16** |
| **Total** | **1,891** | **1,688** | **12** | **622** | **564** | **10** |

# Container Shipping : Volume Mix

- Intra-Asia becomes the biggest trade by volume
- Transpacific East Coast trade growing as a proportion of total Transpacific volume
- Trade volume mix continues to be managed to maximise yields




3Q08 Volume breakdown



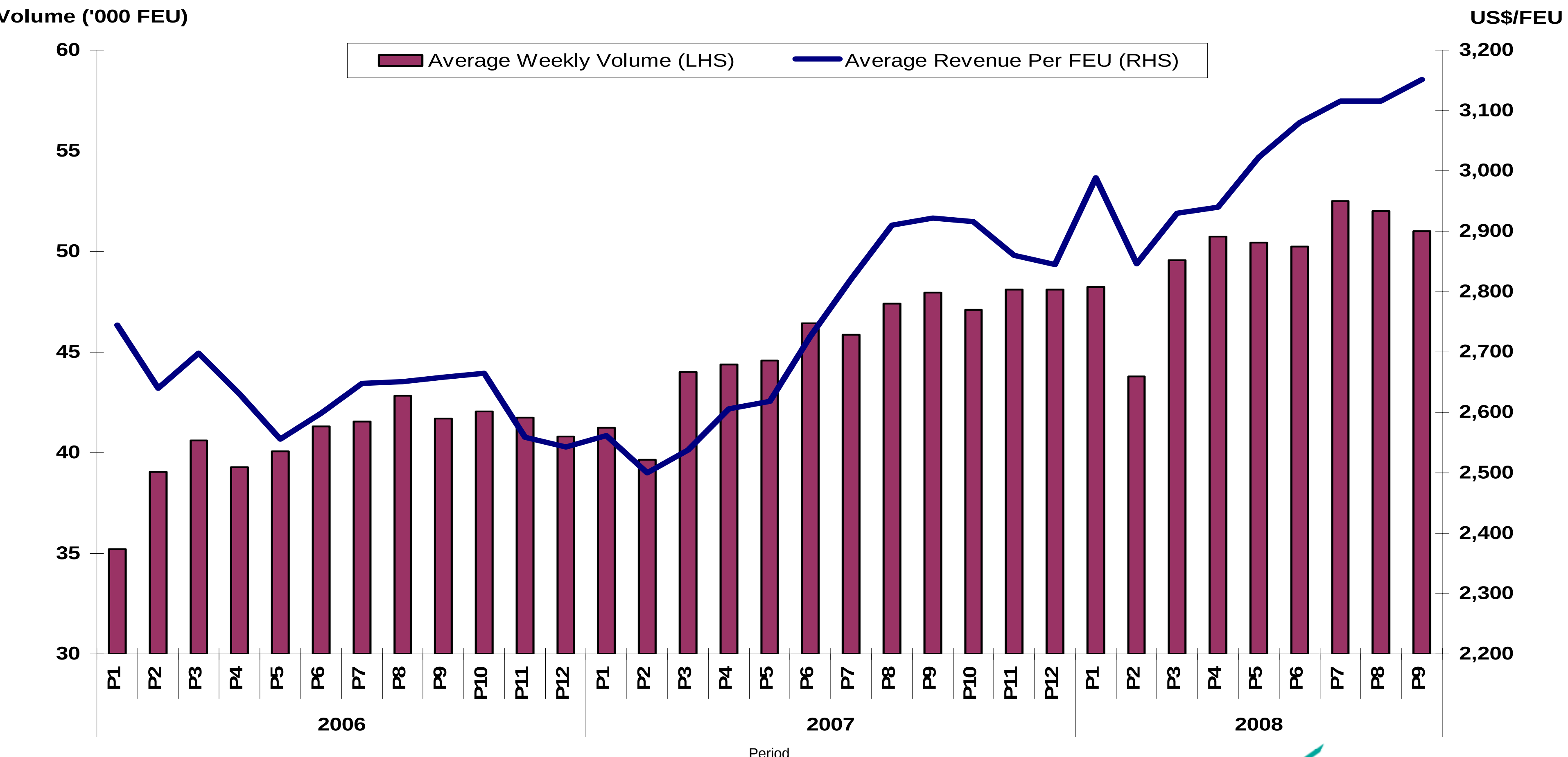

3Q07 Volume breakdown

# Container Shipping Average Revenue/FEU

| US$/FEU | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| Americas | 3,752 | 3,361 | 12 | 4,039 | 3,462 | 17 |
| Europe | 3,190 | 2,730 | 17 | 3,207 | 2,978 | 8 |
| Asia/Middle East | 2,002 | 1,814 | 10 | 1,982 | 2,060 | (4) |
| **Total** | **3,023** | **2,690** | **12** | **3,127** | **2,885** | **8** |

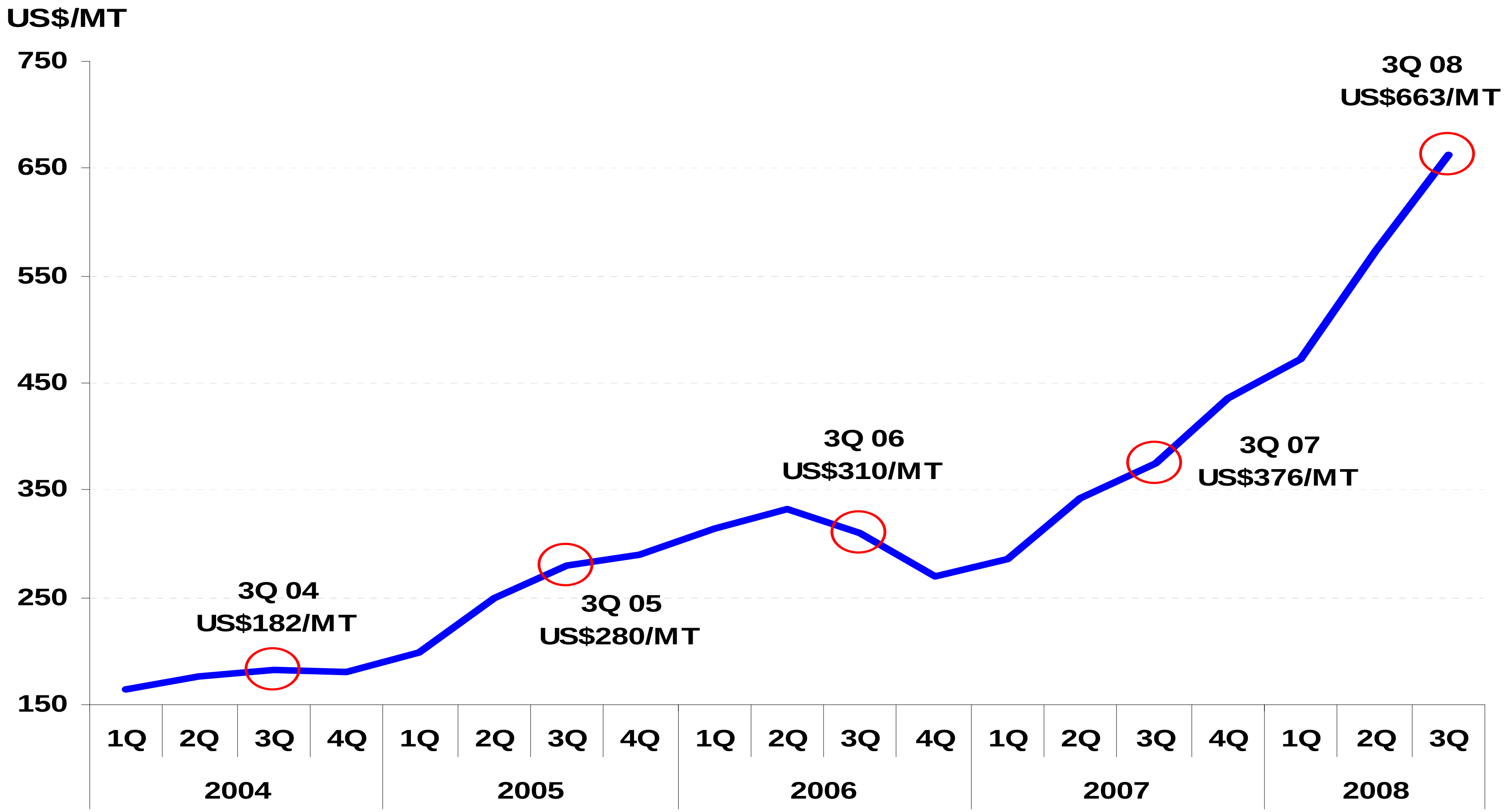
# Average Revenue/FEU and Volume Trend

The continuing increase in average revenue/FEU since the beginning of the year has largely been driven by the recovery of fuel through Bunker Adjustment Factor (BAF). While volume continues to grows on a year-on-year basis, active rationalisation of capacity to manage the slowing global container trade can be seen in the volume trend during 3Q 2008.



# Industry Bunker Price (Quarterly Average)

Rising bunker prices have added significant costs over the last four years. Average bunker prices in 3Q 2008 remain at record levels, increasing by 76% year-on-year, even with the recent correction in crude prices.




Source: Platts (High Sulphur Fuel Oil SIN 380cst Grade)

# Container Shipping : Americas

| | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Total Volumes ('000 FEUs)** | **795** | **716** | **11** | **259** | **247** | **5** |
| • Transpacific | 642 | 589 | 9 | 209 | 203 | 3 |
| • Latin America | 153 | 127 | 20 | 50 | 44 | 14 |
| **Average Revenue (US$/FEU)** | **3,752** | **3,361** | **12** | **4,039** | **3,462** | **17** |

- **Transpacific :** Volume growth on the transpacific reflects the significant improvement in backhaul volume as the weakness in the US dollar continues to drive demand for US goods. Headhaul volume growth remains weak and continues to contract as the US economy weakens in light of the financial crisis and weak housing market. Higher average revenue was achieved as a result of greater improvement in bunker recovery post-May contracting season.
- **Latin America :** Although there has been growth in this trade, we expect rates and volumes to soften going forward.

# Container Shipping : Europe

| | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Total Volumes ('000 FEUs)** | **454** | **405** | **12** | **147** | **130** | **13** |
| • Asia-Europe | 342 | 311 | 10 | 111 | 98 | 13 |
| • Transatlantic | 112 | 94 | 19 | 36 | 32 | 13 |
| **Average Revenue (US$/FEU)** | 3,190 | 2,730 | 17 | 3,207 | 2,978 | 8 |

- **Asia-Europe :** Volume improved as a result of overall growth in the trade lane and capacity expansion. Higher average revenue is due to improved rates in Asia-Europe backhaul. Headhaul Asia-Europe freight rates have been under pressure due to the continued supply of large vessels entering into the trade.
- **Transatlantic :** The Transatlantic route growth continues to grow with strength in the eastbound trade. Both improved volume and freight rates were achieved in this trade lane.

# Container Shipping : Asia/Middle East

| | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| Total Volumes ('000 FEUs) | 642 | 567 | 13 | 216 | 187 | 16 |
| Average Revenue (US$/FEU) | 2,002 | 1,814 | 10 | 1,982 | 2,060 | (4) |

- **Asia/Middle East :** Volume growth remained resilient as the trade lane continue to grow but lower average revenue in 3Q08 was due to falling freight rates in the Middle East and Subcontinent trade lanes. Continued introduction of new capacity into the Middle-East and Subcontinent trade lanes and cascading of vessels from Asia-Europe have put significant pressure on freight rates.

# Container Shipping Trade Imbalance

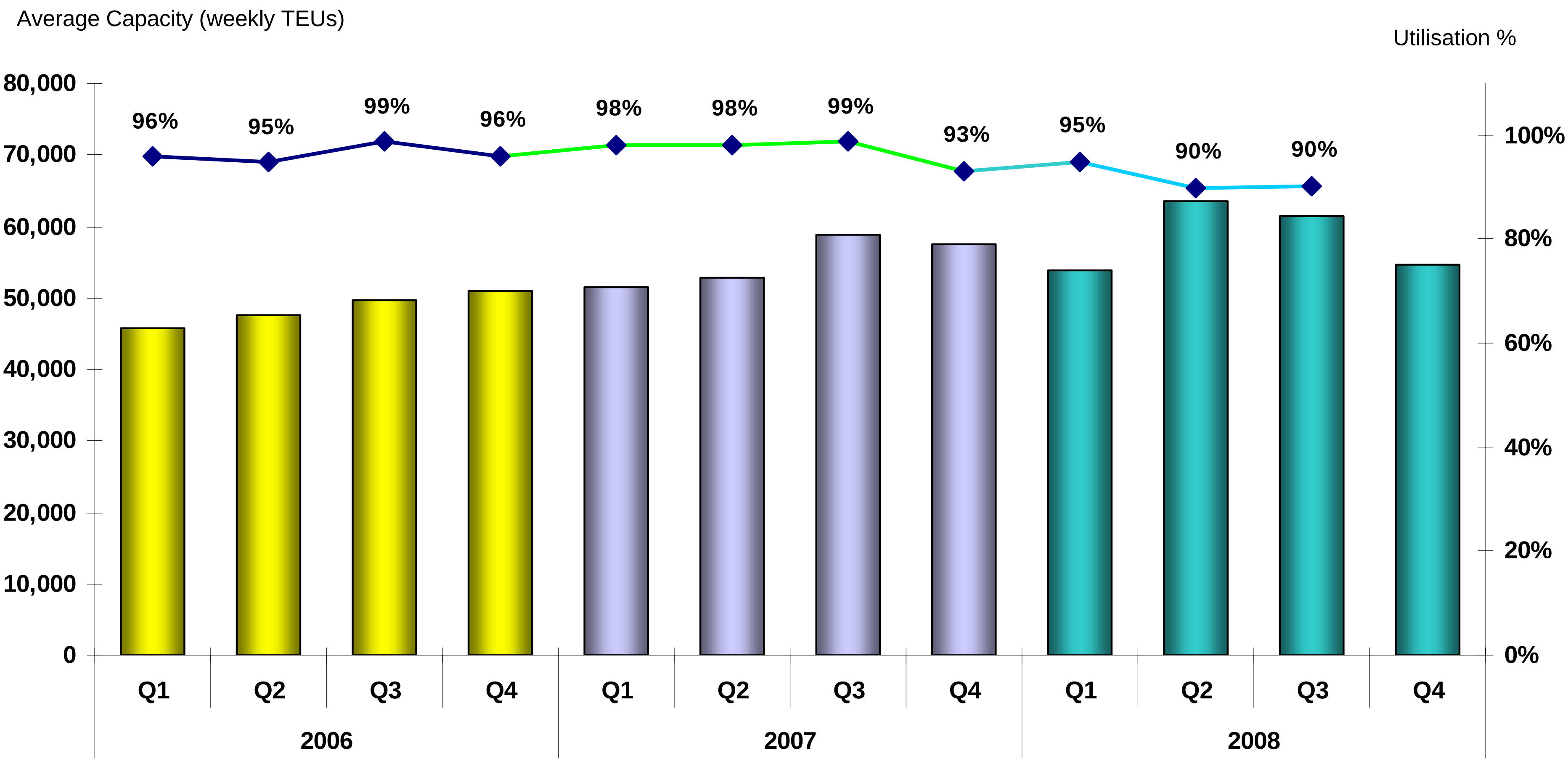
Improvement in the Transpacific imbalance was due to greater demand for US products as a result of the weaker US dollar.

No. of FEUs that are full backhaul for every 10 FEUs full headhaul

| Trade | 2006 | 2007 | YTD08 |
|---|---|---|---|
| • Transpacific | 5 | 6 | 7 |
| • Asia-Europe | 8 | 7 | 7 |
| • Transatlantic | 10 | 10 | 10 |

# Container Shipping Network Capacity & Utilisation

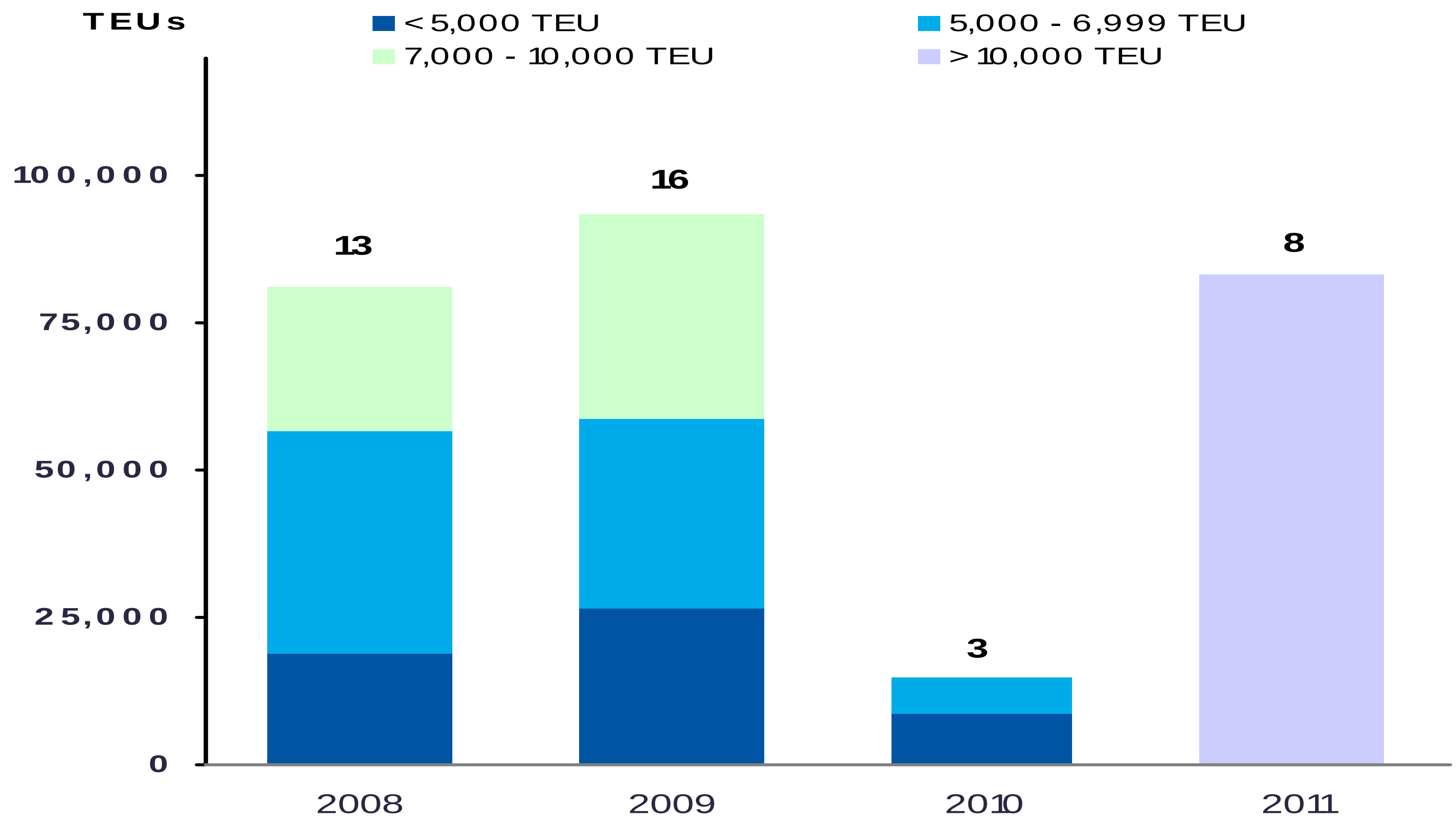
3Q08 utilisation remained at 90% as compared to 2Q08 due to tightening of network capacity growth as a result of slower global container growth.  Network continues to be reconfigured to improve utilisation.

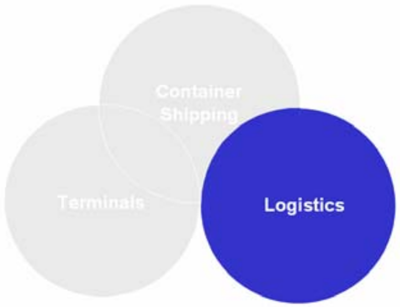



Note: Figures are based on  the headhaul leg of main linehaul services
The capacity figures takes into account "winter program" initiations.

# Container Shipping New Vessel Commitments

New vessel commitments remain at 40 (owned and chartered), to be delivered between 2008 onwards.  Of these, twelve have been delivered so far, with another one by the end of the year.






# Operating Performance Logistics

By Brian Lutt
President, APL Logistics

# Logistics 3Q08 Highlights

- Logistics recorded an increase in 3Q08 EBIT of US$5 million or 42% year-on-year (YoY) to reach US$17 million despite a decrease in 3Q08 revenue of US$3 million or 1% YoY to US$315 million.
- 3Q08 revenue decrease was due to lower revenue contribution from the International Services division.
  - Contract Logistics 3Q08 revenue increased by US$3 million or 2% YoY to US$189 million due to higher contribution from rail operations and the automotive customer segment.
  - International Services 3Q08 revenue decreased by US$6 million or 5% YoY to US$126 million due to lower volumes from the forwarding business.
- Increase in 3Q08 EBIT YoY was mainly due to better yield from a change in logistics service mix coupled with lower operating costs driven by continued cost management initiatives.

# Logistics Profit & Loss Summary

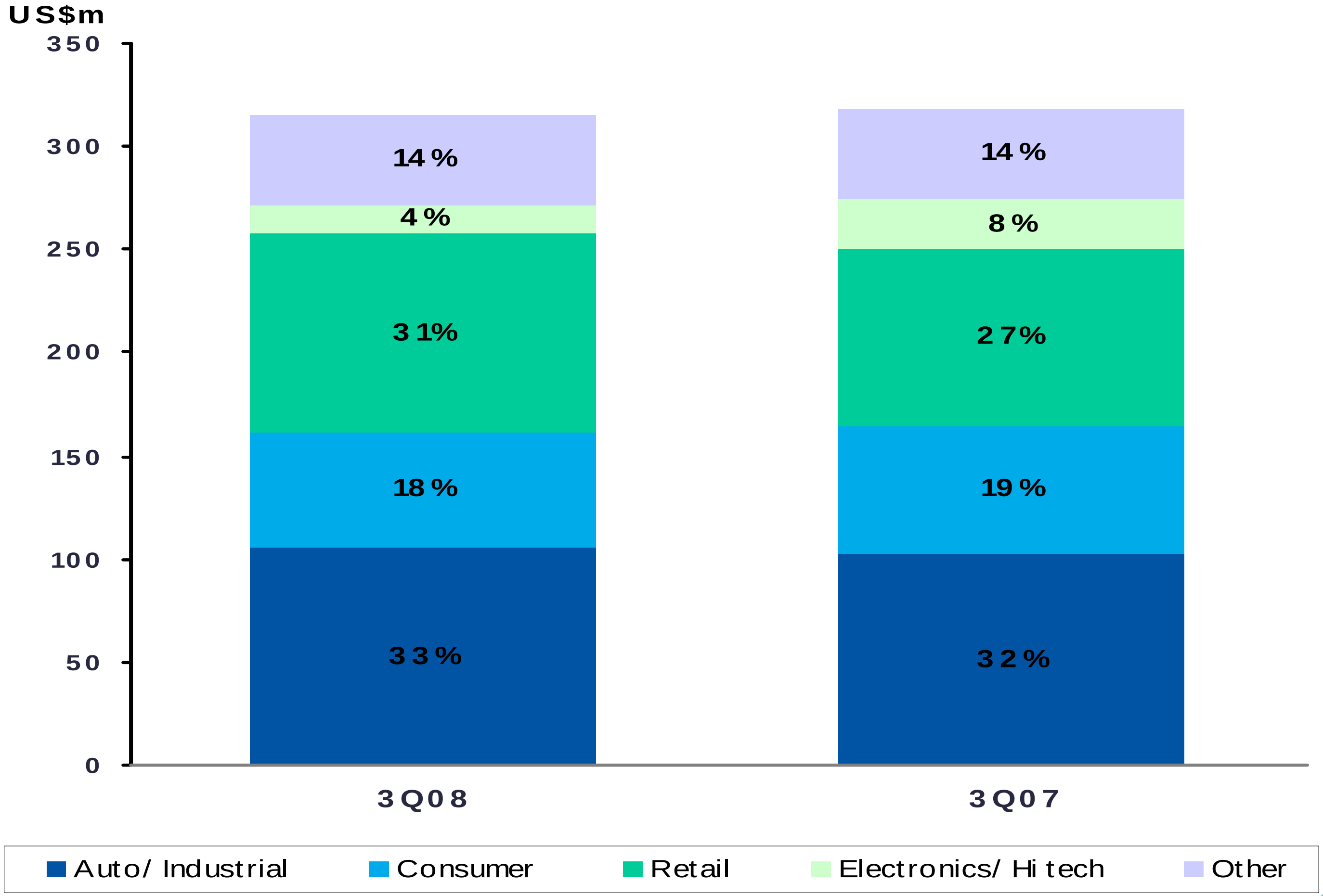
| US$m | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Revenue** | **996** | 942 | 6 | **315** | 318 | (1) |
| **EBITDA** | **55** | 46 | 20 | **20** | 15 | 33 |
| • Depreciation & Amortisation | **(8)** | (8) | - | **(3)** | (3) | - |
| **EBIT** | **47** | 38 | 24 | **17** | 12 | 42 |
| **EBIT Margin** | **4.7%** | 4.0% | | **5.4%** | 3.8% | |

# Performance Breakdown

| Business Segment (US$m) | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Revenue** | **996** | **942** | **6** | **315** | **318** | **(1)** |
| • Contract Logistics | 602 | 583 | 3 | 189 | 186 | 2 |
| • International Services | 394 | 359 | 10 | 126 | 132 | (5) |
| **EBIT** | **47** | **38** | **24** | **17** | **12** | **42** |
| • Contract Logistics | 23 | 20 | 15 | 6 | 5 | 20 |
| • International Services | 24 | 18 | 33 | 11 | 7 | 57 |
| **EBIT Margin** | **4.7%** | **4.0%** | | **5.4%** | **3.8%** | |
| • Contract Logistics | 3.8% | 3.4% | | 3.2% | 2.7% | |
| • International Services | 6.1% | 5.0% | | 8.7% | 5.3% | |

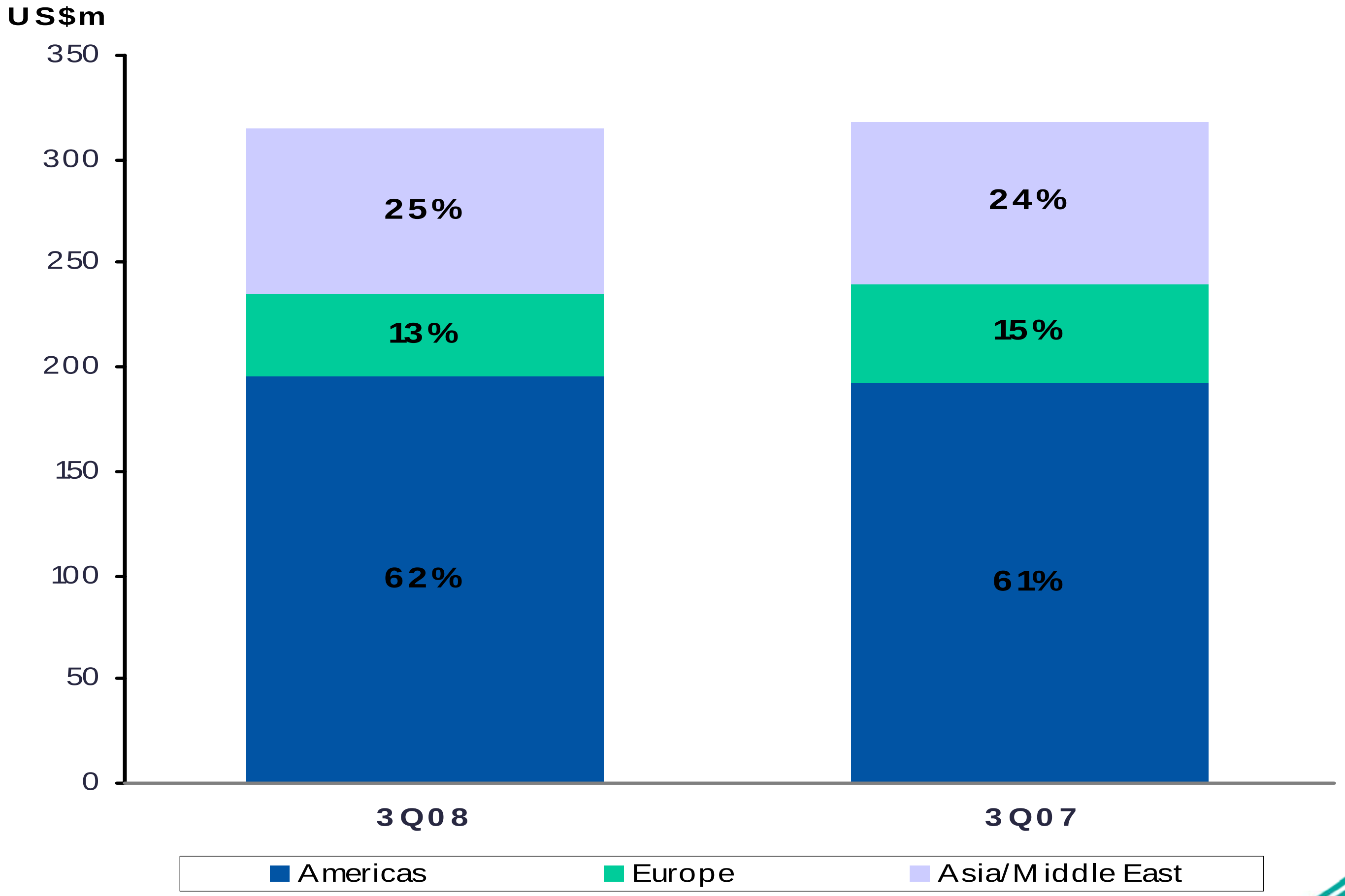
# Logistics' Revenue Trend – By Customer Segment

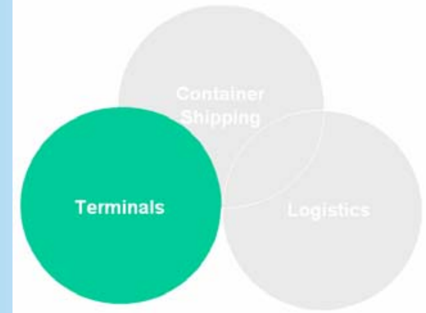
In a challenging environment, the business continues to drive profitability by focusing on cost and service delivery to our clients in key verticals, such as retail and auto/industrial.



# Logistics' Revenue Trend – By Region

Growing revenue contribution from the Asia/Middle East region was assisted by seasonal export volumes. Revenue growth in the Americas is driven by the transformation of the auto/industrial sector. Revenue contribution from Europe has decreased as a result of lower volumes.






# Operating Performance Terminals

By Steve Schollaert
President, APL Terminals

# Terminals 3Q08 Highlights

- Terminals recorded 3Q08 revenue of US$146 million, an increase of US$1 million or 1% year-on-year (YoY). This was due to better revenue mix resulting in higher average revenue per lift, partially offset by against lower volumes.
- 3Q08 volumes decreased by 3% to 557,000 lifts primarily due to industry wide capacity reduction in the contracting Transpacific trade
- 3Q08 EBIT improved by approximately US$1 million or 5% YoY to US$23 million due to improved revenue from better revenue mix and higher average revenue per lift.

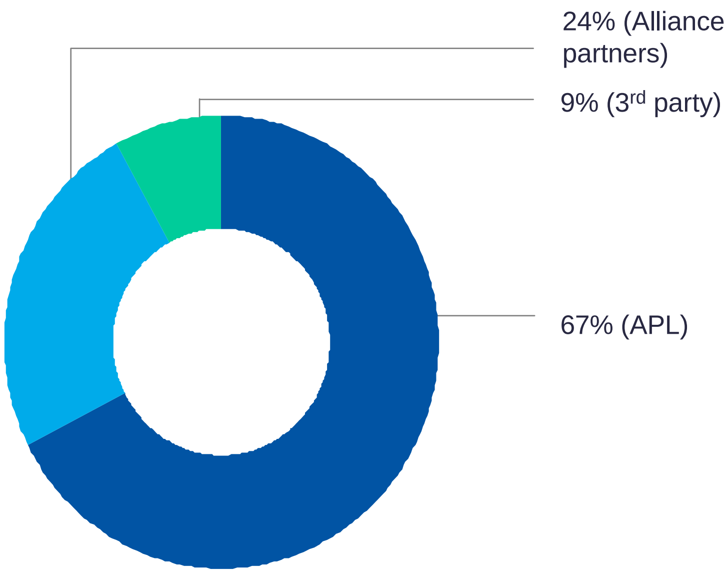
# Terminals Profit & Loss Summary

| US$m | YTD08 | YTD07 | % ▲ | 3Q08 | 3Q07 | % ▲ |
|---|---|---|---|---|---|---|
| **Revenue** | **429** | 446 | (4) | **146** | 145 | 1 |
| **EBITDA**[1] | **68** | 81 | (16) | **27** | 27 | - |
| • Depreciation & Amortisation | **(14)** | (15) | (7) | **(4)** | (5) | (20) |
| **EBIT**[1] | **54** | 66 | (18) | **23** | 22 | 5 |
| **EBIT Margin** | **12.6%** | 14.8% | | **15.8%** | 15.2% | |
| **Volume ('000 lifts)** | **1,669** | **1,808** | **(8)** | **557** | **576** | **(3)** |
| **Average Revenue (US$/Lift)** | **257** | **247** | **4** | **262** | **252** | **4** |

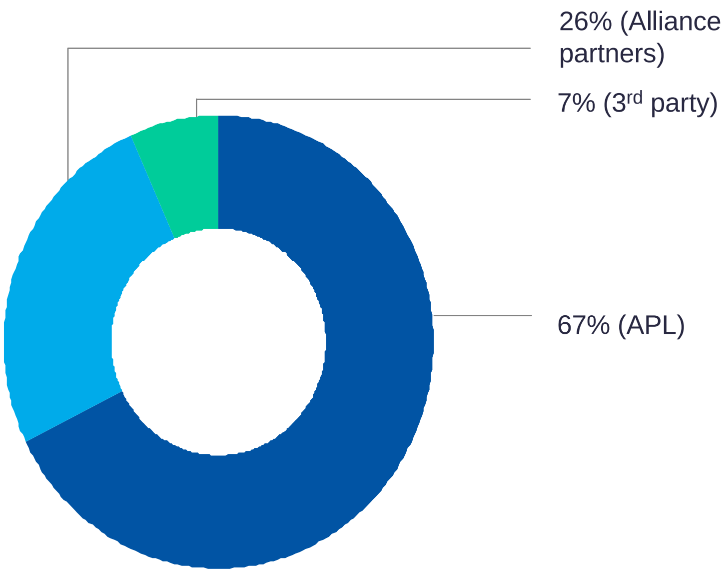
[1] Includes share of results from a joint venture.

# Terminals : Volume Mix

APL and Alliance partners continue to provide the stable base volume throughput, while diversity in customer mix has resulted in higher proportion of 3rd party volumes in 3Q 2008 as compared to 3Q 2007.




3Q 2008 Volume breakdown




3Q 2007 Volume breakdown