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NOL reports net profit of US$890 million in 2Q 2015

Excluding gain on sale of APL Logistics, Group achieves net profit of US$3 million

SINGAPORE, 30 July 2015 – NOL Group today reported a 2Q 2015 net profit of US$890 million. Excluding the US$887 million gain on the sale of its supply chain management business, NOL achieved a net profit of US$3 million in the second quarter of 2015, compared to a net loss of US$54 million in 2Q 2014.

Singapore-based NOL said that the second quarter of 2015 saw severe freight rate erosion with rates in major trade lanes falling to some of the lowest levels seen in recent years. Despite the tough operating environment, the Group posted a second quarter 2015 Core EBIT (Earnings Before Interest, Taxes and Non-Recurring Items) of US$29 million, versus a loss of US$15 million in the same quarter last year. NOL's Core EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) in 2Q 2015 was US$119 million, up 53% from US$78 million in the same period last year.

"The Group's container shipping business continued to face a challenging environment characterised by over-capacity and weak market demand. Nonetheless, APL reversed a core EBIT loss in the second quarter last year to a positive position this year," said NOL Group President and CEO Ng Yat Chung. "We remain focused on improving our cost competitiveness, yield optimization and service reliability to return the liner business to sustained profitability."

NOL reported US$100 million in cost savings in 2Q 2015, bringing its total cost savings for the first half of the year to US$255 million. "There is room for further cost savings with another nine vessels scheduled for expiry in the second half of this year," added Mr Ng.

Following the completion of the sale of APL Logistics on 29 May 2015 for a final purchase price of US$1.238 billion, and after taking into account transaction and transaction-related expenses, the NOL Group registered a gain of US$887 million. The Group saw a healthier balance sheet after repayment of debt, with the Group's net gearing ratio reduced to 1.03x as at 26 June 2015 from 2.25x as at 26 December 2014.

Liner strategy gaining traction

APL, NOL's container shipping business, recorded a 12% volume reduction in 2Q 2015 compared to the same period last year, due both to weak global demand as well as the carrier's continued efforts to trim capacity in unprofitable trade lanes to optimise yield. Its average freight rates dipped 17% amidst pressure from over-capacity in the industry. Versus the same period last year, APL's revenue fell 22% to US$1.3 billion in the second quarter of 2015.

In spite of reduced revenue, APL achieved an improved 2Q 2015 Core EBIT of US$20 million, compared to a loss of US$28 million over the same period last year. This is its sixth consecutive year-on-year improvement in its quarterly Core EBIT. APL attributed its performance to stringent cost management as well as a yield-focused trade strategy that emphasises network rationalisation and better cargo selection. The carrier returned five expensive chartered ships in the second quarter. As a result, total cost of sales per forty-foot-equivalent unit (FEU) fell by 15% year-on-year. APL also kept its headhaul utilisation above 90%. These efforts mitigated the impact of lower volumes and freight rates in the quarter under review.

APL's schedule reliability also improved. According to the June edition of the Global Liner Performance Report published by SeaIntel Maritime Analysis, APL was the most reliable carrier in May 2015 with a global on-time performance of 85.5%, above the industry average of 78.3%.

NOL FINANCIAL PERFORMANCE

	1H15[1]	1H14	Change % Better/(Worse)	2Q15[2]	2Q14	Change % Better/(Worse)
Revenue (US$m)	3,537	4,329	(18)	1,552	2,050	(24)
Core EBITDA (US$m)	252	111	127	119	78	53
Core EBIT (US$m)	59	(80)	n.m.	29	(15)	n.m.
Net profit / (loss) (US$m)	879	(152)	n.m.	890	(54)	n.m.
Net (loss)/profit excluding gain on disposal of APL Logistics (US$m)	(8)	(152)	95	3	(54)	n.m.

1 - Include APL Logistics' contributions from January to May 2015
2 - Include APL Logistics' contributions in April and May 2015
n.m. - not meaningful

1H/ 2Q 2015 OPERATING PERFORMANCE

Liner Shipping

	1H15	1H14[3]	Change % Better/(Worse)	2Q15	2Q14[3]	Change % Better/(Worse)
Revenue (US$m)	2,926	3,598	(19)	1,325	1,704	(22)
Core EBITDA (US$m)	225	75	200	110	62	77
Core EBIT (US$m)	33	(110)	n.m.	20	(28)	n.m.
Average Revenue/FEU (US$)	2,003	2,273	(12)	1,933	2,320	(17)
Volume ('000 FEU)	1,249	1,447	(14)	582	662	(12)

3 – 2014 Liner numbers have been restated for comparative purpose
n.m. – not meaningful

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