Press Release

CONTINUED GROWTH & PROFITABILITY IN 3Q 2004

Singapore, 28 October 2004: - Global transportation and logistics company, Neptune Orient Lines (NOL), today reported net profit of US$234 million for the third quarter (3Q), taking net profits for the year-to-date to US$588 million – almost double the earnings over the same period last year.

Core Earnings Before Net Interest Expense, Tax and Exceptional Items (EBIT) for 3Q rose to US$254 million, representing an 88% year-on-year (YoY) growth while net profits were US$234 million, a 13% increase over last year.

Gains from exceptional items fell from US$99 million in 3Q03 to US$8 million in 3Q this year. Last year's gains were predominantly from the sale of American Eagle Tankers while this year's arise mainly from the cessation of goodwill amortisation following the early adoption of Financial Reporting Standard (FRS) 103, which no longer permits the amortisation of goodwill. Excluding these exceptional items, 3Q net profits grew 111% over the corresponding period last year.

KEY FINANCIAL / PERFORMANCE HIGHLIGHTS

	3Q04	3Q03	Change	YTD 3Q04	YTD 3Q03	Change
Revenue (US$m)	1,557	1,342	16%	4,560	3,976	15%
Core EBIT (US$m)	254	135	88%	631	285	121%
Exceptional items (US$m)	8	99	(92%)	35	108	(68%)
Net profits (US$m)	234	206	13%	588	295	99%
EPS (US cts per share)	16.19	17.48	(7%)	40.92	25.02	64%
Ending no. of shares (m)	1,449	1,183	22%	1,449	1,183	22%
Net Gearing (x)	NA	NA	NA	0.13	1.58	(92%)

Cash flow generation during the 3Q remained strong, further reducing the Group's net gearing to 0.13x.

NOL Chairman Mr Cheng Wai Keung said, "Both the Liner and Logistics businesses have recorded consecutively higher quarterly profits as well as an improving margin trend this year. While part of the strong performance is due to benefits arising from the traditional peak season in the 3Q, it also reflects continuing strong commitment of the management team to driving profit growth."

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3Q 2004 OPERATING PERFORMANCE

Mr David Lim, Group President and CEO, said, "Volume growth remained robust on the Liner business while Logistics has recorded strong revenue growth especially in International Services. We have improved operating profits despite rising cost pressures as we continue to execute well our strategy of optimising the use of our assets and containing our costs."

Liner

NOL's Liner business, APL, recorded Core EBIT of US$244 million in the 3Q. This was a 74% increase over 3Q last year and a 29% increase over the 2Q 2004.

CEO for APL, Mr Ron Widdows, said, "Liner profits continued to benefit from effective asset utilisation and tight cost control combined with higher average revenues and higher trade volume. Volumes increased 16% YoY in the 3Q, boosted by sustained strong demand along the key trading routes and the additional capacity introduced since the beginning of 2004. Average revenues per FEU (forty-foot equivalent unit) in the 3Q improved 6% YoY, a result of actively managing cargo mix and the benefits of seasonal surcharges and rate increases".

The Group introduced several new services in the 3Q of 2004. This includes the SCX (South China Europe Express), an Asia-Europe service that began in July. In August, it launched the VCX (Vietnam China Express), which improves service times from Vietnam to the US, and the PS5 service between Hong Kong/South China and the US West Coast (Seattle). The PS5 provides customers extra support for the peak season and fast transit times between China and Seattle, linking with intermodal transport beyond Seattle, and helps avoid the congestion and delays experienced at terminals in south California.

Charter rates continued to rise in the 3Q. As a result of the rate increases, charter expenses in the 3Q were US$5.3 million higher than the corresponding period last year and we expect an increase of US$25 million for the whole of 2004.

Congestion in most of the major ports globally, together with infrastructure pressures at inland transportation systems, continues to put upward pressure on operating costs.

For the 3Q, additional cost savings of US$35 million were achieved, resulting in total cost savings of US$75 million for the year-to-date. The company remains on track to achieve its full year target of US$100 million.

Year-to-date, overall Liner costs per unit fell 2% compared with the corresponding period last year.

Logistics

APL Logistics achieved further profit improvements in the 3Q. Core EBIT rose from US$2 million in the 3Q last year to US$11 million in the current quarter. This was also 120% better than the 2Q 2004 Core EBIT of US$5 million.

3Q revenues increased 15% YoY, due largely to strong growth in International Services in Europe.

CEO of APL Logistics, Mr Hans Hickler, said, "Logistics revenue growth continues to benefit from global outsourcing trends. Our on-going focus on International Services has resulted in new contract wins and increased demand from existing customers, which has contributed to the strong revenue growth of 34% in the 3Q, as compared to the corresponding period last year. Revenues for Contract Logistics Services also continues to grow, at 8% YoY in the 3Q."

BALANCE SHEET AND CASH FLOWS

Group Chief Financial Officer, Mr Lim How Teck, said that continued strong operating cash flows reduced the Group's net gearing from 0.26x at the 2Q to 0.13x at the end of the 3Q. Total cash balance increased 14% over 2Q to US$924 million while total borrowings fell 6%, from US$1.23 billion to US$1.16 billion.

As highlighted at mid year, the Group will continue to study closely what the appropriate level of cash and debt should be from a long term perspective, and providing for an ability to respond flexibly to market opportunities.

Capital expenditure at the end of the 3Q amounted to US$153 million, with new container equipment remaining the key investment.

FUEL AND CURRENCY EXPOSURES

The Group seeks to maintain a hedging policy of up to 50% of bunker fuel requirements, with the remaining 50% recoverable from customers through Bunker Adjustment Factor (BAF) provisions. At the end of 3Q04, about 15% of the expected net fuel exposure had been hedged at an average price of US$135 per metric tonne.

Fuel costs in the 3Q of 2004 increased US$21 million YoY, resulting in total additional fuel costs for the year-to-date of US$47 million, mainly due to business expansion rather than fuel price increases. While we experienced higher fuel prices in the 3Q, the average price for the year-to-date remained at about last year's prices.

The Group's revenues and costs are largely denominated in US$. There is a net exposure of about US$400 million worth of Euro, Japanese Yen and the Singapore Dollar, due to local operating costs. The weakness of the US$ was partly mitigated by currency hedges, this being 60% of our Euro, 75% of our Japanese Yen and 60% of our Singapore Dollar exposures.

DIVIDEND POLICY

NOL's dividend policy is to maintain an annual dividend of 8 Singapore cents per share net, or a full year dividend payout of 20% of net profits, whichever is higher.

An interim dividend of 7 Singapore cents per share net was declared at half year. No dividend has been declared for the 3Q. A final dividend will be declared on the release of our 2004 full year results.

GROUP OUTLOOK FOR 2004

The outlook for the remainder of the year remains buoyant. Liner is expected to benefit from continuing strong demand growth, which should sustain utilisation rates at healthy levels. In addition, Liner will continue to focus on optimising the utilisation of resources and tight cost management as it faces higher operating, charter hire, bunker and congestion costs.

APL Logistics expects to improve on its performance through continued growth in revenue and building on cost control initiatives.

The strong performance of the Group is expected to continue for the rest of the year, barring unforeseen circumstances.

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About NOL

NOL is a Singapore-based global transportation and logistics company. Its container transportation arm, APL, provides customers around the world with container transportation services that combine high quality inter-modal operations with state-of-the-art information technology. Its supply chain services arm, APL Logistics, provides international, end-to-end logistics services, employing the latest IT and data connectivity for maximum supply chain visibility and control. NOL Web site: www.nol.com.sg

About APL

APL is a global container transportation company offering more than 60 weekly services and nearly 300 calls at more than 90 ports in Asia, Europe, the Middle East and North America. It combines world-class intermodal operations with leading IT tools and e-commerce. APL is a unit of Singapore-based Neptune Orient Lines (NOL), a global logistics and transportation company. APL Web site: www.apl.com

About APL Logistics

APL Logistics provides international, end-to-end supply chain services in more than 50 countries, including both origin and destination services such as freight consolidation, warehousing and distribution management. It uses innovative IT for maximum supply chain visibility and control. APL Logistics is a unit of Singapore-based Neptune Orient Lines (NOL), a global logistics and transportation company. APL Logistics Web site: www.apllogistics.com