

Managing in an Uncertain Environment

John Bowe, President the Americas, APL

Northwestern University, April 23, 2009





recession

spending

No job opening

stimulus

disincent

bill

practical

closed

pay

allow

that

ed

No

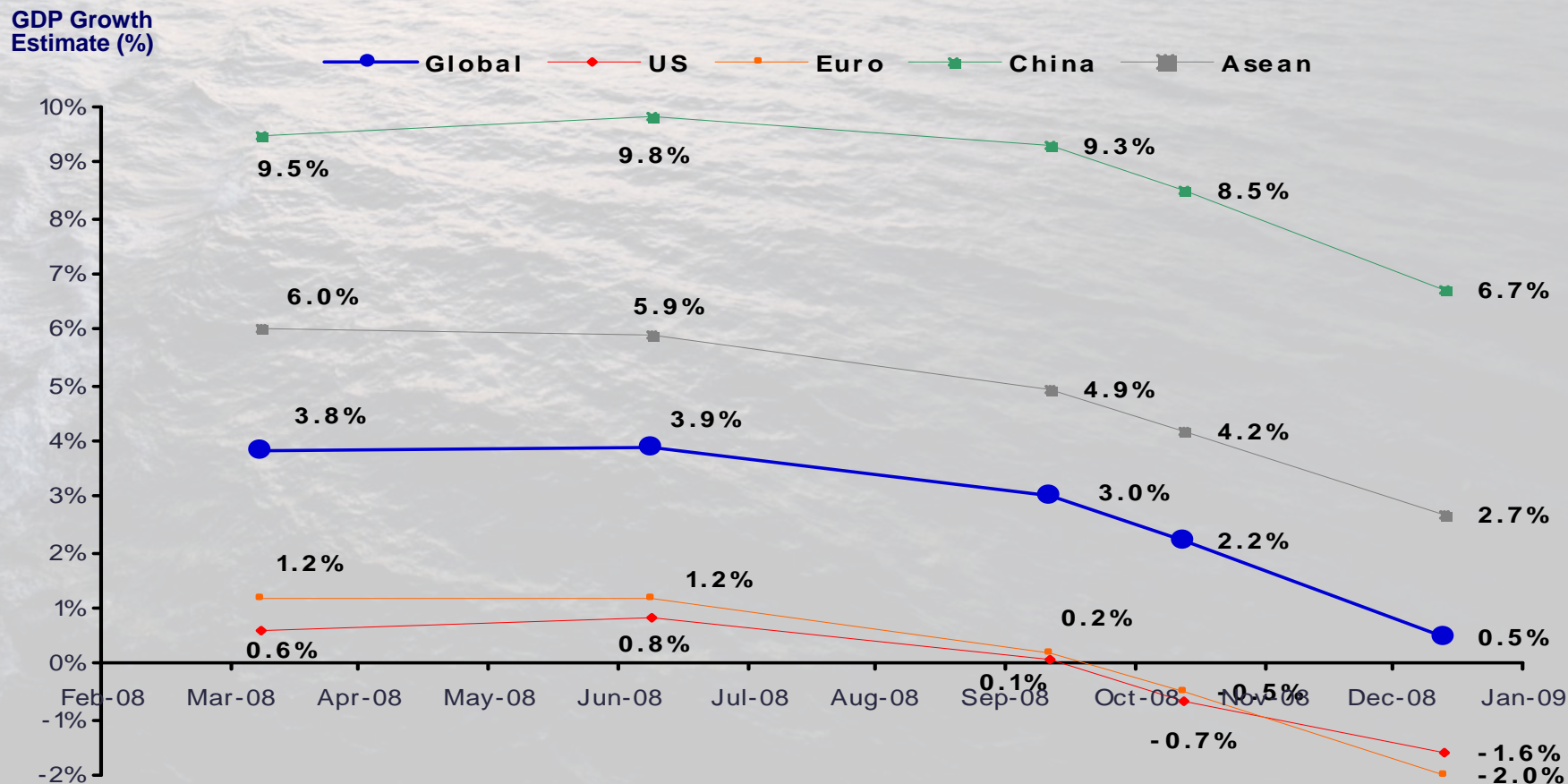
job

opening

Global GDP forecasts 2009

—a changed world post September 08

Changes in 2009 GDP Growth Estimates Over Time

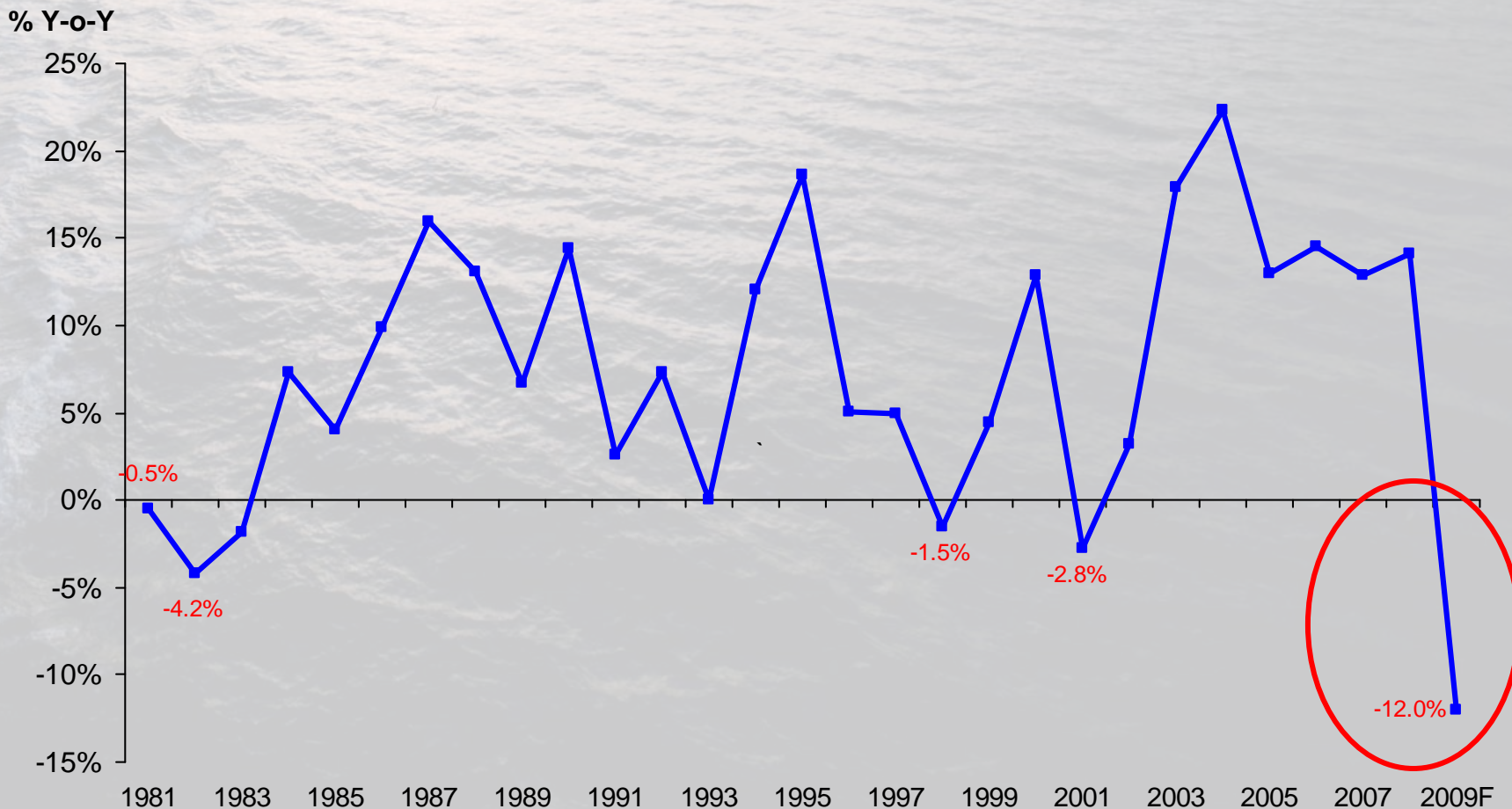


Source: IMF



World trade has declined

-09 drop exceeds the depth of the decline in 1982



Source: Global Insight

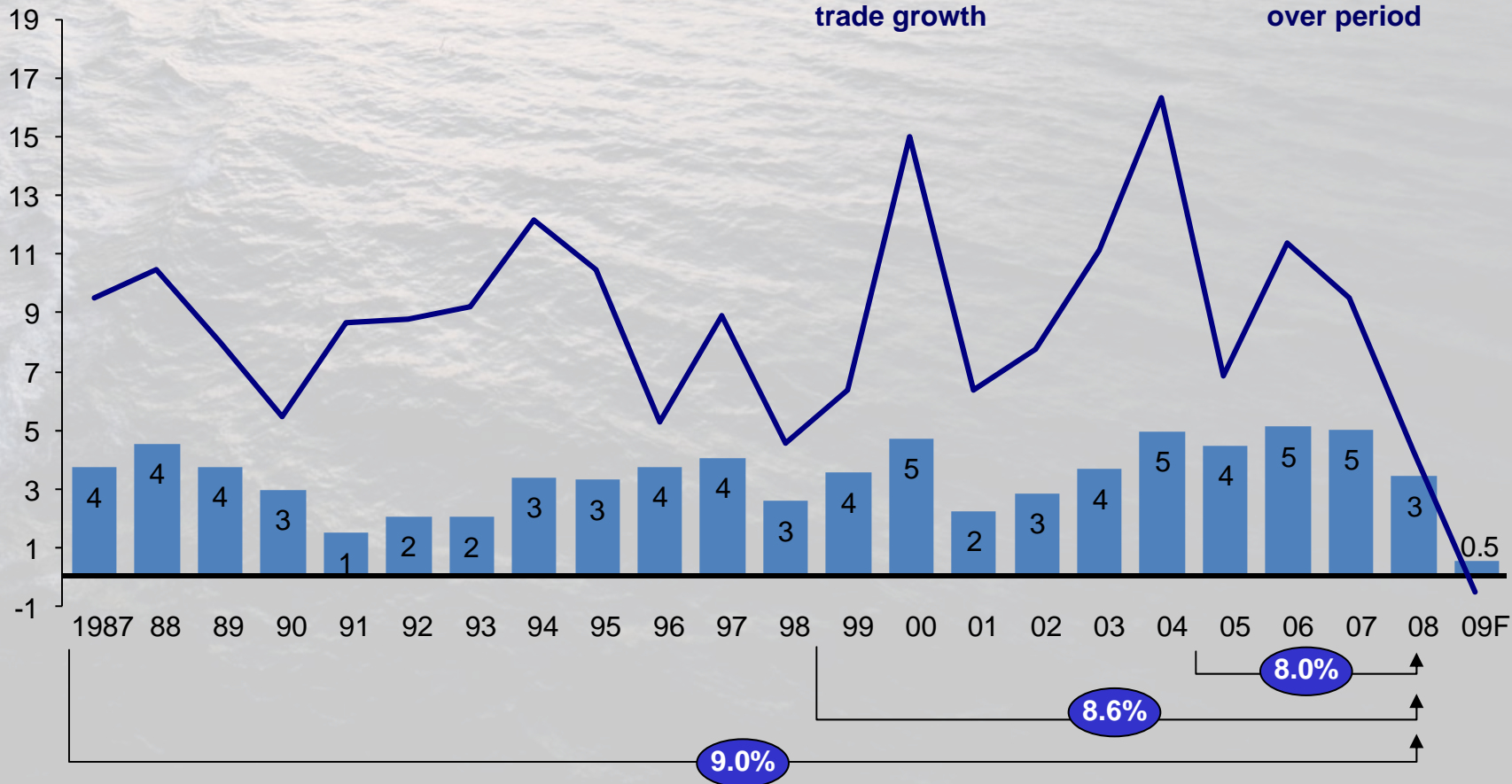


Containerized trade will decline this year

—first time in two decades

Annual growth rate
Percent

■ Real GDP growth
 — Average world containerized trade growth
 % Containerized trade growth over period



Source: IMF Jan 2008; Global insight; NOL analysis

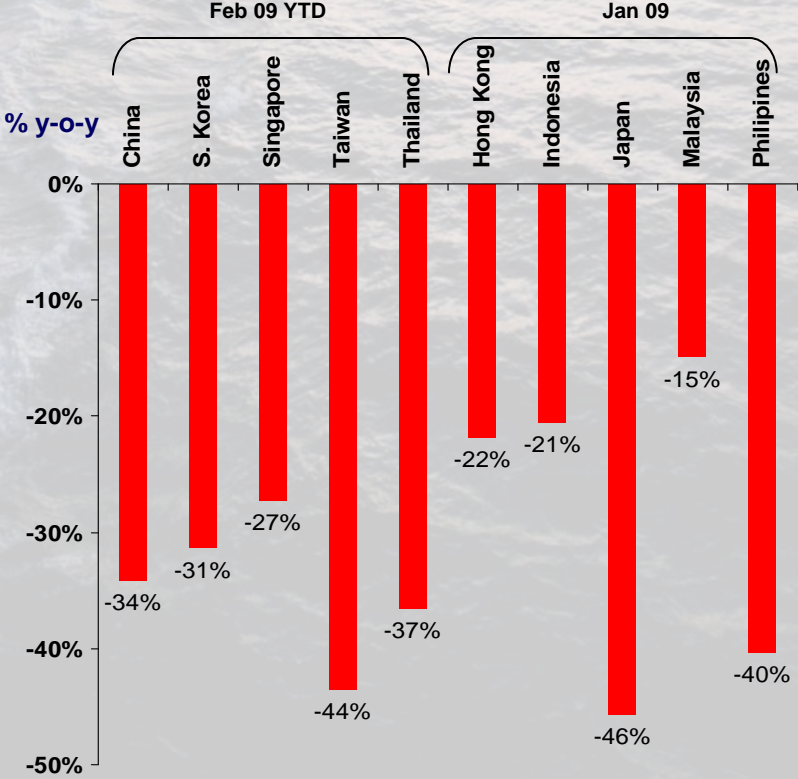


Exports and Port volumes have declined

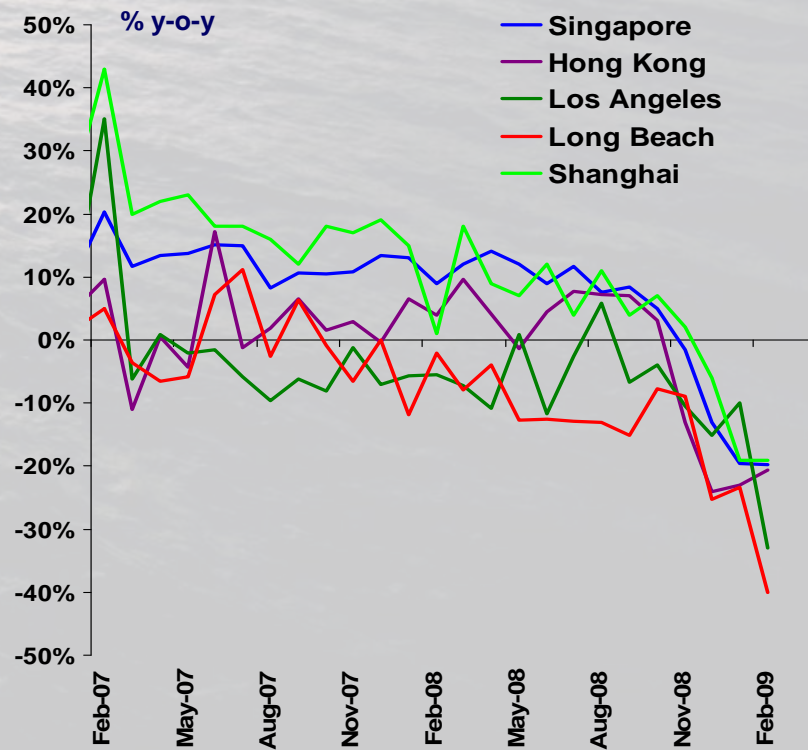
—seen in Jan/Feb 09 data

Exports have declined sharply **Port throughputs in steep decline**

Feb 09 YTD and Jan 09 Exports By Countries



Container Throughput at Selected Ports



Source: CEIC



Consumer confidence drives the US economy

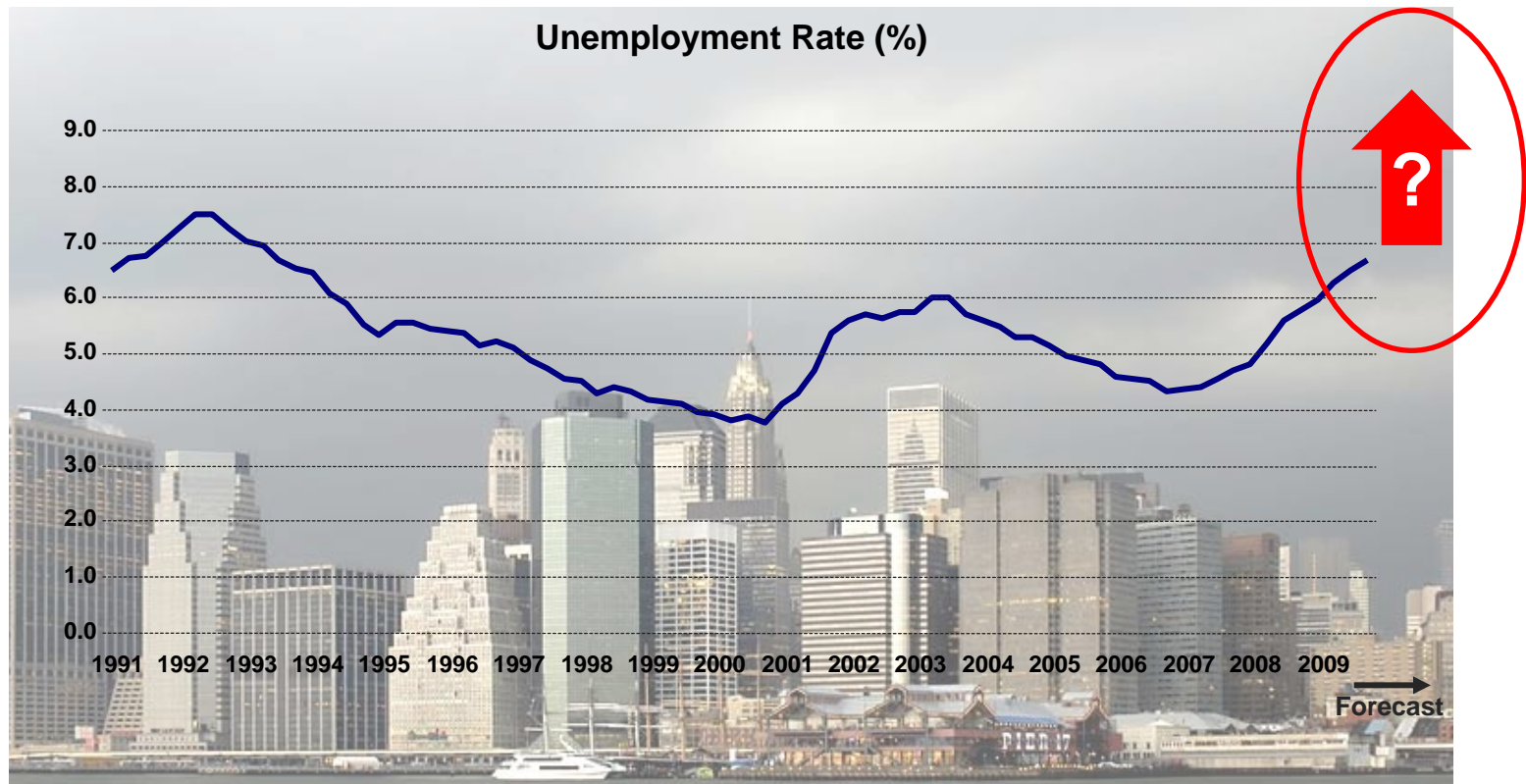
—hit a historic low at the end of 08...Jan/Feb 09 showing some small signs that the worst may be behind us?



US consumer confidence index; Index level (based on 1980); Base year = 100, SA

US unemployment continues to rise

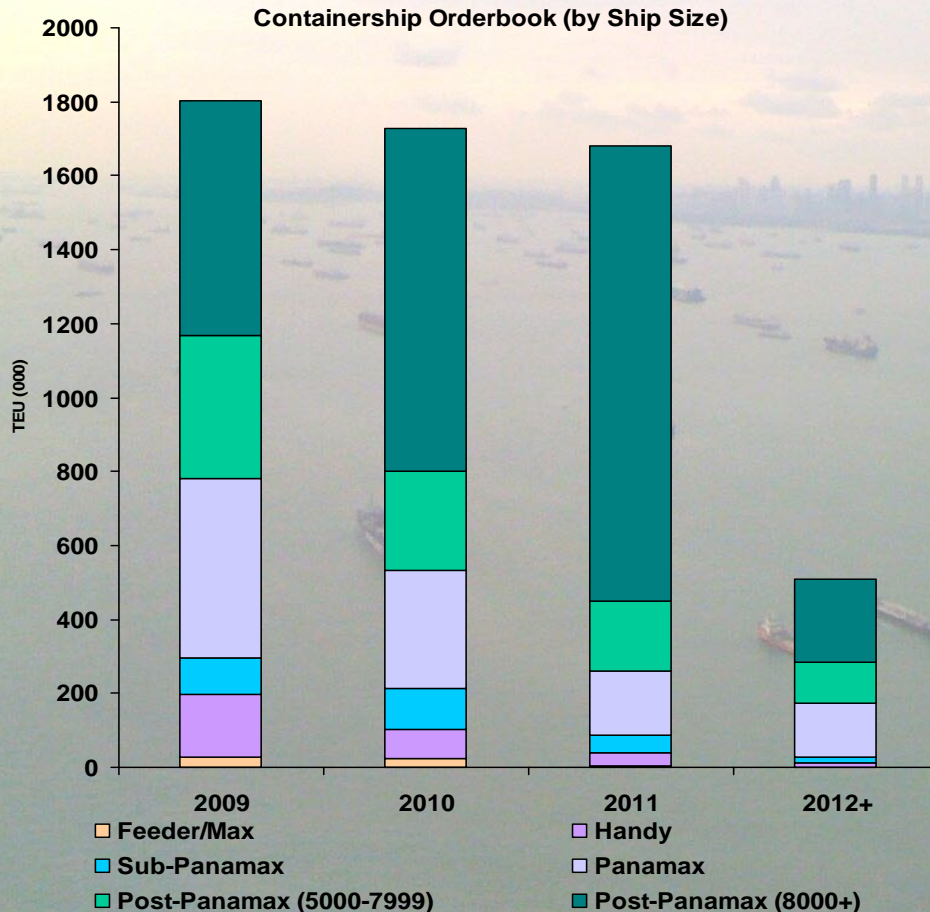
- stimulus will take time...the US needs job creation now
- real unemployment well over 10% by most estimates
- may get worse before any real improvement begins



Source: Standard & Poor's

New tonnage coming

—virtually none of it is needed in 09/10
—how many ships will actually make it to market?



Some events that could bring relief to supply challenge:

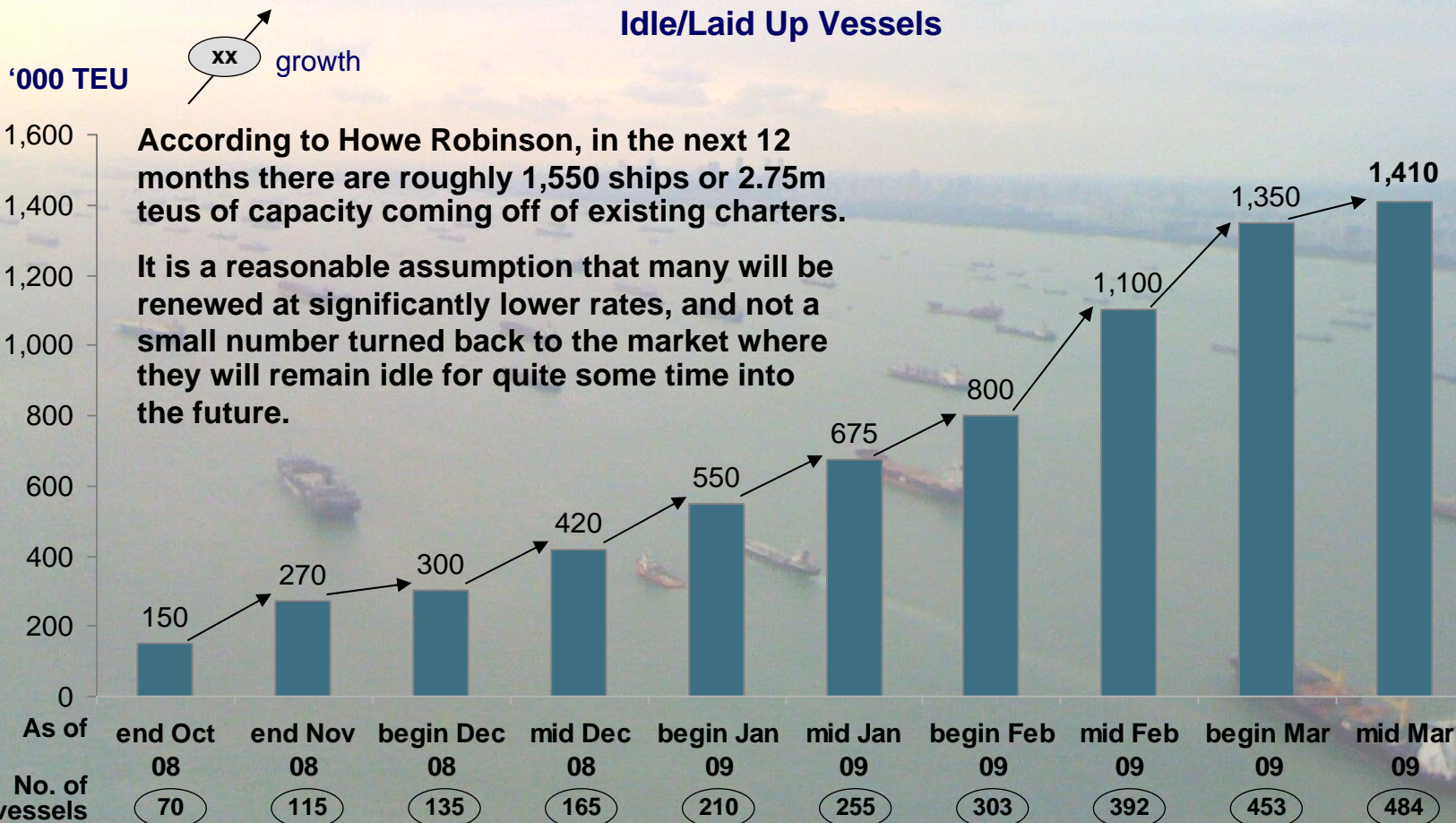
- Delayed vessel deliveries—while challenging to achieve, some are taking place
- Cancellations of newbuilds—also relatively few thus far but more will come
- Possible defaults—some already have occurred. With financing not forthcoming on many vessels, likelihood is for defaults to grow
- Scrapping of vessels—will increase, but have a negligible impact on total capacity employed

Vessel lay-ups will continue

—there will be unprecedented idle tonnage for the foreseeable future
 ...enormous pressure on asset owners

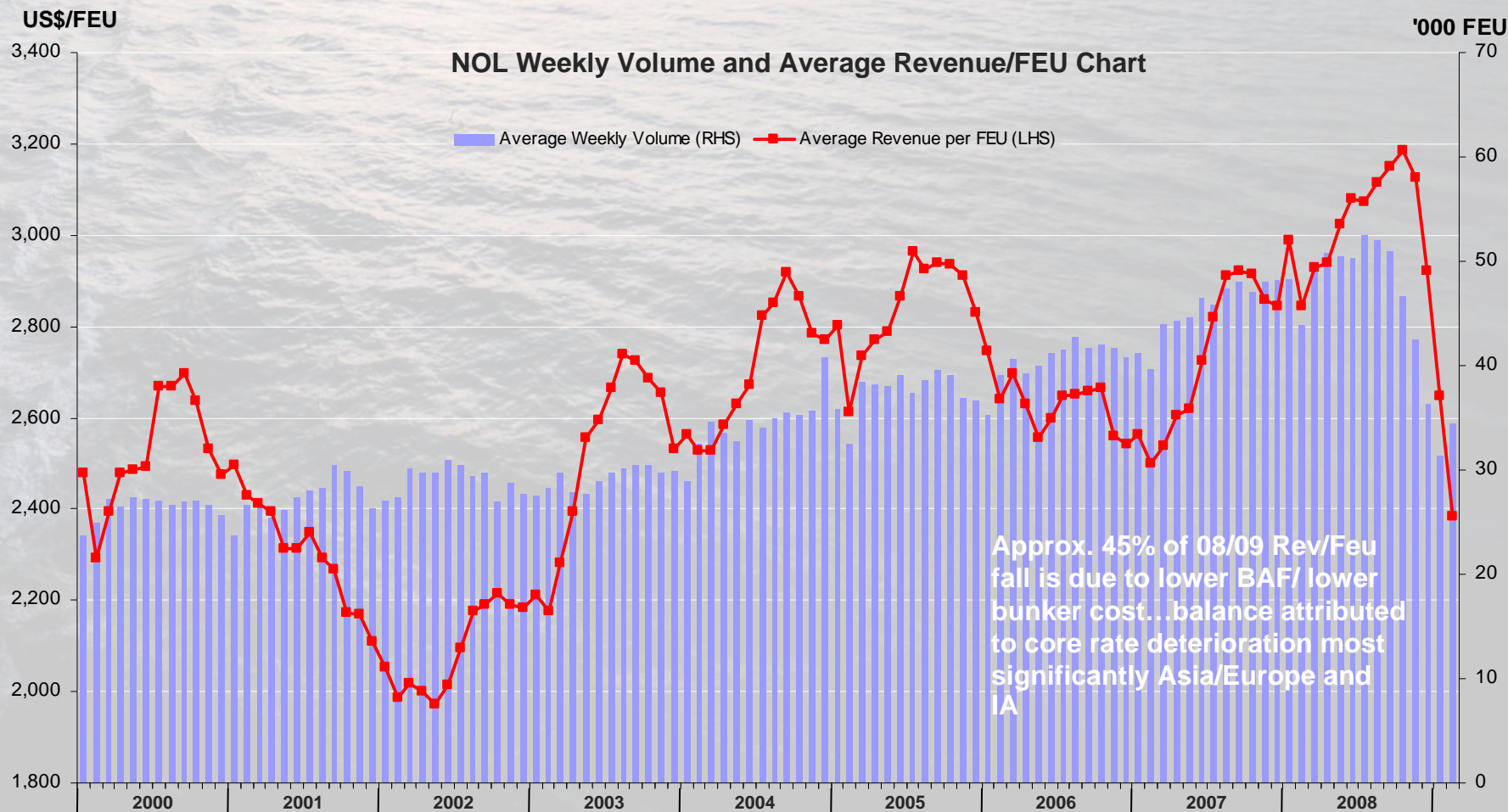
2.5 – 3M

Idle/Laid Up Vessels



APL volumes and revenue per FEU...an indicator of the impact on container carriers

—data from NOL's period performance releases

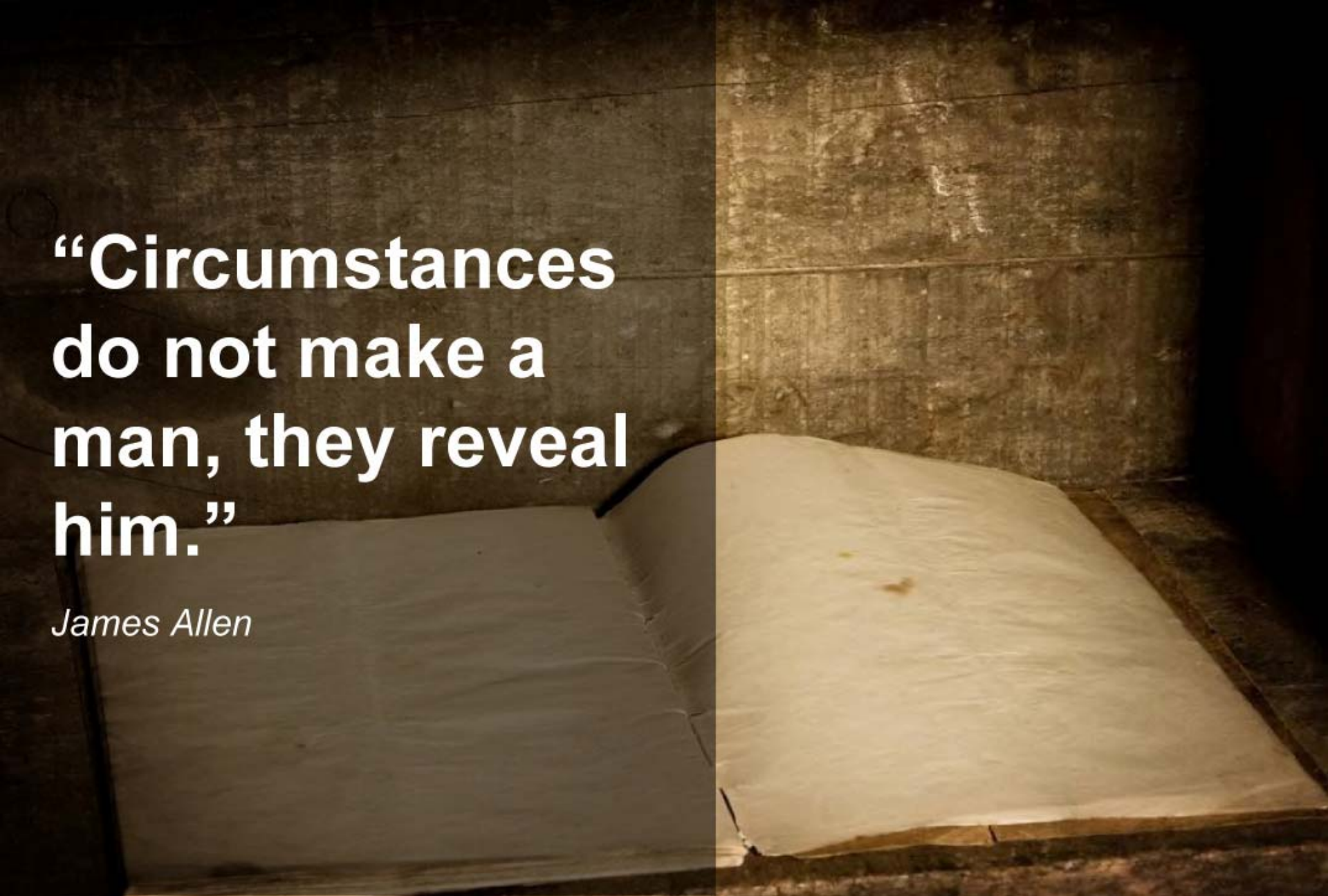


Source: NOL



Significant opportunities will arise from this downturn

- those who can come through this downturn with a healthy balance sheet will be able to take advantage of the opportunities
- some container shipping consolidation will take place
- asset prices will fall dramatically and remain depressed for some time...rare opportunity to reset asset cost base
- unhealthy availability of financing for ship construction likely a thing of the past...in the future it is more likely that capacity is more rationally secured
- new levels of efficiency and productivity will have to be developed to improve margins due to cost and pricing pressures that will be with us for quite some time
- some will be more capable of prospering than others in this new world we compete in



**“Circumstances
do not make a
man, they reveal
him.”**

James Allen

Key principles for leaders in tough times

Know your business

Have faith in your business model

Take hard decisions, quickly

Trust in intuition; back it with data

Look outward; not just inward

Build in flexibility

Stay true to your fundamental values

Be customer-centered

Support your people

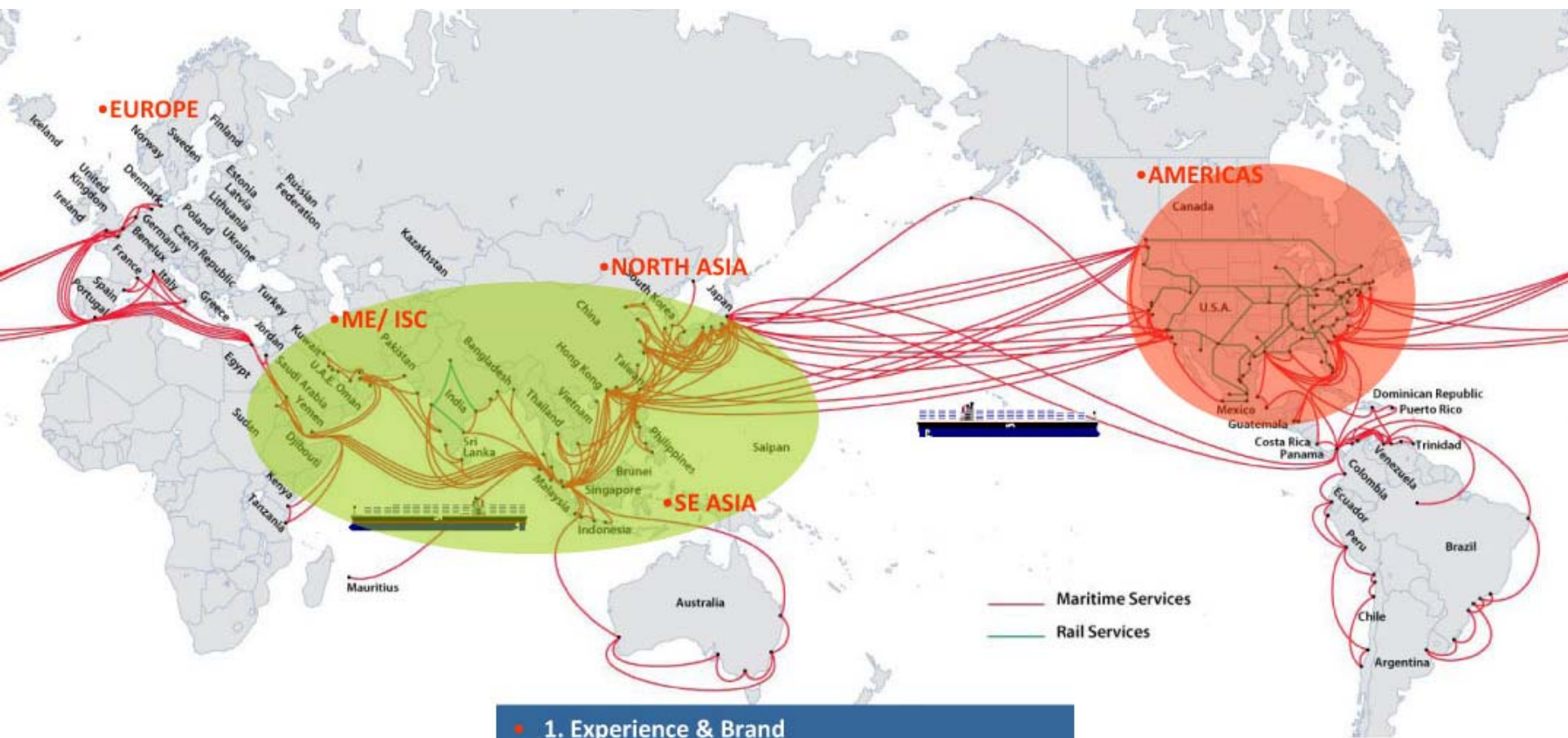
Communicate effectively

Show personal strength

Know your business

- Seasoned people
- Deep industry & company knowledge
- Detailed business analysis
- Rapid response capability

Have faith in your business model: creating long-term value



- 1. Experience & Brand
- 2. Operations & Production System
- 3. Yield & Network Management
- 4. Customer Management



Take hard decisions quickly

- Capacity reductions
- Reconfiguring networks
- Lay-ups & off-hires
- Reduction of capex
- Job cuts
- Streamlining of structures & processes
- General cost efficiencies



NOL has moved, and moved fast

Taking immediate action in areas within our control to adapt to new trade dynamics



APL slashes capacity on major trade lanes

Updated October 22, 2008 8:49:19 AM

Peter T. Leach

Today APL announced it is slashing vessel capacity on the major east-west shipping lanes and restructuring its network in response to what it called "increasingly challenging conditions in the major container trades".

The subsidiary of Singapore-based Neptune Orient Lines, and the eighth-largest global liner company, said the capacity reductions would amount to 25 percent on the Asia-Europe trade and 20 percent on the trans-Pacific.

"The traditional seasonal softening of demand in the main container trades has been compounded by the global financial crisis and economic slowdown," said APL President Eng Aik Meng.

NOL to cut 1,000 jobs

Nov 19, 2008

By Yang Huiwen

THE STRAITS TIMES.

NEPTUNE Orient Lines will cut more than 1,000 jobs to reduce costs as the global recession reduces demand for moving sea cargo.

APL moves Americas HQ to Phoenix

By Marcus Hand in Singapore - Thursday 8 January 2009



Lloyd's List

The Leading Maritime & Transport News Portal

Photo: Nordcapital

APL is shifting its America's headquarters into the desert in Phoenix, Arizona in a bid to save costs.

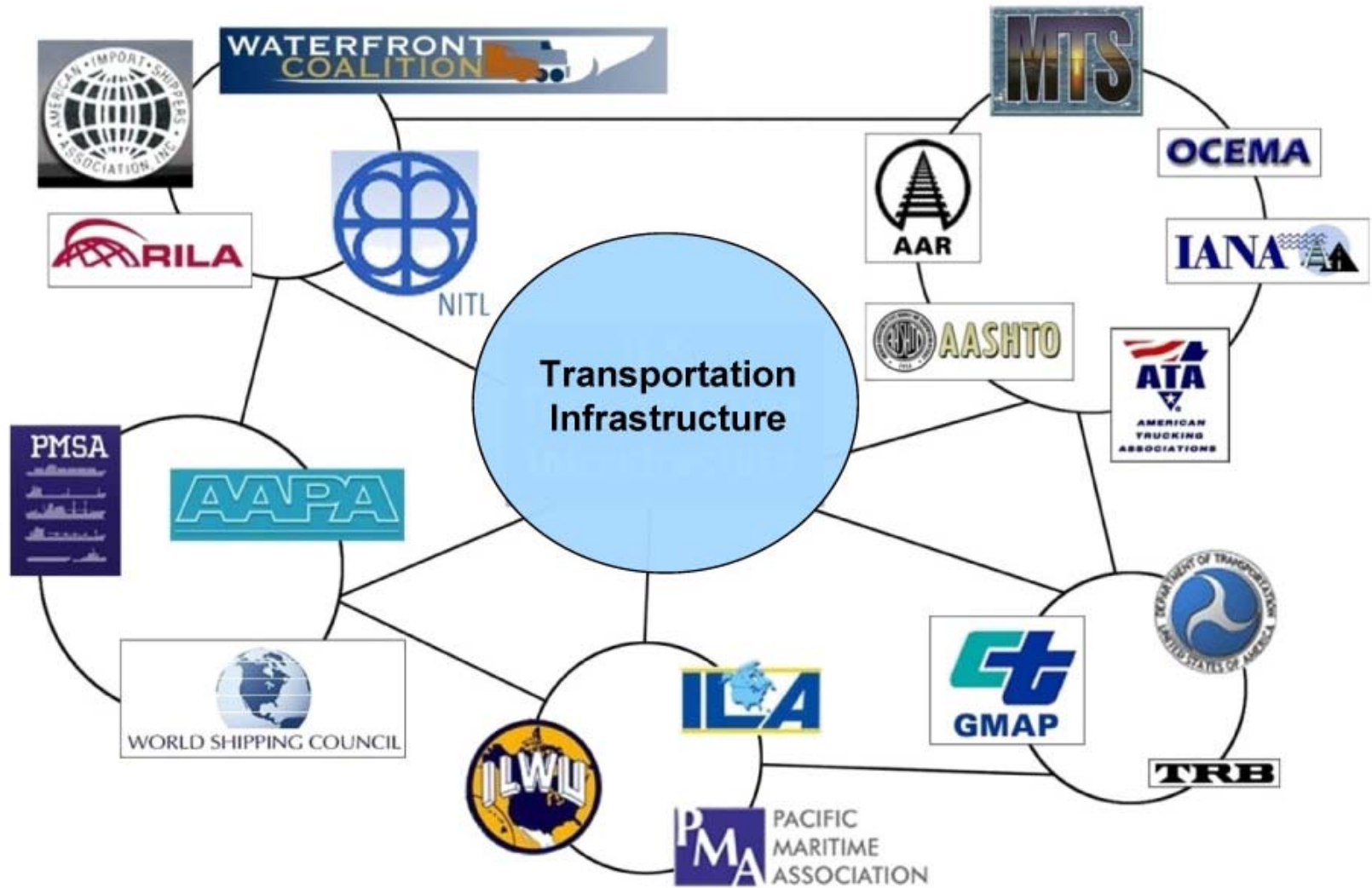
Neptune Orient Lines announced in mid-November last year that it would be shifting the headquarters for the Americas region of liner unit to APL, out of Oakland to a yet undecided "more cost effective" location, as the company shed 1,000 jobs worldwide.

The company announced today that it would shift from Oakland to Phoenix, Arizona by the third quarter this year.

Trust intuition; back it up with data



Look outward; not just inward



Environment

Infrastructure



Regulation

Security



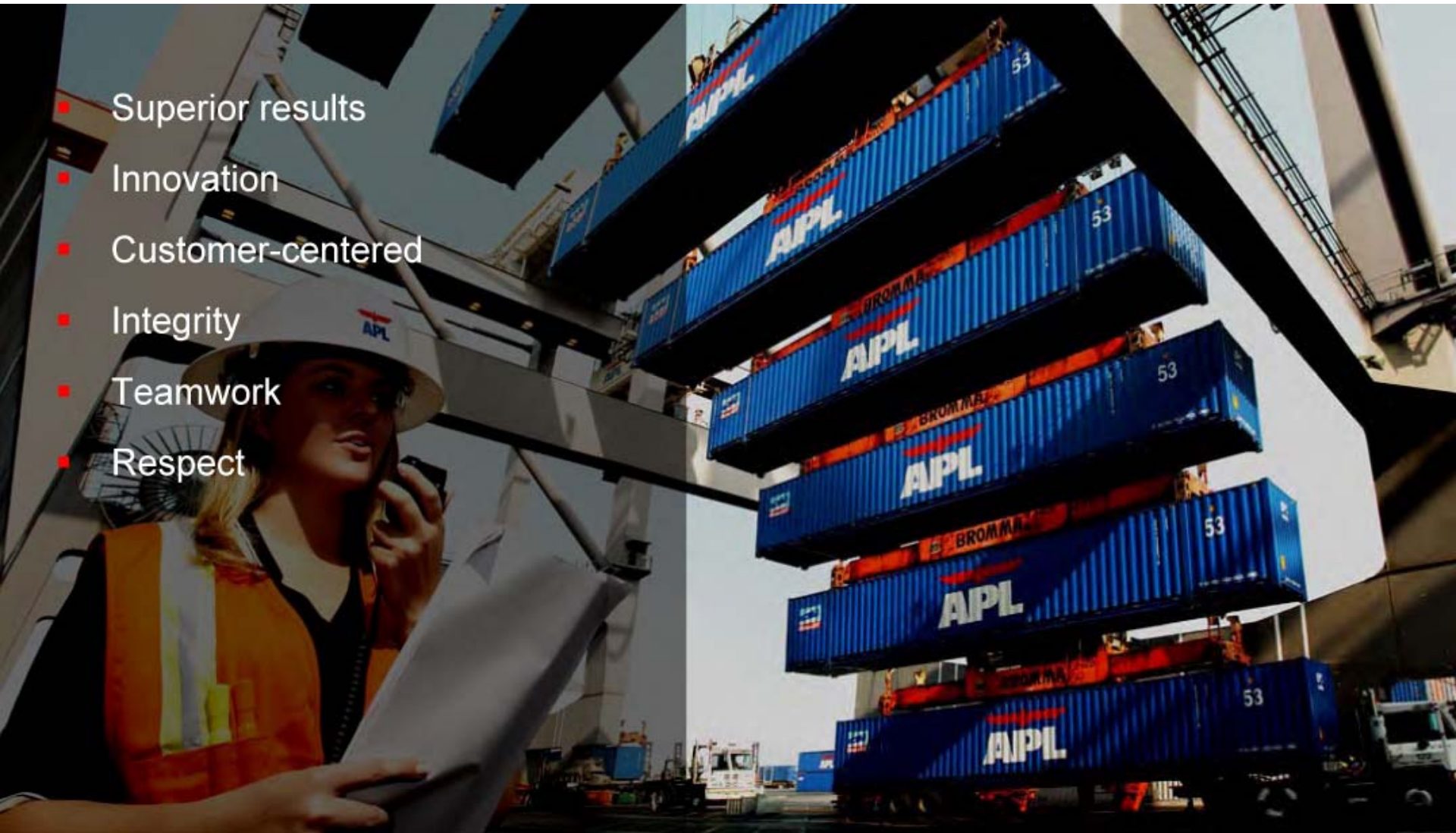
Build in flexibility

- Maintain a flexible balance sheet
- Charters vs. owned vessels
- Healthy operating cash flows
- Aversion to leverage and debt
- Stay alert to new opportunities



Stay true to your fundamental values

- Superior results
- Innovation
- Customer-centered
- Integrity
- Teamwork
- Respect



Our compass

Our Vision is to be the best in the world at moving and managing containerized trade, providing a lifeline for the global economy.

Our Mission is to enable trade and create long-term value by delivering:

Strong returns for our shareholders
Competitive advantage for our customers
Opportunities for our employees and
Support for our communities

Our aim is to increase **shareholder** value through profitable growth.
We achieve superior results. Each of us accepts responsibility
for meeting our commitments.

Our customers are our partners. We innovate to be their preferred choice.
We deliver service excellence and strive to improve speed, cost and quality.

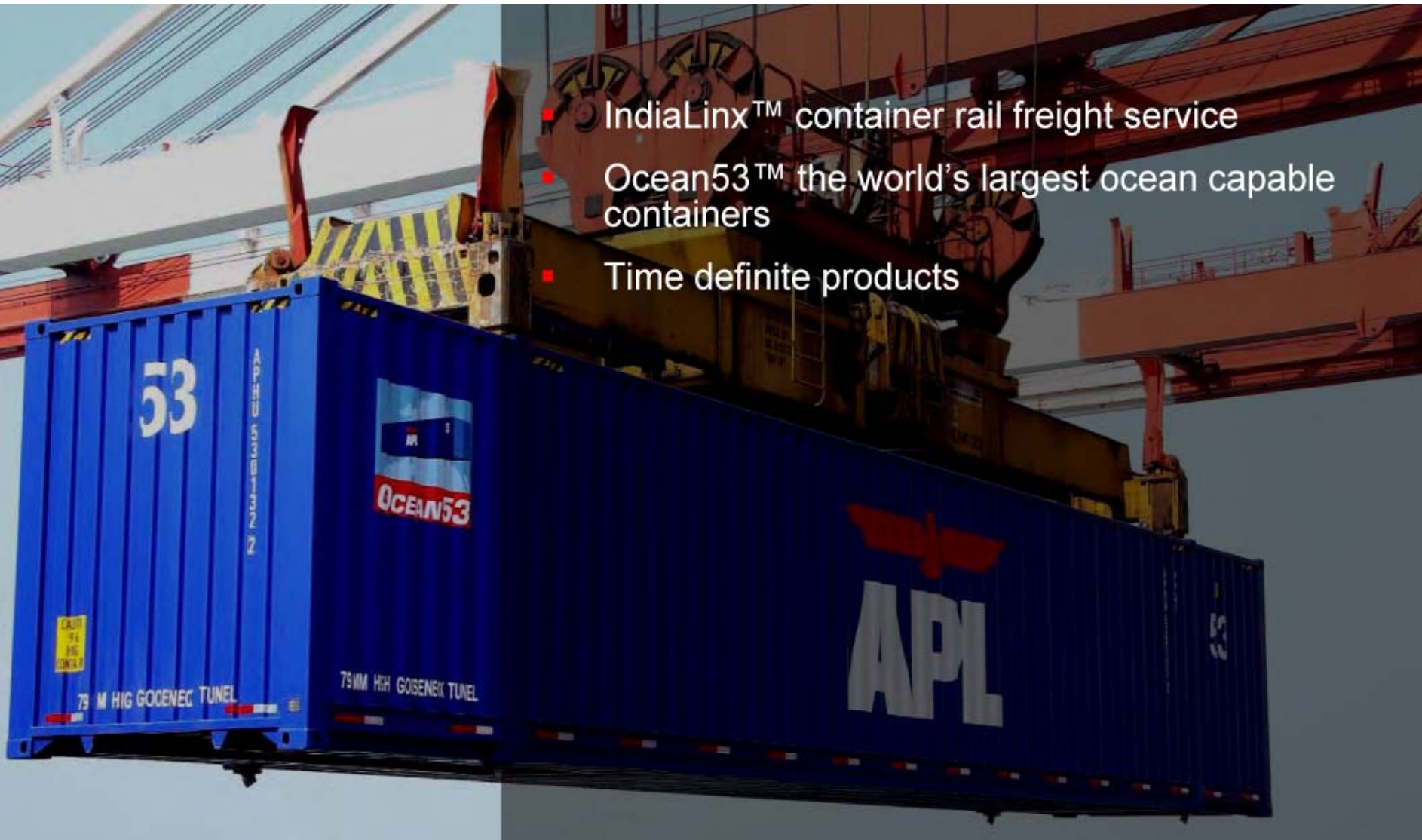
Our **people** are our foundation, spirit and future. We enable our employees
to experience rewarding careers. We conduct ourselves with integrity and
embrace diversity and teamwork.

We respect our **communities** and our world. We celebrate cultural differences
and treat others with dignity. We operate responsibly and are committed to safety,
security and sound environmental stewardship.



Product innovation

- IndiaLinx™ container rail freight service
- Ocean53™ the world's largest ocean capable containers
- Time definite products



Be customer-centered

- Service excellence
- Invest in customer-facing programs
- Take care of customer needs
- Cement partnerships
- Empathy
- Ensure integrity and fundamental scope of services



Support your people



- Talent development
- Motivation & challenge
- Fairness



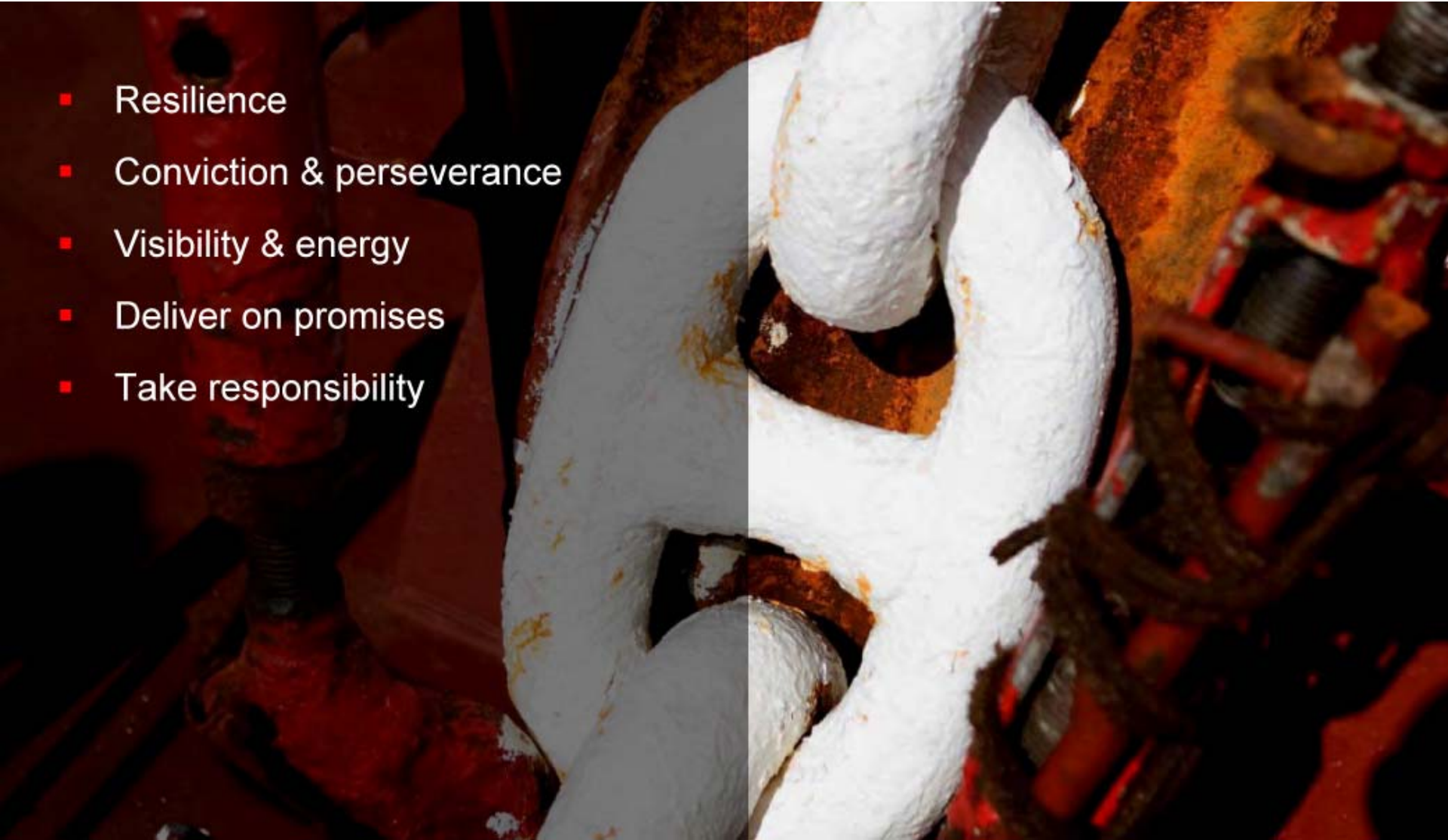
Communicate effectively

- Be open with stakeholders
- Industry leadership
- Engage & align
- Mitigate negative impacts
- Candour & promptness
- Listen – a two way process
- Face-to-face interactions



Show personal strength

- Resilience
- Conviction & perseverance
- Visibility & energy
- Deliver on promises
- Take responsibility



Key principles for leaders in tough times

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Show personal strength

We can change the future

