LOS ANGELES TRANSPORTATION CLUB

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Los Angeles, CA

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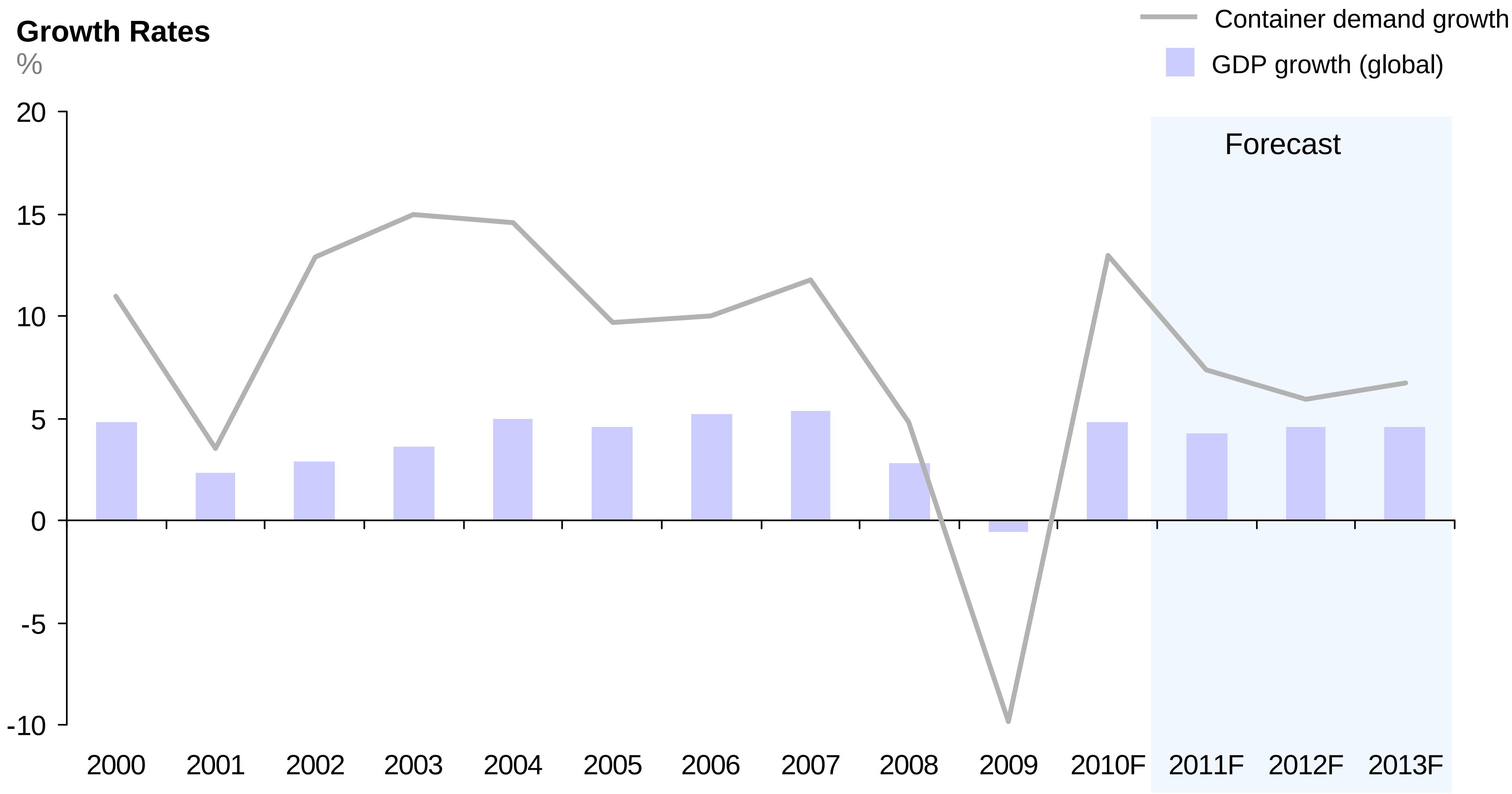
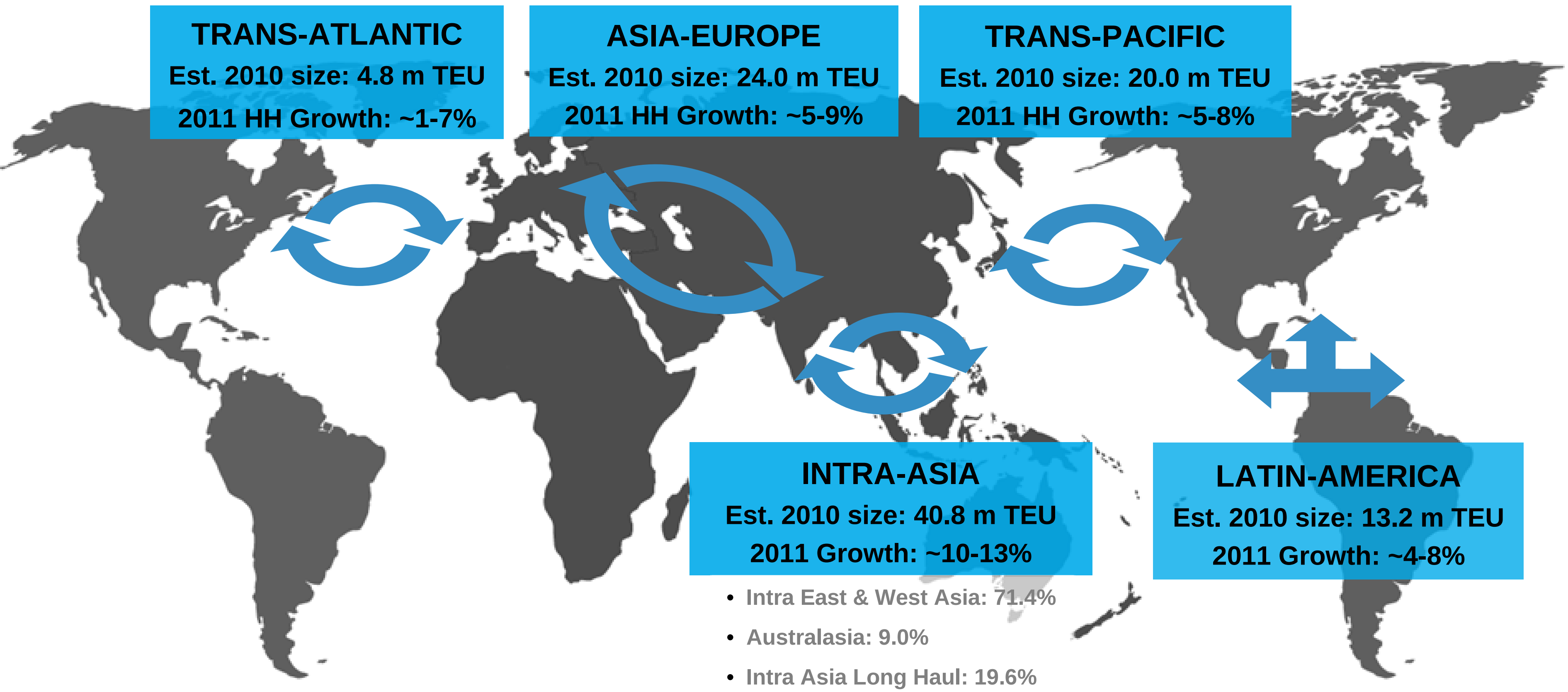
2010 recovery in containerized trade was faster than expected. 2011 growth will likely continue but at a normalized pace



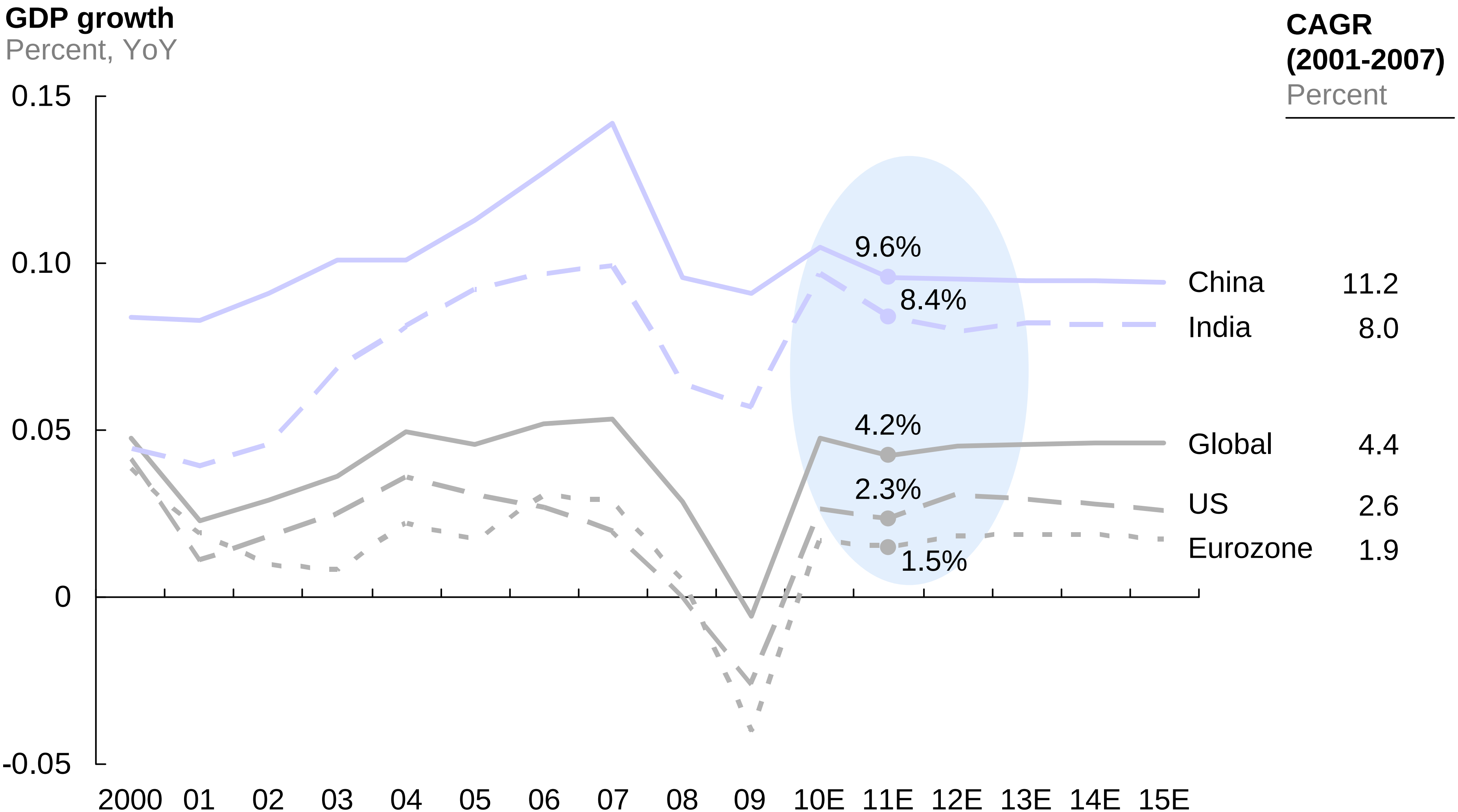
Source: Drewry, IMF

Global Demand for Key Markets & Trades



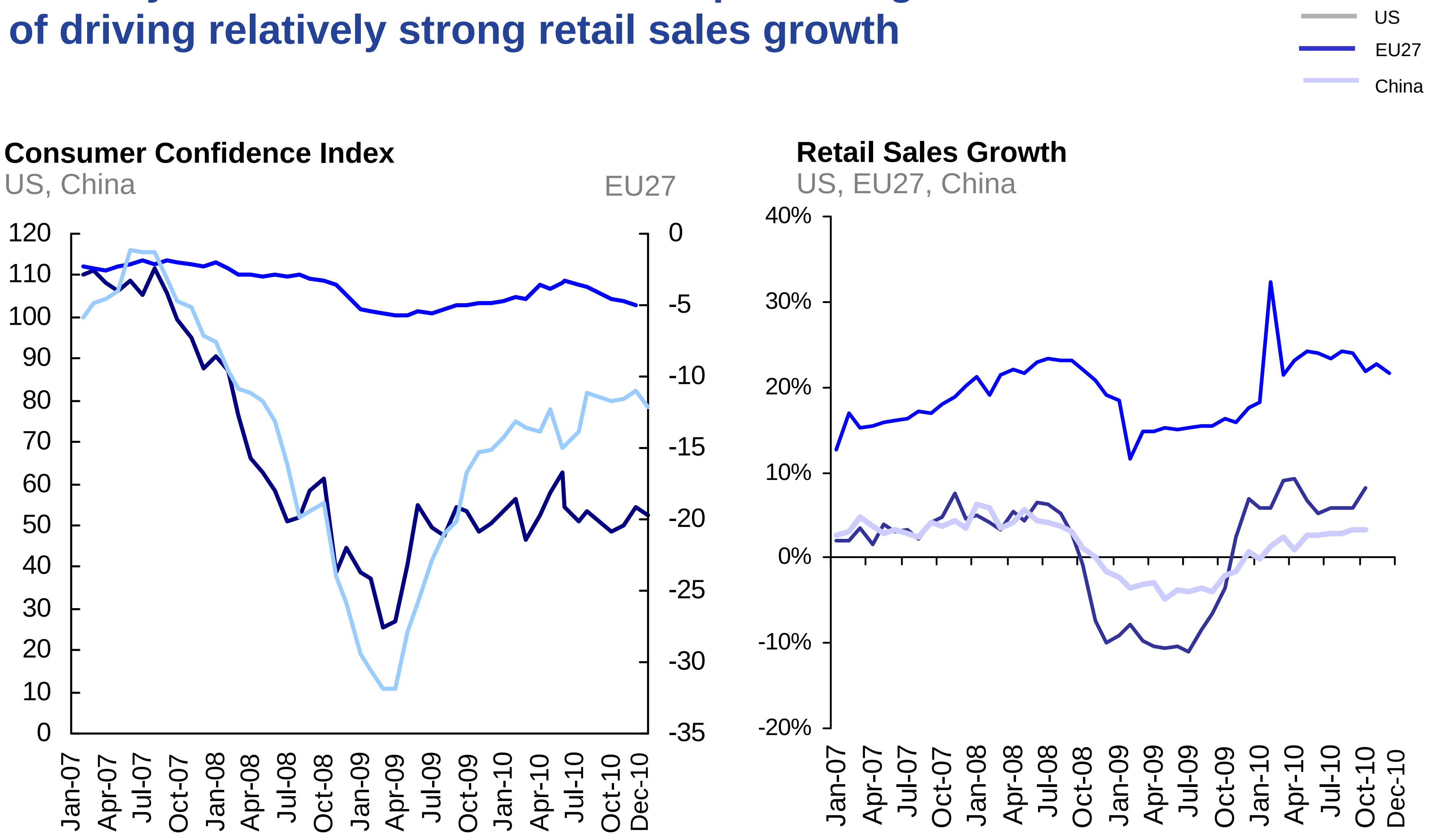
Source:
Market size- JOC, GI (Jan 11), Drewry, Container Trades Statistics , Australia Ports data, SLM estimates
Market growth- Global Insight (Jan 11), Clackson (Dec10), Howe Robinson (Q3 10), Morgan Stanley (Jan 11), NOL GPS (Nov 10), Clarkson (Feb 11)

Global growth is expected to resume with developed countries experiencing muted growth and India and China the main bright spots



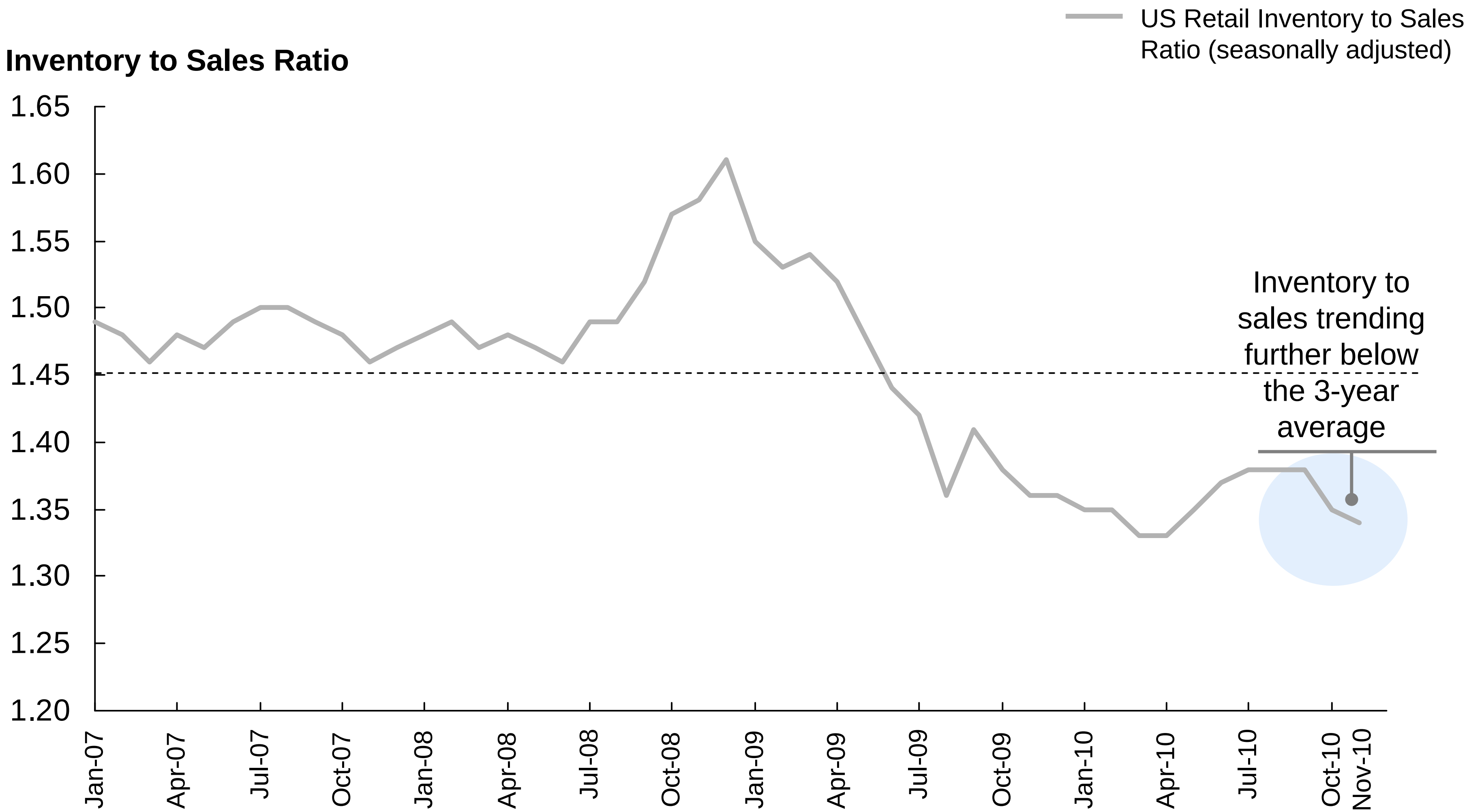
Source: IMF

Stability in consumer confidence is producing a knock-on effect of driving relatively strong retail sales growth



Source: CEIC

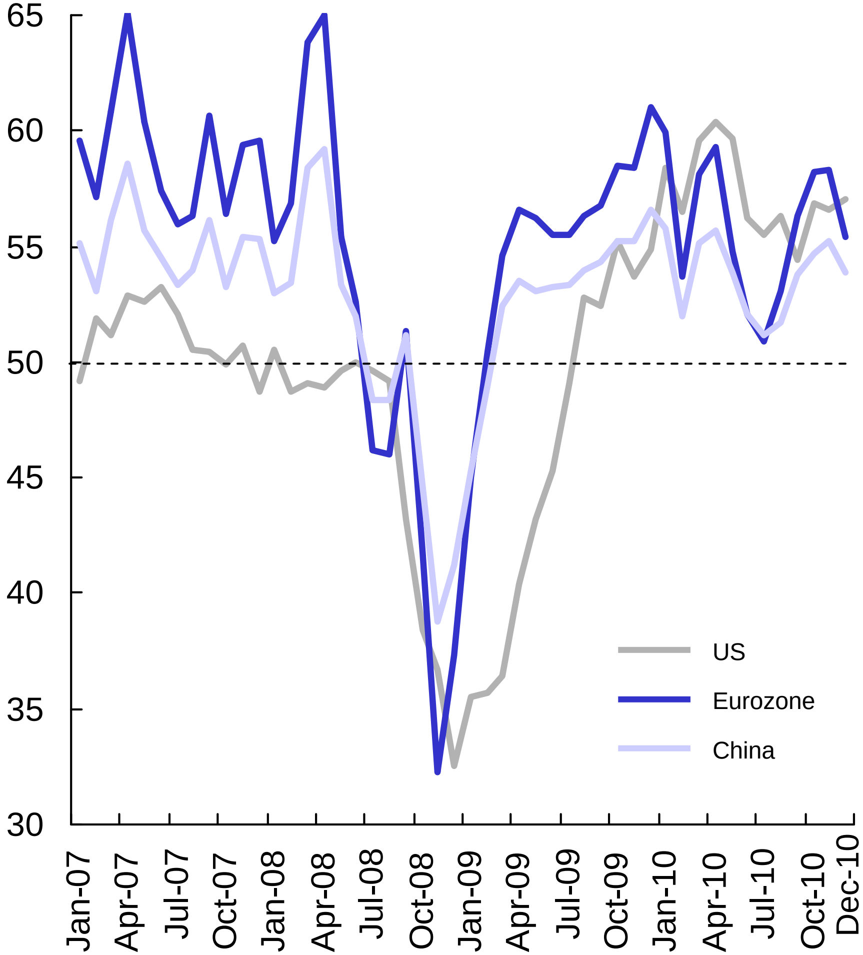
Retail inventory levels continue to trend downwards as US consumers continuing to show strength



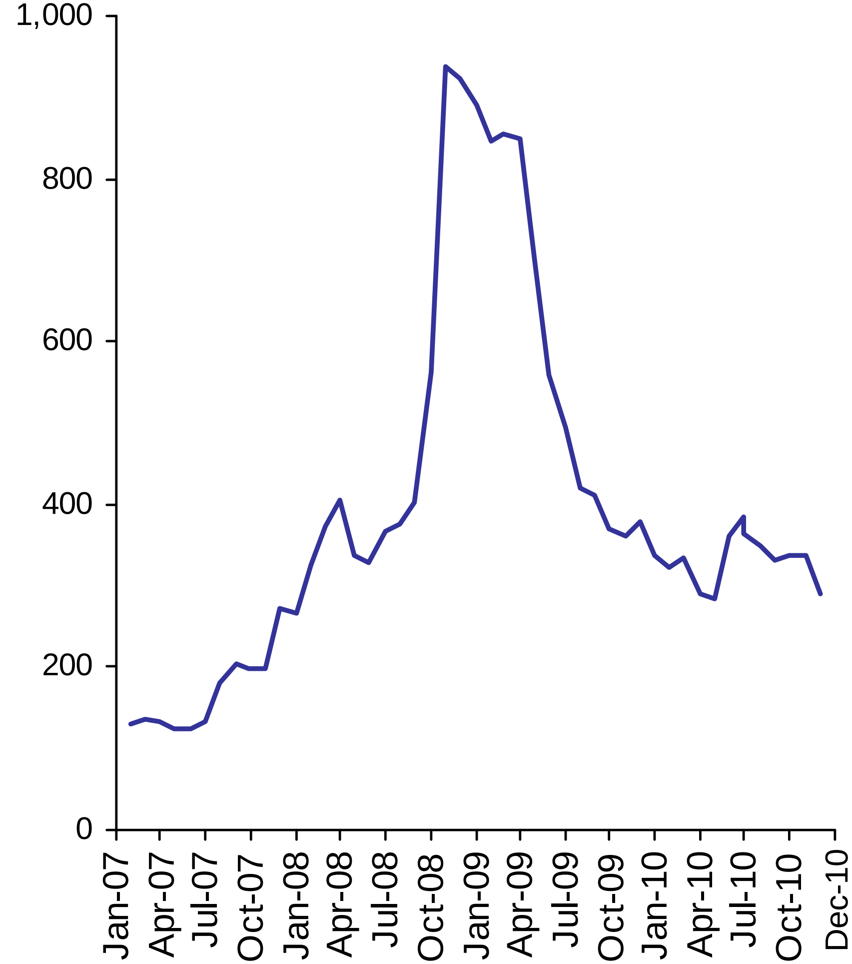
Source: CEIC

Economic activity remains at expansion levels with corporate credit risk declining

Purchasing Managers' Index

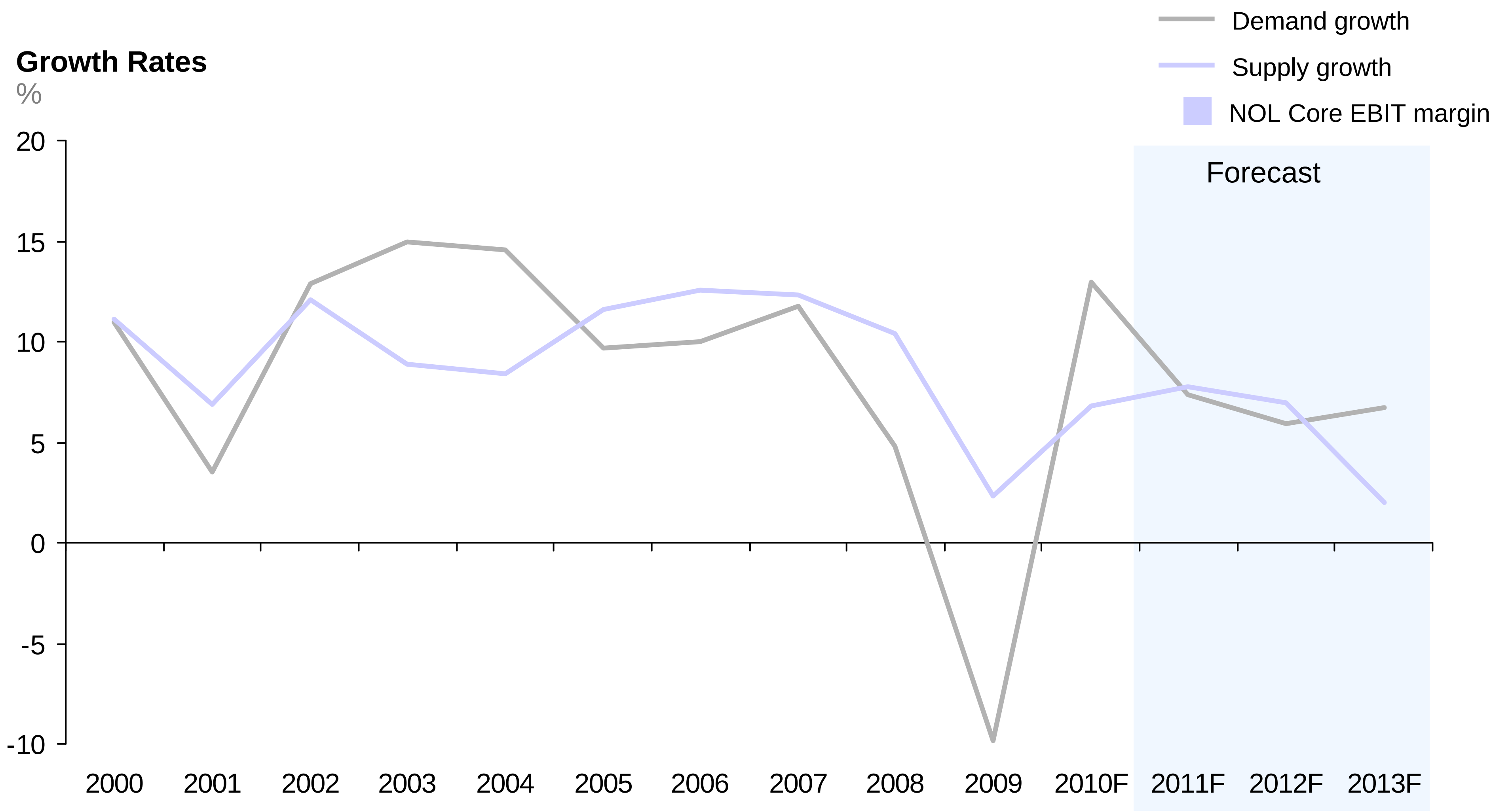


JPM Corporate Credit Spreads
(Basis points)



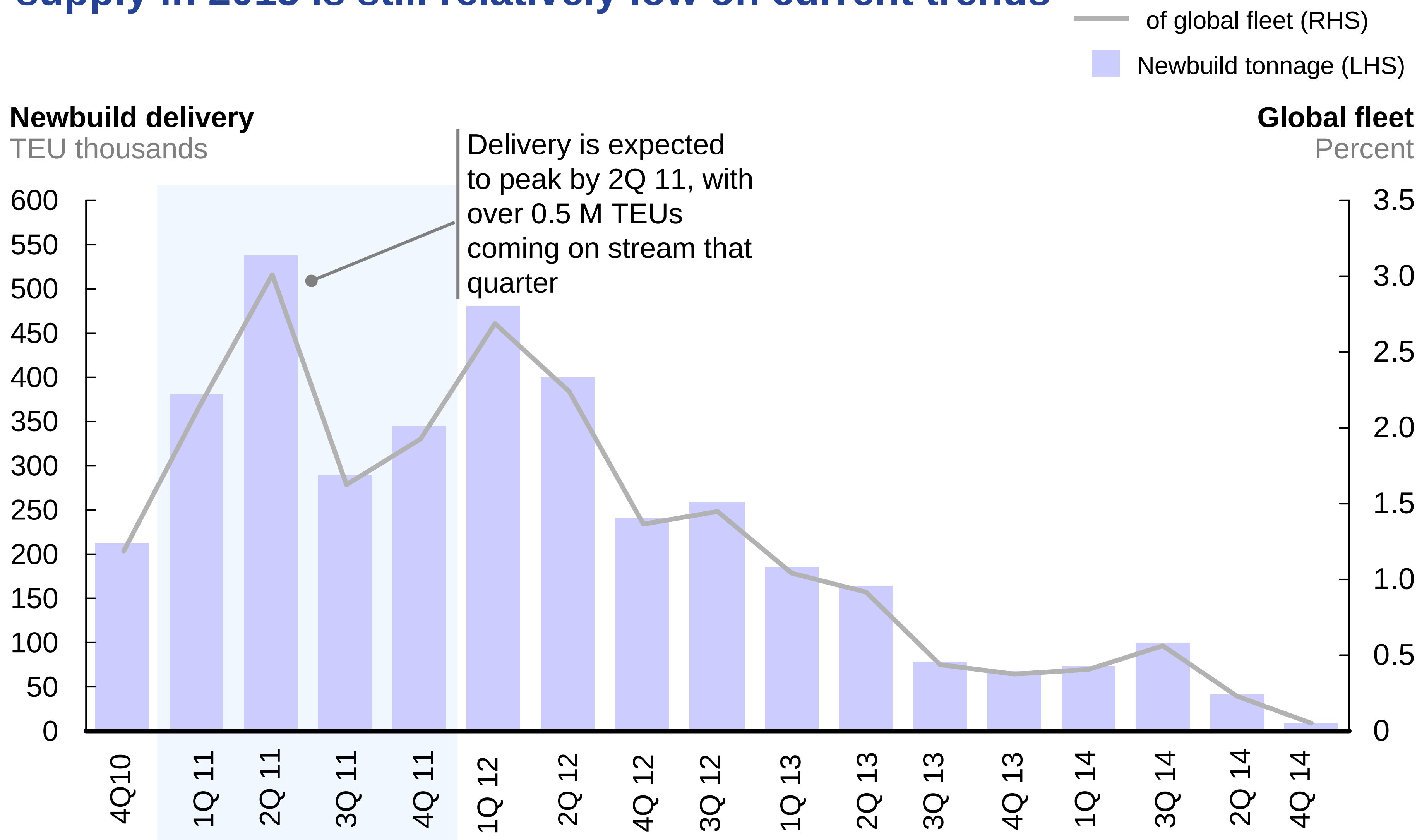
Sources: CEIC; Bloomberg

Some oversupply in 2011 with trends pointing to a likely supply shortage in 2013.



Source: MDS Jan 2011; Drewry

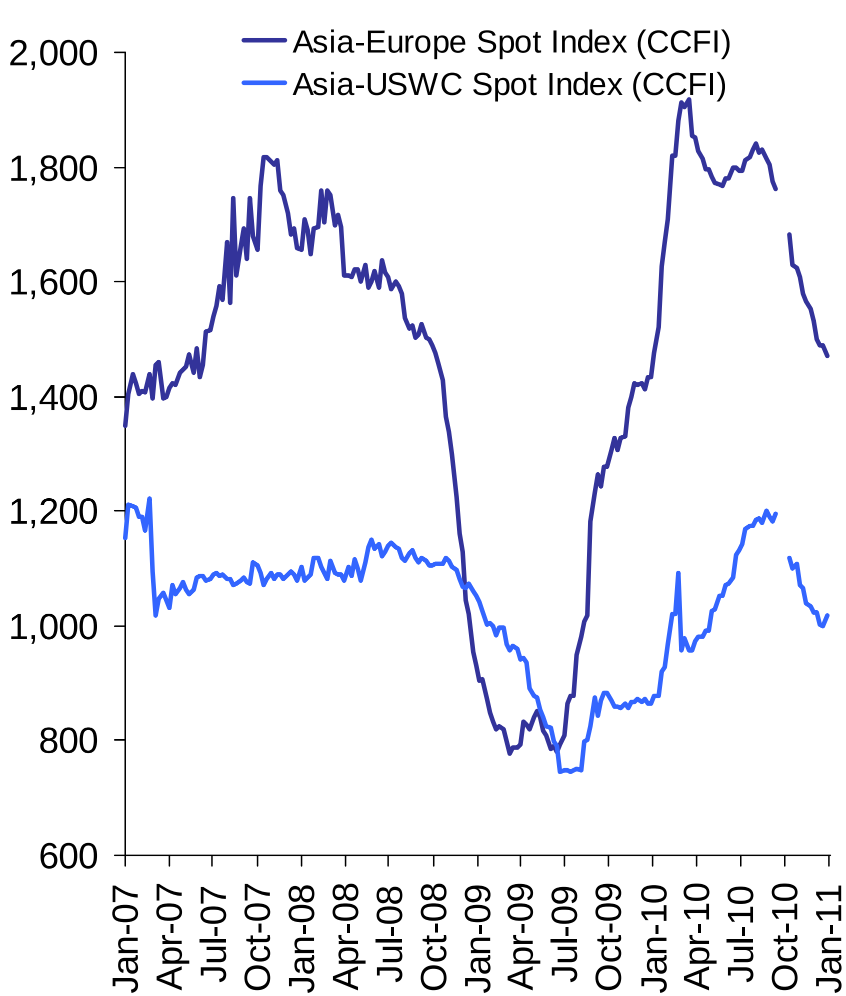
Vessel delivery is expected to peak in 2Q 2011 but new build ship supply in 2013 is still relatively low on current trends



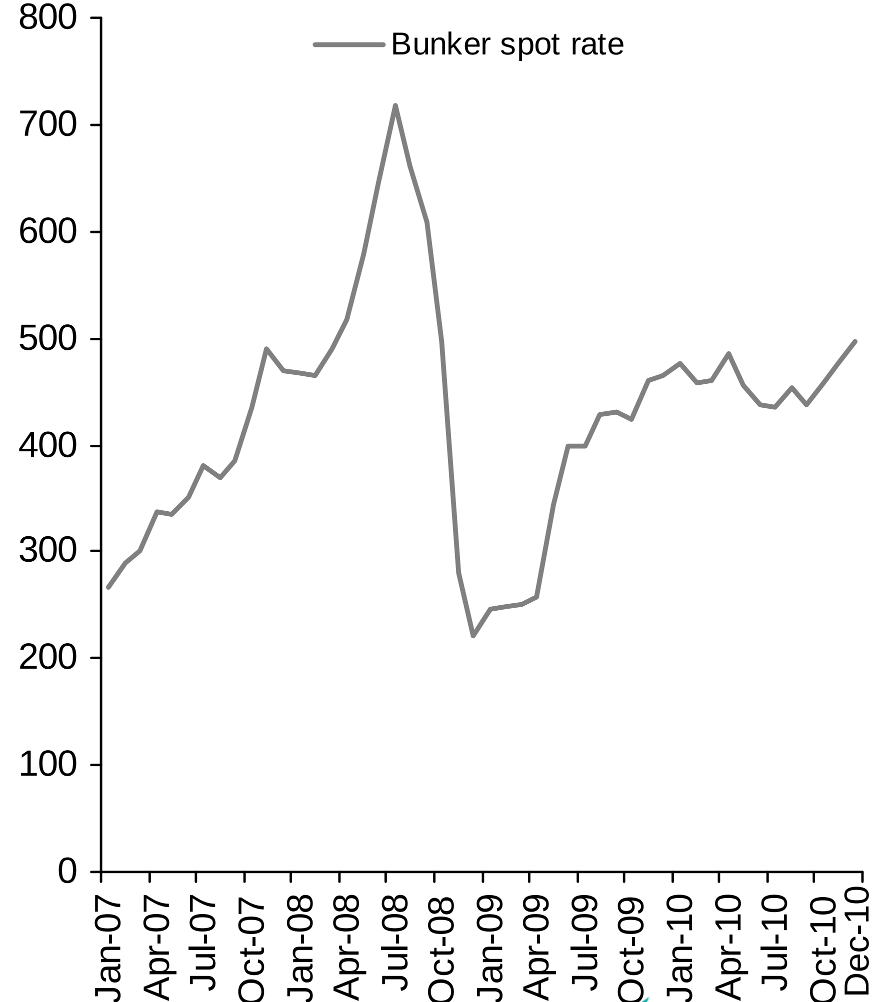
Source: MDS Jan 2011

Concerns over expected supply in 1H 2011 is having an impact on current spot rates in a rising fuel price environment

AE Westbound and TP West Coast Spot Rates (CCFI)
(Index)



Bunker Spot Price
(US$/MT)

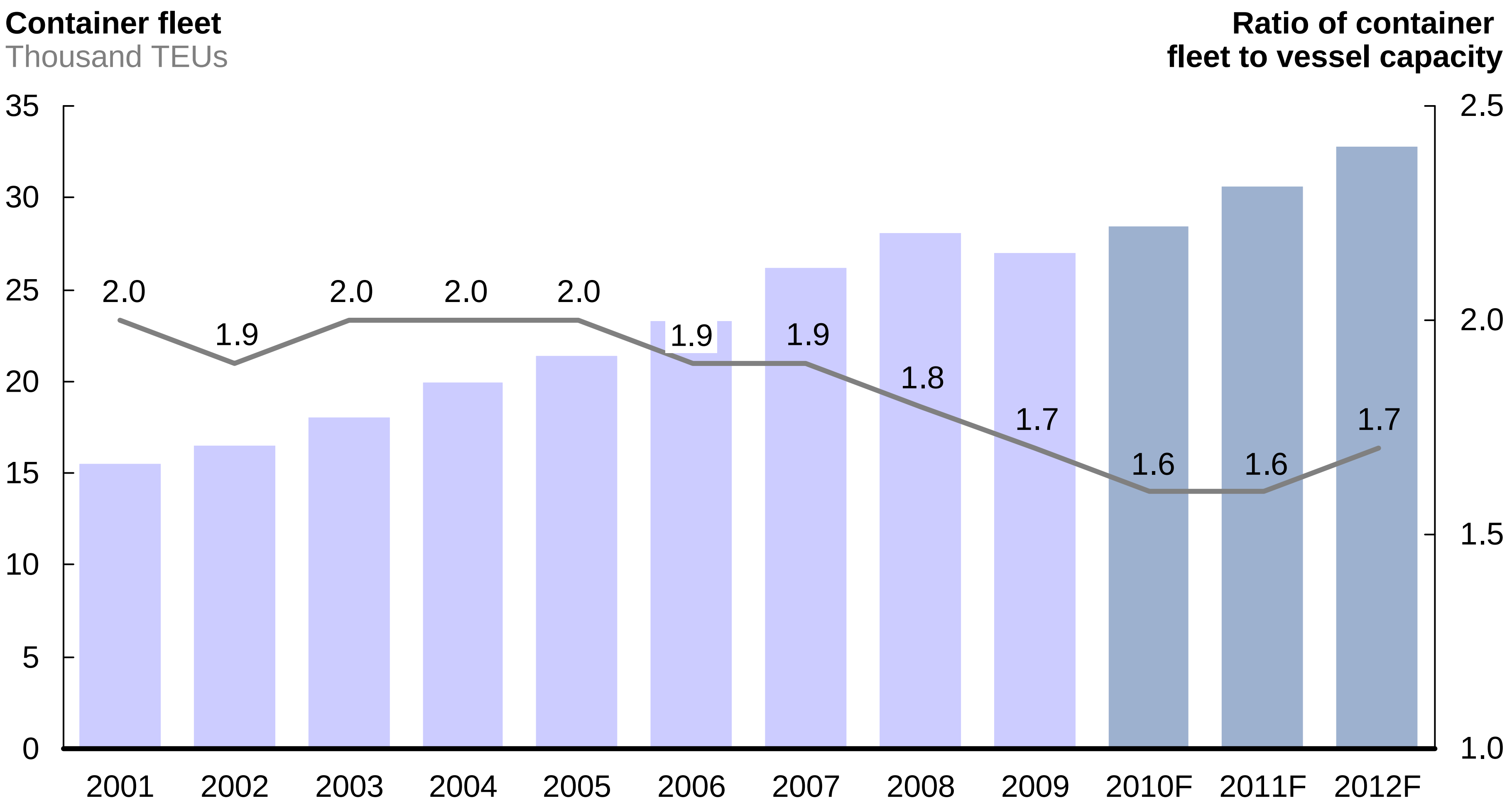


Source: China Containerised Freight Index, Platts 380 cts

2011 Supply Growth is Not Guaranteed

- Some ship operators and owners still rebuilding balance sheets
- Financing of current order book is still uncertain
- Spreading out of deliveries could continue
- Intra-Asia growth absorbing capacity
- More slow-steaming likely, given rising bunker costs
- Container fleet not still not adequate

Box fleet is expected to grow inline with vessel fleet suggesting any demand spike or supply-chain constraints may impact box availability

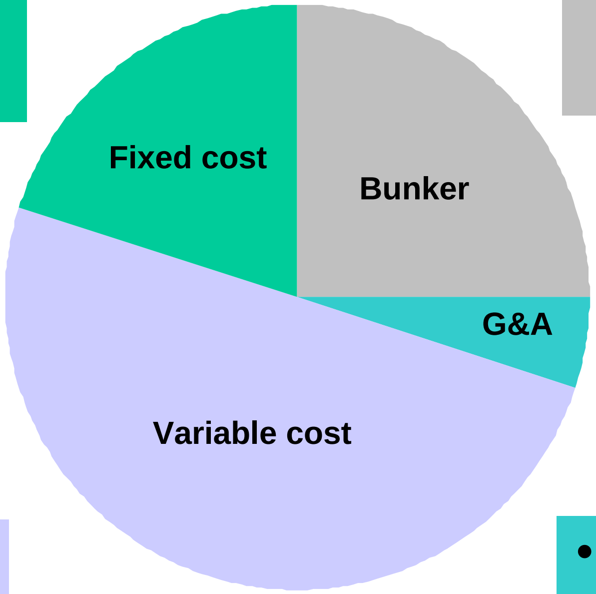


Source: Containerisation International; Nomura

While uncertainty remains in 2011, we continue to focus on managing costs and operational efficiencies

- Ordered 12 new vessels which can potentially replace existing charters
- Capacity management (e.g. capacity reduction during Lunar New Year)

Cost Structure Example



- Slow steaming
- Exploring technological advancements
- New vessel specifications

- Enhancing operational efficiencies
- Densification of volume (e.g. costs efficiencies through volume increase in own terminals)

- Centralization of processes (e.g. Global Service Centre, Chongqing, China)
- Relocation of US headquarters to Phoenix

NOL

APL: Environmental Innovation

- **APL strives to be an "industry influencer"**
  - Piloting new, environmentally friendly technologies
- **Recent Innovations aboard the APL England:**
  - Ballast Water Treatment System
  - Seawater Scrubber
- **Both projects represent public/private partnerships:**
  - Ports of LA and Long Beach, California State Lands Commission, vendors
- **Ballast Water Treatment System**
  - Low-oxygen condition in ballast tanks thru inert gas
  - Lack of oxygen = decreased survival rate of aquatic organisms drawn in with the ballast water

APL: Environmental Innovation, cont.

- **Sea Water Scrubber**
  - Advanced emission control technology on auxiliary engines and boiler
  - Expected to reduce Sulfur Oxide by 99.9% and Particulate Matter by as much as 85%
  - Uses seawater to “scrub” or filter contaminants, seawater treated and cleansed before being discharged
  - Solid contaminants are collected for disposal ashore
- **April 2011 – Both Projects Online**

APL Southern California

- **LA/LB continues to be preferred gateway, but there are challenges**
  - Infrastructure
    - Investment needs to continue
      - Alameda Corridor East
      - G Desmond Bridge
    - Project permit timelines
    - Funding sources
  - Ease of doing business
    - Regulatory landscape creates uncertainty for users
  - Competition from alternate gateways
    - Panama Canal, etc
- **Despite these challenges, NOL is investing in growth capability in LA**
  - GGS expansion
  - MLB focus
  - West Coast market share growth

Summary

- Indicators suggest demand recovery is continuing
- Supply uncertainty remains with relatively large amount of deliveries in 1H 2011
- Recent freight rate suggests a combination of seasonality and some supply pressure.
- Supply constraints could still occur from financing issues and container box supply.
- Recent rise in bunker cost will weigh on cost.
- 2011 will remain uncertain and largely driven by competitive behavior
- NOL will continue to focus on cost and operational efficiencies while still providing the highest level of services to its customers.