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P&O NEDLLOYD RESULTS: FIRST QUARTER 2003

The attached information sets out the financial results, trade statistics and key points for P&O Nedlloyd Container Line Limited for the first quarter 2003. In general terms it shows that:

In Q1

- In traditionally the weakest trading quarter of the year, P&O Nedlloyd made a reduced operating loss of \$58 million compared to a loss of \$68 million in Q1 2002;
- Fuel costs were \$33 million higher than in Q1 2002 with the benefit of lower prices only starting to come through at the end of the quarter;
- Average revenue rates continued to improve, by 3% over Q4 and 4% over Q1 2002;
- Volumes were up 11% on Q1 last year with no impact from SARS; and
- The achievement of P&O Nedlloyd's annualised cost savings target of \$350 million this year remains well on track.

Outlook

The substantial improvement in rates, both achieved and in the pipeline, the falling oil price and the current buoyancy of demand in our major trades, despite economic uncertainties, provide the basis for an increasingly positive outlook.

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RESULTS & STATISTICS

	Q1 2003	Q1 2002
Throughput (teus)		
Europe/Asia	293,700	263,900
North/South & Cross Trades	317,300	284,700
North America	270,400	243,100
Total	881,400	791,700
Average revenue per teu	1,197	1,148
Revenue	1,055	909
Operating profit/(loss) before interest and tax	(58)	(68)
Net profit/(loss) on sale of fixed assets	0	(4)
Interest, minorities and other items	(11)	(12)
Profit/(loss) before tax	(69)	(84)

Notes:

1. Teu = twenty foot equivalent unit. This is the standard size of container and is a common measure of capacity in the container business.
2. All financial figures are US\$ million except average revenue per teu which is US\$.
3. It is important to note that a change in average revenue per teu does not necessarily equal a change in profit contribution. Average revenue per teu is calculated equally across all trades and products. It makes no allowance for cargo mix, relative volumes on different trades or additional elements which are raised and paid for in local currency.

Key Points

1. The operating loss for Q1 of \$58 million compares to a loss of \$68 million for the same quarter last year. The slight deterioration since Q4, when there was an operating loss of \$54 million, reflects a positive underlying trend after taking into account the normal seasonal downturn in Q1.
2. High fuel costs had a severely adverse impact in Q1 – up \$33 million on the same period last year. The combination of hedging and the declining oil price will have a positive effect from Q2 onwards.
3. The key feature of this quarter's results is the positive trend in revenue rates. They have already shown a 4% improvement compared with Q1 last year and 3% compared with Q4. Increases are particularly evident in the high volume Europe/Asia trades. There are prospects of substantial improvements to come, notably in the Transpacific Trade where we have now largely completed our annual contract negotiations with favourable results.
4. The slight decline in throughputs compared with Q4 reflects the seasonal downturn after Christmas and the Chinese New Year. The overall increase of 11% compared to Q1 2002 is consistent across all trades. The outbreak of Severe Acute Respiratory Syndrome ('SARS') has not had an impact on cargo volumes to date and P&O Nedlloyd has extensive contingency plans in place.
5. Although operational costs were higher in the quarter as a consequence of adverse currency movements against the dollar, the company remains on track with its \$350 million annualised cost savings targets for 2003. The full implementation of new global processing systems and new systems designed to maximise yield from our cargo base are expected to produce substantial further savings in 2004.
6. The year has started well for P&O Nedlloyd. The most important feature is the continuing positive trend in average revenue rates. This is being supported by strong volumes across all routes. Overall the currency impact is negative compared to Q1 2002 but this is more than offset by the benefits from cost savings.

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