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P&O NEDLLOYD RESULTS: FOURTH QUARTER 2002

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

In Q4

- P&O Nedlloyd made an operating loss of \$49 million (before restructuring costs of \$5 million) compared with a loss of \$46 million in Q3 (before restructuring costs of \$5 million);
- fuel costs were \$9 million higher than in Q3 and costs incurred from the West Coast strike were \$7.5 million; and
- average revenue rates increased by 2% or \$24 per teu compared with Q3.

In 2002

- The operating loss for the year was \$206 million (before restructuring costs of \$28 million) compared with a 2001 profit of \$102 million (before restructuring costs of \$15 million) ;
- cash flow remained positive and net debt was reduced;
- throughputs in 2002 were 12% up on 2001; and
- annualised savings of \$290 million were achieved and we remain on track to achieve annualised savings of \$350 million in 2003.

Outlook

- Clearly there are uncertainties surrounding the economic outlook but if current trends continue the 2003 result should be significantly improved.

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RESULTS & STATISTICS

	Q4 2002	Q4 2001	Full Year 2002	Full Year 2001
Throughput (teus)				
Europe/Asia	302,100	269,000	1,156,700	1,069,100
North/South & Cross Trades	362,000	308,500	1,323,400	1,169,900
North America	275,500	250,600	1,079,500	944,900
Total	939,600	828,100	3,559,600	3,183,900
Average revenue per teu	1,162	1,209	1,145	1,298
Revenue	1,092	1,001	4,075	4,132
Operating (loss)/profit before interest and tax (before restructuring costs)	(49)	(8)	(206)	102
Restructuring costs	(5)	(12)	(28)	(15)
Operating (loss)/profit before interest and tax (after restructuring costs)	(54)	(20)	(234)	87
Net (loss)/profit on sale of fixed assets	(12)	0	(12)	0
Interest, minorities and other items	(13)	(15)	(46)	(56)
(Loss)/Profit before tax	(79)	(35)	(292)	31

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 Q4 of \$49 million (before restructuring costs of \$5 million) compares to an operating loss of \$46 million in Q3 2002 (before restructuring costs of \$5 million) and a loss of \$8 million in Q4 2001 (before restructuring costs of \$12 million). High fuel prices continued to affect the result with an adverse impact of \$23 million in Q4 2002 compared with Q4 2001. For the full year, the operating loss was \$206 million (before restructuring costs of \$28 million) compared with a 2001 profit of \$102 million (before restructuring costs of \$15 million) with fuel costing an extra \$56 million in 2002.
2. Despite the operating loss for the year, P&O Nedlloyd continued to generate a strong operating cash flow. This, together with tight control of capital expenditure and working capital, meant that total net debt was \$693 million at the year end compared to \$705 million at the end of 2001.
3. The main factor affecting the result was the revenue rate, which in Q4 2002 was 4% down on Q4 2001 and for the full year was 12% down on 2001. Importantly, however, rates have now improved in two successive quarters and were 3% higher than in Q2 2002. As reported in Q3, rate increases are continuing to be achieved on the important Europe/Asia trades. There were mixed results for other trades in Q4.
4. All trades saw substantial growth in throughputs during 2002 with total volume 12% up year on year. Volumes in Q4 were 13% higher than in the same period of 2001. The average utilisation level of 80% in Q4 was also higher than in Q4 2001 (77%) and was in line with Q3 2002. No vessels were laid up during the quarter.
5. Good progress was maintained with P&O Nedlloyd's change programmes during 2002, including the transfer of an increasing number of back office functions to the company's shared service centres in India and China. Annualised cost savings of \$290 million were achieved in 2002 and the company is well on track to achieve the \$350 million target set for 2003. Overheads were down by \$24 million during the year.
6. The impact of these savings programmes, together with a continuing improvement in revenue rates, points to a better year in 2003. These factors should help to offset the negative effect of a weak dollar and high fuel costs in a period of economic uncertainty. Initial indications for 2003 confirm that average revenue rates are maintaining a positive trend.

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