



P&O TRADING UPDATE: APRIL TO JUNE 2001

18th August 2001

This is the third in a series of quarterly updates for P&O's ports, logistics and ferries businesses. The next quarterly update (July to September) is provisionally scheduled for 18 October. The quarterly updates complement P&O's financial results statements, the next of which will be the Group's interim results which are expected to be announced on 4 September 2001.

Highlights for Q2

- Despite a slower rate of growth in world trade, Ports remains robust with organic growth of 10% during the quarter;
- P&O Trans European won significant new business and opened a major new facility in Duisburg, Germany;
- Cold Logistics had a good second quarter with a strong performance in the US; and
- Ferries is continuing to experience a challenging trading environment.

Further information

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PORTS Throughput (TEU⁽¹⁾ '000)

	Q2		Year to date	
	2001	2000	2001	2000
Asia	1,052	950	2,041	1,763
Americas	476	370	952	687
Europe	573	422	1,110	698
ANZ	285	283	567	569
Total	2386	2025	4670	3717

⁽¹⁾ TEU = twenty foot equivalent unit. This is a standard size of container and a common measure of capacity in the container logistics business. In 2000 container terminals accounted for approximately 70% of the total operating profit reported for P&O Ports, the remainder coming from other port operations and maritime services.

Key Points

1. Overall throughput for Q2 2001 was 18% up on 2000 of which 10% was organic growth and 8% new acquisitions and/or new terminal investments. For the first half of the year throughput was up 26% on 2000 of which 11% was organic.
2. P&O Ports' internationally diverse portfolio and strong competitive position within local markets continues to prove resilient to the varying growth rates within the world economy. Volume improvements continue to be achieved at levels above underlying rates of trade growth.
3. A major programme is being implemented across the division to maximise the benefits of synergies, achieve cost reductions from the scale of the container terminal portfolio and increase capacity. The full effects will start to become apparent in 2002.

Asia

4. Nhava Sheva in India continues to achieve strong volume growth. New contract wins during the quarter helped to further increase market share. The business was further supported by the tariff increase achieved towards the end of 2000. The proposed concession document relating to the Chennai privatisation was approved by the local Port Trust in May and now requires the approval of the Indian Ministry of Shipping. Discussions are continuing with regard to Cochin.
5. In Manila, ATI continued to trade successfully benefiting from the stabilising economic and political situation.
6. TPS in Surabaya achieved a good result. Lower volumes in the less profitable domestic business were more than offset by continued strong growth in international volumes supported by the tariff increase in Q4 2000.
7. In the South China port of Shekou dredging has commenced as part of the second stage of development which will eventually more than double the capacity of the terminal. In Qingdao, infrastructure surrounding the joint venture with the Qingdao Port Authority has been further developed and improved to prepare the port for full operation.
8. LCIT in Laem Chabang, Thailand has increased market share, securing the New World Alliance business during June 2001. It is now operating at close to full capacity.

Americas

9. Volumes at Port Newark Container Terminal, the joint venture with P&O Nedlloyd, were strong during the quarter and continue to outperform expectations for a container terminal under development. Our other main terminals, in Miami, have shown good growth
10. A letter of intent has been issued by the Maryland Port Authority indicating that P&O Ports has been re-awarded the contracts to manage the Seagirt and Dundalk Marine Terminals in Baltimore. Formal approval is expected in July.
11. The Argentinian economy remains under pressure. Volumes for the first half of the year at TRP are in line with last year in what continues to be a difficult market.

Europe

12. Much of the volume growth in Europe comes from our new Antwerp terminal which was acquired last year. The terminal is now fully operational.
13. During the second quarter volumes at Southampton Container Terminal were in line with market growth. Year to date the terminal has handled significantly more volume than for the same period last year.
14. The port and logistic centre development "London Gateway" at Shell Haven is progressing on schedule towards the submission of the necessary approval applications. A draft Environmental Impact Assessment Scoping report has been submitted recently to relevant authorities.

ANZ (Australia and New Zealand)

15. P&O Ports' market share has increased significantly during the second quarter of the year supported by new contract wins. Despite a lack of underlying growth in the market as a whole, P&O's volumes for the first half of the year were in line with 2000.
16. Adding to the continuing enhancement in productivity, the internal restructuring of the ANZ region completed in Q1 is resulting in an improving cost position.

LOGISTICS

P&O Trans European

1. P&O Trans European had a good second quarter. The growth of Contract Logistics was maintained with further significant new contracts being won during the quarter, including New Look in the UK retail sector, the Norma supermarket chain in Eastern France and Curver and NSK in Benelux/Germany.
2. A major new logistics facility was opened at Duisburg, Germany in June. This 27,000 square metre automated warehouse and distribution centre will become an important hub for Northern Europe, acting as the central stock holding point for customers servicing their Benelux/German and Northern French markets. Initial contracts at the Duisburg facility have been signed with Electrolux and Alcoa.
3. The Unit Loads business continued to improve benefiting from further cost efficiencies and the growth of its freight management activities. This was despite a slowdown in the overall level of UK exports to the Eurozone. The sale of the Scandinavian division was completed during the period.
4. As part of the acquisition by La Poste of a further 35% in DPD, the German parcel service, P&O sold its minority interest at a substantial profit to book value. P

P&O Cold Logistics

1. P&O Cold Logistics had a good second quarter driven by continuing strong organic growth and business acquisitions.
2. The US continued to perform well with sound organic growth supported by increased refrigerated food consumption. This was despite continuing increases in electricity supply prices and periodic outages in certain states. A major new contract was won to manage a new 300,000 cubic metre dry facility for Trader Joe's (Aldi Group). Other new contract wins included the Mars Group and Seafood Marketing Specialist, a buying group for US Foodservice.
3. In Australasia the acquisition of the cold logistics business of Eskimo Logistics Group was completed at the end of May. This business handles around NZ \$2 billion of food company products annually and has provided an additional 330,000 cubic metres of storage through eight facilities across New Zealand. Stronger organic growth was achieved in the region despite a continuing decline in export meat volumes in Western Australia.
4. Our much smaller business in South America had a weak second quarter. Argentina remains disappointing as continuing economic difficulties have impacted domestic consumption. The outbreak of foot and mouth plus weakness in the Brazilian economy adversely affected meat exports. New business has been gained with a discount retailer, Leader Price (Casino Group from France). Commencing with servicing two stores this is expected to encompass 65 stores within 18 months.

FERRIES

P&O Stena Line (P&OSL)

	Carryings ⁽¹⁾ ('000)			
	Q2		Year to date	
	2001	2000	2001	2000
Freight units	279	286	561	564

Tourist vehicles (including coaches)	436	521	695	815
Passengers	3106	3530	4858	5405

⁽¹⁾ Carryings include P&O Stena Line's two routes – Dover/Calais and Dover/Zeebrugge

Freight

1. The total Short Sea freight market continued to grow strongly in the second quarter, increasing by 9%. For the year to date the increase is 10%. This reflects like for like volume growth and the tendency of the Short Sea to attract traffic from other routes.
2. The year to date comparison sees a marginal fall in P&OSL carryings with market growth largely offsetting the decline in share due to Norfolk Line operating two ships in 2001 compared to the limited one ship operation commenced in April 2000. Eurotunnel's carryings increased although their market share also fell.
3. Average rates are broadly in line with last year despite the continuing weak Euro.

Tourist vehicles and Passengers

1. The foot and mouth outbreak in the UK has impacted negatively on tourist traffic from the Continent and caused cancellation of various UK based promotions. Continental bookings remain considerably below last year.
2. The overall market for tourist vehicle carryings fell by 10% in the quarter and by 11% year to date. P&OSL also lost some market share but this was largely regained by the end of the quarter. Average rates are broadly in line with last year.
3. The total passenger market in the quarter was down 9%, and year to date 7% below 2000. On board sales per passenger continue the strong growth reported in Q1, with average sales per passenger 17% higher than 2000 year to date.
4. The European Commission announced in June that the P&O Stena Line joint venture had been granted a further six year exemption from anti-trust provisions. This is the longest period that can be granted under the procedure.

P&O Ferries (excluding P&O Stena Line)

	Carryings ⁽¹⁾ ('000)			
	Q2		Year to date	
	2001	2000	2001	2000
Freight units	336	335	669	666
Tourist vehicles (including coaches)	272	277	393	398
Passengers	1140	1143	1759	1701

⁽¹⁾ Carryings are an aggregation of P&O's other ferry routes around the UK namely North Sea, Irish Sea, Western Channel and Scottish Isles.

Freight

1. Overall volumes and rates were similar to last year. However, the additional revenue earned on the Irish Sea through the deployment of larger ships was more than offset by a shortfall in revenue on the North Sea. This sector continues to be affected by the movement of freight towards the Short Sea and by the relative strength of the pound against the Euro.

Tourist vehicles and Passengers

1. All routes were adversely affected by the consequences of foot and mouth disease. Although volumes were similar to last year, this was achieved through promotional activity at discounted rates.

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