



P&O Trading Update: January to March 2001

25th April 2001

This is the second in a series of quarterly trading updates for P&O's ports, logistics and ferries businesses. Future quarterly updates in 2001 are provisionally scheduled for 17 July and 18 October. These will 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 Q1

- Trading conditions overall remained firm;
- Ports continued to grow strongly with limited impact from slower US growth;
- Logistics achieved continued high levels of growth; and
- Ferries made a reasonable start to the year.

Further information:

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	PORTS	
	Throughput (TEU ⁽¹⁾ '000)	
	Q1	
	2001	2000
Asia	986	813
Americas	476	317
Europe	537	276
ANZ	282	286
Total	2,281	1,692

⁽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 Q1 2001 was 35% up on 2000, of which 11% was organic growth and 24% new acquisitions and/or new terminal investments.
2. The slower growth of the US economy has had an effect on volumes at some terminals but this has been largely offset by local market considerations and P&O Ports' strong competitive position within those markets. This coupled with the benefit of an internationally diverse portfolio of investments continues to lead to strong levels of organic throughput growth for the business as a whole.
3. Initiatives continue across the division to maximise the benefits of synergies and achieve cost reductions from the scale of the container terminal portfolio.
4. New terminal investment opportunities continue to be progressed in Asia, the Americas and Europe.

Asia

5. Nhava Sheva in India continues to achieve strong results with volumes in 2001 forecast to exceed 800k TEU. Rate increases achieved in November 2000 are helping to drive the business. Nhava Sheva is the market leader in Mumbai, India's largest container port, despite having only commenced operations less than two years ago. Privatisation initiatives in Chennai and Cochin are being pursued.
6. In the South China port of Shekou growth continues ahead of expectations with volumes for the first quarter 36% higher than in 2000. The expansion of this facility has now received approval from Beijing. In Qingdao, new cranes are to be delivered shortly to the joint venture with the Qingdao Port Authority. This will enable the facility to continue to expand its customer base.
7. In Manila, ATI is beginning to see a marked improvement in business performance in the light of increased political and economic stability. It has also been helped by a tariff increase achieved in February.
8. The terminal in Surabaya is continuing to achieve results ahead of last year despite the uncertain political climate.

Americas

9. Port Newark Container Terminal, the joint venture with P&O Nedlloyd which operates the 158 acre terminal in the Port of New York and New Jersey, has already won market share ahead of expectations and is now handling annualised volumes in excess of 350,000 TEU. Contracts for the redevelopment of the terminal are in the process of being awarded with the first phase to be substantially completed in 2001.
10. In Houston, Texas the acquisition of a small stevedoring business, Strachan Shipping, was completed during the quarter further consolidating P&O Ports' position in the region.
11. In Argentina, volumes for the quarter are in line with last year although the economic outlook remains weak. Anti-Trust Commission approval for the acquisition of TPA is expected shortly.

Europe

12. Quarterly volumes for Europe were helped by additional throughput from the acquisitions in Antwerp

which came on stream in 2000.

13. Southampton Container Terminal in the UK handled 19% more TEU than in the same period last year.
14. The port and logistic centre development at Shell Haven in the UK, which has been renamed "London Gateway" to better reflect its location and potential, is progressing positively towards the submission of the necessary approval applications. Consultants have been appointed to undertake a comprehensive range of studies for site surveys and investigations leading to planning and design for the project. Pre-scoping environmental studies have been completed.

ANZ (Australia and New Zealand)

15. Container volumes for the first quarter were marginally below those of 2000 which benefited from the increase in activity prior to the Sydney Olympics. P&O's overall market share, however, has increased by approximately 5%.
16. Improved terminal productivity has been sustained throughout the quarter. As a result of consistent performance vessel schedule efficiency has continued to improve.
17. An internal restructuring of the ANZ business was completed in Q1. This will maximise the synergies between container handling and general stevedoring, increase the focus on integration with land-based logistics and reduce costs.

LOGISTICS

P&O Trans European

1. P&O Trans European had a good first quarter on the back of strong growth from Contract Logistics as new contracts won in 2000 came on stream and margins benefited from easing of fuel cost pressures.
2. Within Contract Logistics, a new 10,000m² purpose built facility commenced operations in Glasgow in March which will initially serve a new contract won from Campsie Spring Water. Other contracts will be integrated in the second quarter. A new regional hub in Chemnitz, Germany also commenced operation during the quarter strengthening the company's position in eastern Germany.
3. Significant new contract business was also won from New Holland, Elementis, Crown Bender and Dow Chemicals, maintaining the good growth rates achieved in recent years. The division's new data records management business took a further step forward with the acquisition of the privately owned Rogers Group in Ireland in February. This complements the data management business in Germany which won a number of new contracts during the quarter.
4. An improved cost position through continuing restructuring in the Unit Loads business was largely offset by sluggish volumes. Significant new contracts were won from DeLonghi, GlaxoSmithKline and Corus Staal BV and these will begin to have a beneficial impact during the second quarter as the contracts are integrated.

Cold Logistics

1. P&O Cold Logistics had a good first quarter achieved through continuing strong organic growth and business acquisitions.
2. In the US, the refrigerated assets of Condyne Group of Massachusetts were acquired in February for approximately US\$20m securing P&O Cold Logistic's first facility in the North Eastern region and bringing total US capacity to 2.1 million m³.
3. The US has continued to benefit from strong organic growth in refrigerated food consumption which has led to increased volumes in facilities across the region. Major contract wins and account extensions included Oppenhiemer (a major fruit supplier), Fernandos (a Mexican food brand of Con-

Agra), New Zealand lamb and Pilsbury ice cream.

- Overall volumes for Australasia were in line with expectations although meat volumes were down due to an extended drought. Performance for the quarter was enhanced by improved productivity and cost control. Additional services have been secured for Chrisco Hampers in Australia and the New Zealand Dairy Board in New Zealand.
- Argentina had a disappointing quarter with continuing economic and political difficulties, and foot and mouth disease affecting meat exports. The acquisition of Swift Armour SA during the previous quarter has been fully consolidated and customer distribution has been streamlined. This will provide a competitive advantage in servicing customers as the business moves forward.

FERRIES		
P&O Stena Line (P&OSL)		
Carryings⁽¹⁾		
('000)		
Q1		
	2001	2000
Freight units	282	278
Tourist vehicles (including coaches)	259	294
Passengers	1,752	1,875

- ⁽¹⁾ Carryings include P&O Stena Line's two routes – Dover/Calais and Dover/Zeebrugge (freight only at present – see note 4.).

Freight

- The total Short Sea freight market continued to grow strongly in Q1. Freight carryings overall increased by 12% compared to the first quarter 2000.
- P&OSL carryings increased by 2% although its market share fell from 43% in Q1 2000 to 39% as a result of Norfolkline entering the market in April 2000. P&OSL rates remained firm.

Tourist vehicles and Passengers

- Overall tourist vehicle carryings fell by 11% in Q1. P&OSL's market share remained in line with Q1 2000 at 28% but its average rates were ahead.
- In Q1, the total passenger market was down 5%. P&OSL's market share of 36% in Q1 was the same as in Q1 2000. On board sales per passenger showed strong growth compared to Q1 2000, with average sales per passenger 20% above Q1 2000.
- The foot and mouth outbreak in the UK impacted negatively on tourist traffic from the Continent and caused cancellation of various UK based promotions. Continental forward bookings remain weak.
- As announced on 17 April, a low-cost tourist service will be provided on the Dover/Zeebrugge route from 1 May as an alternative to the premium Dover/Calais service. This is expected to appeal particularly to travellers heading to central Europe. Previously this route has been for freight only.

Other

- The private security company employed by P&OSL to carry out checks for illegal immigrants on carryings from Calais has discovered over 1,600 illegal immigrants since the scheme started. The same checks have now been introduced on carryings from Zeebrugge.

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

	Carryings⁽¹⁾	
	('000)	
	Q1	
	2001	2000
Freight units	333	331
Tourist vehicles (including coaches)	121	121
Passengers	619	558

⁽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. Although freight volumes were slightly ahead of last year this was a combination of some growth on the Irish Sea and Portsmouth routes but a downturn on the North Sea. There is strong competition in the North Sea with some volume probably also going to the Short Sea routes. Average rates were firm in all sectors.

Tourist vehicles and Passengers

1. Tourist vehicle volumes were flat across all sectors. Strong growth was achieved in passenger volumes mainly through special promotions.
2. There were some cancellations in March from Continental travellers concerned about foot and mouth. This trend is continuing in the current quarter.

Other

1. Several initiatives are underway to achieve cost savings. These include the retonnaging programme with Pride of Rotterdam entering service on the North Sea at the end of April. She will replace two older ships and set new standards for the quality of onboard facilities.

(ends)