



## P&O Trading Update: October to December 2000

18th January 2001

This is the first of a new series of quarterly trading updates for P&O's ports, ferries and logistics businesses. Future quarterly updates in 2001 are provisionally scheduled for 24 April, 17 July and 18 October. These will complement P&O's financial result statements, the next of which will be the Group's preliminary results which are expected to be published on Thursday 15 March

### Highlights for Q4

- trading conditions overall remained firm;
- there was strong organic and acquisition growth in Ports;
- Ferries had a reasonable Q4 despite higher fuel costs;
- Contract Logistics had a good Q4 although the weak Euro impacted adversely on Unit Loads; and
- Cold Logistics achieved continued high levels of growth.

P&O Nedlloyd's Q4 financial results and throughput data will also be published on 15 March. These are expected to show that the company finished the year strongly.

### Further information:

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## PORTS

	Q4		Full Year	
	2000	1999	2000	1999
Asia	1,033	825	3,815	2,522
Americas	437	319	1,536	803
Europe	533	317	1,742	1,195
ANZ	323	328	1,190	1,192
<b>Total</b>	<b>2,326</b>	<b>1,789</b>	<b>8,283</b>	<b>5,712</b>

Throughput  
(TEU<sup>(1)</sup> '000)

(1) TEU = twenty foot equivalent unit. This is a standard size of container and a common measure of capacity in the container logistics business.

### Key Points

1. Overall throughput for 2000 was up 45% on 1999, of which 16% was organic growth and 29% new acquisitions.
2. The year saw further significant development of P&O Ports' operations with the division ideally placed to take advantage of world trade growth and consolidation opportunities across the regions
3. World trade grew strongly during 2000. Most economic forecasters anticipate a lower level of growth for 2001 primarily due to an expected reduction in demand growth in the US. The

international spread of P&O Ports and the local trading conditions of each terminal provide protection against regional downturns. We are therefore anticipating similar levels of growth to 2000 but with possible variations by region.

4. A number of new terminal investment opportunities are under active consideration. These are spread across Asia, the Americas and Europe. Significant attention is also being paid to increasing the benefits of synergies and achieving cost reductions from the scale of the portfolio..

#### **Asia**

5. Impressive throughput growth continues in China. The key South China port of Shekou is being expanded to double its capacity to approximately 1.6m TEUs by the end of 2002. In Qingdao the new 1m TEU joint venture development between P&O Ports and the Qingdao Port Authority commenced trading in July 2000. It is well positioned to capture the expected container throughput growth of the region as the old Qingdao port approaches capacity. The new terminal is expected to reach capacity by the end of 2004 after which the joint venture has options over the next phase of development.
6. The major terminal at Surabaya, Indonesia, was acquired in May 1999. Despite a challenging political environment, a 30% increase in tariffs was achieved from the final quarter of 2000. This provides a good base for 2001.
7. In India, Nhava Sheva continues to perform well ahead of expectations. Commencing operations in April 1999, by December 2000 throughput had reached an annualised rate of 780,000 TEU. This made it the market leader in Mumbai, the largest container port in India. We are looking to build on this success in the privatisations of Chennai and Cochin.

#### **Americas**

8. P&O Ports North America, which was formed following the acquisitions of ITO, Gulf Services and Fairway Terminals, is performing strongly.
9. Port Newark Container Terminal, a joint venture with P&O Nedlloyd, was awarded a 30 year lease for a 158 acre terminal in the Port of New York and New Jersey in October. The terminal has already won market share ahead of expectations. The US\$150m redevelopment of the terminal, which will increase its capacity to 1m TEU, will be substantially completed in 2001.
10. In New Orleans the integration of the separately acquired terminal businesses has been successfully completed resulting in enhanced operating performance and results. P&O Ports has been awarded an extension to its river terminal at Napoleon Avenue which will result in increased capacity from 2002 while maintaining P&O's leading market position.
11. In Argentina the acquisition of TPA, the adjacent terminal to TRP in Buenos Aires, was completed during the year subject to final Anti-Trust Commission approval. Whilst recent throughput growth in Buenos Aires has reflected the weaker economic performance of Argentina, the acquisition of TPA represents a consolidation of the market and substantially increases the capacity of P&O Ports' operations in the port. The merging of the two terminals into one business will also result in operational efficiencies.

#### **Europe**

12. In the UK, Southampton Container Terminal handled more than 1m TEU for the first time in 2000 and is forecasting continued throughput growth for 2001. The construction of the second river berth at Tilbury is on schedule for completion in third quarter 2001. The process for achieving approvals for the redevelopment of Shell Haven is underway. Agreement was reached with Jacobs Holdings for them to transfer their ro-ro operations from Thames Europort to Shell Haven, thereby adding to the development of Shell Haven as a logistics hub.
13. The acquisition in May of the terminal business of Seaport in Antwerp has been supplemented by the purchase in November of Antwerp Combined Terminals (ACT), Antwerp's largest general cargo stevedore. In a joint venture with P&O Nedlloyd and Duisport, P&O Ports was awarded in June a 50 year concession for a 1m TEU terminal which will commence operations in 2003.

## ANZ (Australia and New Zealand)

14. Productivity on the Australian waterfront improved substantially during 2000 to reach an all time high, largely as a result of improvements at P&O terminals. This followed the implementation of waterfront reform, which has had a positive impact on profitability. Further productivity improvements are expected.
15. During this change process, some market share was lost but this is being won back. Contract wins in Q4 included the Contship/CMA/CGM/Marfret service.

## FERRIES P&O Stena Line (P&OSL)

	Carryings <sup>(1)</sup> ('000)			
	Q4		Full Year	
	2000	1999	2000	1999
Freight units	276	305	1,111	1,185
Tourist vehicles (including coaches)	433	431	1,813	2,061
Passengers	2,528	2,607	11,627	12,387

- (1) Carryings include P&O Stena Line's two routes – Dover/Calais and Dover/Zeebrugge (freight only) – and also Newhaven/Dieppe until its closure in January 1999.

### Freight

1. The total Short Sea freight market continued to grow strongly in Q4. Freight carryings overall increased by 8% giving annual growth of 10% in 2000.
2. Whilst market growth was strong, P&OSL's carryings fell due to additional capacity from Eurotunnel and a second ship for Norfolk Line.
3. P&OSL sought to keep rates firm rather than increase volumes. This resulted in P&OSL achieving a higher average freight rate during 2000 than in 1999.

### Tourist vehicles and Passengers

1. Overall tourist vehicle carryings fell by 7% in Q4 reflecting increased rates and reduced day trip traffic. P&OSL, however, increased volumes through a number of successful promotions. Its market share increased from 29% to 31% during Q4. P&OSL's average rates for 2000 remained strongly ahead of the previous year.
2. In Q4, the total passenger market was down 4% compared with a 10% decline in the full year. P&OSL's market share of 37% in Q4 was the same as in Q4 1999.
3. On board sales per passenger responded positively to promotional activity in Q4, exceeding levels achieved in Q4 1999.

### Other

1. In December P&OSL started employing a private security company to carry out checks for illegal immigrants on carryings from Calais. Since the scheme started over 850 illegal immigrants have been discovered.

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

	Carryings <sup>(1)</sup> ('000)			
	Q4		Full Year	
	2000	1999	2000	1999
Freight units	339	338	1,333	1,301
Tourist vehicles (including coaches)	171	192	951	1,016
Passengers	723	801	3,904	4,190

(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. P&O's freight carryings in Q4 were higher on the Portsmouth and Irish Sea routes but North Sea Ferries volumes fell slightly. Rates overall remained firm.

### Tourist vehicles and Passengers

1. Tourist traffic was down in Q4 primarily because of the decision not to run a fast craft on the Northern Irish route during the winter. The new conventional ship European Causeway was operated instead. The loss in revenue was more than compensated by consequential cost savings.
2. North Sea Ferries tourist traffic was affected by reduced demand from the Continent following floods in the North of England.
3. Tourist carryings were lower in line with the market on the Western Channel due to lower promotional traffic. Rates remained firm.

### Other

1. The European Ambassador successfully entered service in early January on the Liverpool – Dublin route. The new vessel will increase freight capacity as well as carrying some tourist vehicles.
2. Ferries' fuel costs remained significantly higher than in 1999. This affected the non-Short Sea routes more as P&O operates 40 ships on these routes compared to 10 on the Short Sea.

## LOGISTICS

### P&O Trans European

1. Contract Logistics enjoyed good activity levels during the quarter with trading in line with expectations. New regional distribution hubs were brought on stream in Stuttgart and Heilbronn, Germany. The modern 4,000 cubic metre facilities remove the previous capacity constraints in this region and will bring cost efficiencies.
2. A number of contract wins were made during the quarter. These included a warehousing and distribution contract for Electrolux Outdoor Products in the UK, a distribution and global freight management contract for Elementis in conjunction with P&O Nedlloyd, and a pan European distribution contract for Procter & Gamble.
3. Trading conditions in Unit Loads remained difficult due to the weaker Euro. Restructuring continued with the sale of the freight vessel Elk and related assets of P&O Ferrymasters Scandinavia to DFDS Tor Line Group in December. Further significant cost reductions were also achieved.

### Cold Logistics

1. P&O Cold Logistics had a strong fourth quarter aided by significant organic growth.
2. In the US, the facility in Nevada added a further 130,000 cubic metres primarily to service the western states ice-cream distribution for Good Humor Bryer (part of Unilever). In Salt Lake City,

Utah an additional 53,000 cubic metre facility was leased from the beginning of Q4 with 60% utilisation already achieved by the year end. Work has also commenced on a 70,000 cubic metre extension in Houston to accommodate significant volume growth, including imports carried by P&O Nedlloyd. The Californian business won a new contract with Quality Foods, a processed meat manufacturer, and regained Empress, a major seafood customer, on the strength of service quality.

3. In Argentina, the refrigerated logistics business of Swift Armour SA in Buenos Aires was acquired in October for US\$20m. The acquisition included a modern cold storage and distribution facility with a capacity of 75,000 cubic metres. It has been consolidated with P&O Cold Logistics' existing business to give P&O a market leading position. New customers in Argentina included Unilever, with a contract to distribute ice-cream, and Campo Austral, a processed meat producer, for warehousing and distribution services.
4. Australasia recorded a 35% increase in retail volumes in Q4, further enhancing P&O's market leading position. Significantly higher volumes were managed for a number of major contracts including Burger King, Chrisco Hampers and Berri fruit juices.

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