P&O NEDLLOYD RESULTS: FOURTH QUARTER 2001

The attached information sets out the financial results, trade statistics and key points for P&O Nedlloyd Container Line Limited for the fourth quarter 2001. In general terms, the main points are:

- P&O Nedlloyd made an operating profit for 2001 of $87 million (2000 $201 million);
- in Q4 2001 it made an operating loss of $8 million before restructuring costs of $12 million;
- average revenue rates fell by 5% compared to Q3 and by 13% compared to Q4 2000;
- revenues in the industry will be down in the first half of 2002 as a result of slower world trade growth and increased capacity; and
- a major expansion and acceleration of cost savings programmes to achieve $350 million per annum by the end of 2003 compared to the $200 million previously announced.

Further information

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RESULTS & STATISTICS

	Q4 2001	Q4 2000	Full Year 2001	Full Year 2000
Throughput (teus)				
Europe/Asia	269,000	288,900	1,069,100	1,081,100
North/South & Cross Trades	308,500	291,300	1,169,900	1,085,000
North America	250,600	232,700	944,900	873,900
Total	**828,100**	**812,900**	**3,183,900**	**3,040,000**
Average revenue per teu	1,209	1,385	1,298	1,355
Revenue	1,001	1,126	4,132	4,120
Operating (loss)/profit before interest and tax	**(20)**	**96**	**87**	**201**
Interest, minorities and other items	(15)	(15)	(56)	(61)
(Loss)/Profit before tax	**(35)**	**81**	**31**	**140**

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. P&O Nedlloyd achieved an operating profit in 2001 of $87 million compared to $201 million in 2000. Profit before tax was $31 million compared to $140 million previously. The operating loss for Q4 was $20 million compared to a profit of $30 million in Q3 and $96 million in Q4 2000.

2. The main reason for the weaker results in 2001 has been the significant reduction in average revenue rates. The average rate in Q4 was $1,209 which is 13% down on the same period in 2000 and 5% down on Q3 2001. Average rates have fallen a little further since the start of 2002 although there are tentative signs on some trades that they may have bottomed out.

3. Overall volumes for Q4 2001 were similar to Q3 and 2% up on Q4 2000. Loadfactors fell from 82% to 77%. For the industry as a whole, demand in 2001 is estimated to have grown by approximately 3% compared to supply growth of over 9%. Supply is currently expected to exceed demand in 2002 before the position recovers in 2003.

4. The company is making exceptional progress in its drive to reduce costs. Annualised savings in excess of $200 million were achieved by the end of 2001, well ahead of the original $180 million target. These came from reductions in IT, container management, fleet operations and procurement costs. A further $200 million annualised savings target has already been announced for 2002-3. By the end of 2003, this will have been accelerated and expanded to $300 million annualised. In addition, headcount reductions of 1,000 are being implemented across the company this year to save a further $50 million. The new savings are being generated by major change programmes which are standardising procedures and relocating many functions to lower cost areas. There will be a substantial reorganisation cost.

5. The current slowdown in world trade and the excess of supply over demand is expected to reduce revenues across the industry in the first half of 2002. Although there is more optimism now about the prospects for economic growth than earlier this year, it is too soon to be specific. The beneficial impact of the major new cost savings will to some extent cushion P&O Nedlloyd in the current adverse market conditions and ensure that it is well placed to benefit from the upturn in due course.

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