



EMBARGO: NOT FOR PUBLICATION BEFORE 11.00 HOURS (UK TIME) ON FRIDAY 16 MAY 2003

## CHAIRMAN'S STATEMENT TO THE AGM

At P&O's Annual General Meeting in London today, the Chairman, Lord Sterling, made the following statement on the company's recent progress and prospects for 2003 and 2004.

"As many of you will know, we recently issued a trading update for the first quarter of 2003. I am pleased to tell you that the generally positive trends we identified then have continued.

The number of containers handled through our ports is continuing to grow strongly, particularly in Asia. Organic growth remains at around 28% year on year and so far we have not seen any impact from Severe Acute Respiratory Syndrome (SARS).

Our container shipping company, P&O Nedlloyd, is also experiencing strong volume growth of 11%. Revenue rates in the first quarter were 4% higher than the same quarter last year and they are continuing to strengthen. With an improving balance of supply and demand, the outlook for the rest of this year and 2004 is more positive than for some time.

World GDP may be growing more slowly but we are seeing significant product substitution from the West into Asia. The lower oil price should over time have a positive effect on global output and costs within our business.

The high output levels in Asia have also strengthened demand in bulk shipping. Associated Bulk Carriers, which is now managed externally, has seen rates increase from \$10,000 a day at this time last year to over \$18,000 a day now.

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As we said in our quarterly update, in Ferries our freight carryings are 11% ahead of last year on a like for like basis but we carried fewer cars and passengers as the market turned down as a result of concerns over the Iraq conflict. The restructuring of the business is continuing ahead of schedule and will deliver annualised cost savings in excess of £15 million a year.

Elsewhere in the Group, Cold Logistics continues to perform well in Australasia and in the USA the integration of our recent acquisition is proceeding to plan. Finally, although our Property business is seeing lower activity levels than last year it is trading in line with expectations.

In conclusion, the Group should make substantial progress in 2003 and move further ahead in 2004.”

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