

13 May 2005

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.

"As many of you will know, we issued a trading update two weeks ago reporting on the first quarter of the year. We said that we were encouraged by the company's performance, particularly our Ports business. The Ferries market remained challenging but overall the position was stable and was allowing us to see the benefits of our fundamental business review coming through.

Total container volume growth for our ports was 7%. Good growth was achieved in Asia, with 17% growth in China and India, offset by lower volumes in the Philippines and Indonesia. Growth in the Americas and Australia returned to more normal levels. Volumes in Europe were slightly reduced as we focused on higher yielding traffic.

In Ferries, we said that the implementation of our fundamental business review continues to go well and cost savings are being achieved more quickly than expected. The first quarter was impacted by the lack of berthing capacity at the port of Calais which is operated by the local Chamber of Commerce. This has yet to be fully resolved but we are now running a service that is close to normal. Any costs above those which we originally estimated are being offset by the fundamental business review savings being ahead of schedule.

Since the trading update, there has of course been the major announcement that Maersk intends to make an all cash offer of €57 per share for Royal P&O Nedlloyd. The offer document is currently expected to be published next month and is expected to contain the usual conditions, including regulatory clearances.

As you all know, P&O holds 25% of Royal P&O Nedlloyd. A sale of our shareholding at €57 would result in proceeds of approximately £396 million compared to the book value of £215 million. We have said that, in the event that the offer is made and the

conditions satisfied, we would intend to accept the offer. It would be a further step in our strategy of focusing capital on our strongest growth areas, primarily through the continued investment in Ports.

2004 was a year of considerable change for the Group. In addition to the independent listing of Royal P&O Nedlloyd and the fundamental business review of Ferries, we significantly exceeded our target for property sales and invested further in our international ports business, notably in Asia.

The pace of change is being maintained this year. As I have said, the implementation of the Ferries review is ahead of schedule. We are committing further capital to Ports. We have had a major announcement about Royal P&O Nedlloyd and we have made good progress with further property sales. I am also pleased to say that the financial outlook for the Group is positive and consistent with expectations for the full year.”

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