



Chairman's Opening Remarks To The AGM

18th May 2001

At P&O's Annual General Meeting in London today, the Chairman, Lord Sterling, reported on the company's recent progress and prospects for the current year.

Lord Sterling confirmed that the company was continuing to experience generally firm trading conditions despite uncertainties about the level of growth of world trade. He also said that P&O was hoping to announce shortly the successful completion of a major new container terminal concession at Chennai in India.

Concluding, Lord Sterling said: "Looking ahead, we are actively progressing further strategic moves to develop our new structure. Your Board is determined to go on focusing the resources of the company on high growth areas which offer strong returns. At the same time we are paying close attention to maximising incremental improvements in the operation of all our businesses. Our key priority is to maintain a strong upward growth path and to deliver the maximum benefit to shareholders."

The full text of the Chairman's remarks follows.

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P&O AGM, 18 MAY 2001

CHAIRMAN'S OPENING REMARKS

When I spoke to you at this time last year, the key issue was the demerger of our cruises business. This was successfully completed on schedule in October.

This major step, and others that we have taken in the last few years, have enabled us to focus P&O on two closely related sectors – logistics and transport. Our businesses partner each other in winning contracts, they trade with each other and they have overlapping customers. They have strong market positions and good growth opportunities, and are united by the P&O brand.

As we explain in this year's Annual Report, this new structure has also enabled us to manage the company in a different way, harnessing the strengths across all of our businesses.

One of the most important drivers of the new P&O is growth in world trade. You will all be aware of recent comment about the US economy and the continuing depressed position in Japan. It remains unclear what implication these will have for world trade generally. What I can tell you, however, is that we have seen little effect so far on our own businesses.

Our ports division has continued to grow strongly. Overall throughput in the first quarter was 35% up on the first quarter last year. Any slowness associated with the US has been largely offset by strengths

elsewhere. We expect like for like growth this year to be much the same as last year.

We are pressing ahead with a number of new opportunities. We hope shortly to announce the successful completion of a major new concession in India at Chennai, or Madras as some of us still know it. This will further strengthen our position in India where our new terminal at Mumbai has already become the market leader.

Closely related to ports is P&O Nedlloyd Container Line. They have just reported the strongest first quarter since the company started trading over four years ago. On some trades the rate of growth is down on last year but even these trades are continuing to grow.

It is too soon to say what may happen later in the year but P&O Nedlloyd's spread of business leaves it well placed to withstand the present uncertainties. In the meantime we will continue to play a proactive role in our discussions with Royal Nedlloyd about the best way of further developing the business.

Our cold and contract logistics divisions have made a good start to the year. Our property division is also doing well.

In the case of ferries, the whole of the European industry is facing more challenging conditions following the abolition of duty free. Higher fuel prices are also continuing to have an impact while foot and mouth has inevitably had a marked effect on the tourist trade in recent months. As one of the strongest brands in Europe, we are determined to play a leading role in the consolidation that needs to take place.

Earlier this month we successfully introduced the world's biggest cruise ferry on the North Sea following her naming by Queen Beatrix of the Netherlands. She will revolutionise the quality of service on the route as well as enable us to reduce costs by taking out two older ships.

Looking ahead, we are actively progressing further strategic moves to develop our new structure. Your Board is determined to go on focusing the resources of the company on high growth areas which offer strong returns. At the same time we are paying close attention to maximising incremental improvements in the operation of all our businesses. Our key priority is to maintain a strong upward growth path and to deliver the maximum benefit to shareholders.