

22 March 2005

MERCHANT NAVY OFFICERS PENSION FUND COURT DECISION

As previously disclosed, a court case has recently taken place to address issues relating to the allocation between a number of shipping industry employers of deficit payments for the new section of the Merchant Navy Officers Pension Fund (MNO PF). Judgment in the case has been given today.

Based on the judgment, P&O's estimate of its share of the deficit is £125 million, calculated in accordance with UK GAAP Financial Reporting Standard No. 17. This is the higher of the two possible figures indicated at the time of P&O's 2004 results announcement on 8 March 2005.

Deficit payments are anticipated to start later in 2005, although they are not expected to have a material impact on P&O's overall cash flow nor on its profit and loss account. P&O expects to include its share of the deficit in its published balance sheet for the first time as at 30 June 2005.

Further Information: Lucy Garson, Corporate Communications Executive
Tel: +44 (0)20 7930 4343

Andrew Lincoln, Manager, Investor Relations and Strategy
Tel: + 44 (0)20 7321 4490

Notes to editors :

1. The Merchant Navy Officers Pension Fund (MNO PF) is a multi-employer shipping industry defined benefit pension fund. The fund is divided into two sections, the 'Old Section' and the 'New Section', both of which are closed to new members. The 'Old Section' is in surplus and has been closed to benefit accrual since 1978. The 'New Section' is in deficit and hence subject to the court case.
2. On the basis of the judgment given by the court, and information previously provided by the trustee of the fund, P&O expects approximately 18% of the total deficit payments to be allocated to it and its subsidiaries. Applying this allocation to P&O's estimate of the deficit in the new section of the fund as at 31 December 2004, calculated in accordance with UK GAAP Financial Reporting Standard No. 17, gives a

share of the deficit of £125 million. It is expected that the share of deficit calculated under International Accounting Standard No. 19 (IAS19) will be similar to this figure (assuming the amendments to IAS19 are endorsed by the European Union). Amounts are potentially subject to change if other employers do not make all the payments allocated to them.

(ends)