

SALE OF OFFSHORE SERVICES BUSINESS

23 May 2003

P&O announces that it has signed Heads of Terms for the sale of its 50% share in International Offshore Services ('IOS'), its offshore supply business, to its joint venture partner Farstad Shipping ASA. The proceeds from the sale, which are due to be received by 30 June, are £51 million cash which will be used to reduce Group net debt.

The sale is in line with P&O's strategy of focusing capital in the businesses where it is a market leader. P&O's interest in IOS has been held by its P&O Maritime Services division. The remaining part of P&O Maritime Services enjoys a strong position in the specialised cargo, defence, research and maritime services sectors and will be developed as part of P&O Ports.

Commenting on the sale, Lord Sterling, Chairman of P&O, said: "The offshore business has made a strong contribution to P&O over a number of years. We have had an excellent relationship with Farstad since the formation of the joint venture in 1997 and both Farstad and our employees will benefit from the increased scale and global coverage resulting from this transaction."

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Notes to Editors:

1. International Offshore Services is a 50:50 joint venture between P&O Maritime and Farstad Shipping ASA. It operates a fleet of eighteen specialist offshore vessels which service the oil and gas industry. Two further vessels are under construction for delivery by the end of 2003.
2. The current book value of P&O's interest in IOS is approximately £32 million comprising a 50% share of net operating assets of £66 million and net debt of £34 million. P&O's 50% share of IOS's operating profit for the year ended 31 December 2002 was £5 million.
3. Farstad Shipping ASA is a major international operator of offshore service vessels. It is a Norwegian company listed on the Oslo Stock Exchange.

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