

## ASSOCIATED BULK CARRIERS PLC:

### SHARE SALE AND TRANSFER OF MANAGEMENT

27th December 2000

The Peninsular and Oriental Steam Navigation Company announced today that it has agreed to sell 50% of the shares in its bulk shipping subsidiary Associated Bulk Carriers plc (ABC), subject to various conditions, to Eurotower Holdings SA (Eurotower) a company forming part of the SAMAMA Group (S/A Monegasque d'Administration Maritime et Aerienne) which is a private group of shipping companies with operations worldwide. The ownership of Eurotower rests with a discretionary trust the primary beneficiaries of which are members of the Ofer family.

In addition, the responsibility for the commercial and technical management of ABC is being transferred to Zodiac Maritime Agencies Ltd of London (Zodiac), a long established and internationally recognised ship management company which already manages many of the SAMAMA Group's ships. A number of ABC employees will join Zodiac.

The proceeds from the sale are expected to be approximately £68m receivable in cash. The net debt on the P&O Group balance sheet will be reduced by approximately £208m. After adjusting for goodwill and other items there will be an overall reduction in the P&O Group net equity of approximately £62m.

ABC operates a fleet of 22 capesize dry cargo vessels ranging in size from 114,000 to 211,000 deadweight tonnes with an average age of 7 years. The fleet will be pooled with the 9 capesize bulk carriers currently managed by Zodiac. The combined fleet of some 5m deadweight tonnes will be a significant player in the capesize market and will be able to offer clients a greatly enhanced service. Current trading conditions in the capesize sector remain firm with average daily freight rates in excess of \$20,000 per day.

Sir Bruce MacPhail, Managing Director of P&O said: "We are delighted to be working with the SAMAMA Group and Zodiac. Their significant interests and long experience in capesize dry bulk shipping combined with ABC will make a real force in the market. This partnership will enable P&O to manage the transition out of what is now a non-core business for the Group as we move forward."

#### Further information:

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#### Note to Editors

1. For the year ended 31 December 1999 the P&O Group reported an operating loss of £20.2m in respect of its investment in ABC. For the 6 months to 30 June 2000 it produced an operating profit of £3.5m. The business had net operating assets of £338m at 30 June 2000.
2. Zodiac is a private ship management company based in and operated from London.
3. The board of ABC will have four directors: Samuel Kellner, Eurotower; Captain Rami Zingher, Zodiac; Sir Bruce MacPhail, P&O; Karl Timmermann, P&O.

(ends)