P&O

Press Release

INITIAL PUBLIC OFFERING FOR ASSOCIATED BULK CARRIERS

3rd April 2000

The Peninsular and Oriental Steam Navigation Company (P&O) announces that it intends to make an initial public offering (IPO) of Associated Bulk Carriers Limited (ABC) on the Oslo Stock Exchange. Preparations for the IPO are already underway and it is expected to take place later this year.

P&O has purchased the 50% shareholding of its joint venture partners Shougang Holding (Hong Kong) Limited (SH) and Shougang Concord International Enterprises Company Limited (SCI) for a nominal sum. P&O will hold 100% of the ordinary shares in ABC until the IPO takes place at which time it will sell the majority of its holdings.

ABC is one of the world's largest independently-owned operators of capesize bulk carriers with a strong international presence. It has a fleet consisting of 22 dry cargo vessels ranging in size from 110,000 to 210,000 deadweight tonnes with an average age of seven years. The total fleet accounts for some 3.5m deadweight tonnes.

The capesize freight market has made a significant recovery following the low rates recorded during the 1998/1999 Southeast Asia economic crisis. Capacity within the industry has also reduced as the world-wide supply of capesize tonnage has decreased during the past two years. In addition, the oceanborne transport of major dry bulk commodities, such as iron ore and coal, is increasing due to higher steel production, particularly by Pacific based steel mills. The continuing recovery of demand for energy is also generating higher volumes of steam coal movements.

Karl Timmermann, Chief Executive Officer, ABC Ltd said: "We have enjoyed a positive working relationship with our partners from Shougang. ABC is now well positioned to benefit from the improving market conditions. A listing in Oslo is the natural next step for the development of the Company."

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Note to Editors:

1. P&O is being advised on the IPO by Christiania Markets, a division of Christiania Bank.

2. Following the purchase, SCI will take over responsibility for two time-chartered vessels. ABC will have a fleet of 22 capesize bulk carriers consisting of 17 owned or leased vessels plus 5 bareboat chartered vessels.

3. In 1999, average daily capesize freight rates were approximately $10,000. During that year ABC incurred an operating loss of US$46 million. Freight rates currently stand at over $20,000 per day. At the end of 1999, ABC had net operating assets of approximately US$510 million with debt, lease and other obligations of approximately the same amount. Prior to the IPO, ABC will be refinanced.

4. A capesize bulk carrier is a vessel of 80,000 deadweight tonnes or above with a beam greater than that allowed for by the Panama Canal. Such ships therefore travel around the Cape of Good Hope or Cape Horn.

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