



P&O ACQUIRES A MAJOR NEW CONTAINER PORT IN INDIA FOR \$195 MILLION (£120 MILLION)

5 June 2003

The Peninsular and Oriental Steam Navigation Company (“P&O” or “the Company”) announces that it has acquired 100% of Mundra International Container Terminal Limited (“MICTL”) and related assets from the Adani Group for a total cash consideration of \$195 million (£120 million) (“the Acquisition”). MICTL has a 28 year concession to operate a new, deep water, 1.3 million teu capacity container terminal located at the privately owned port of Mundra on the Gujarat coast in north west India. The Indian authorities have already granted foreign investment approval for the Acquisition. The Board of P&O anticipate that the Acquisition will make a positive contribution to operating profit in 2004.

The first phase of the MICTL container terminal development comprises 630 metres of quay line. Commercial operations are due to commence this month for ‘geared’ container ships prior to the scheduled commissioning of two quay cranes in August. The total capital expenditure required to provide the 1.3 million teu capacity is estimated at \$120 million. Of this, \$50 million is committed in 2003 to provide an initial annualised capacity of 600,000 teus by the end of 2003. The remaining capital expenditure will be incurred over several years, subject to growth in demand.

P&O also holds an option over the second phase of the MICTL container terminal development which will provide a further 618 metres of quay line and throughput capacity of 1.2 million teu. The second phase development will be at the discretion of P&O and, should it be undertaken, \$70 million will be payable to the Adani Group for the sub-concession rights and related assets. P&O would also undertake the required capital expenditure to provide the 1.2 million teu capacity which is initially estimated at approximately \$100 million. Subject to demand growth, the second phase is anticipated to commence operations around 2011.

It is intended that the initial Acquisition price will be funded by the proceeds of a Placing to institutional investors. It is anticipated that the value attributed to the tangible assets acquired will be approximately \$120 million, with the balance of the Acquisition price attributed to goodwill and intangible assets. Because the container terminal commences operation later this month, there are no profits attributable to the assets.

Mundra is the closest deep water port to Delhi. Currently, the industrial hinterland is mainly served via the port further south at Mumbai where facilities, including P&O’s Nhava Sheva International Container Terminal, are now capacity constrained. Mundra has good infrastructure links to Delhi and will offer the

deepest draft terminal in the region. Consequently, it can accommodate the largest container ships that operate the international deep-sea container trades. North west India is a high growth region, with the average annual growth in container traffic exceeding 13 percent since 1995.

Commenting on the transaction, Lord Sterling, Chairman of P&O, said: "Acquiring the container terminal at the key port of Mundra is an important expansion of our port operations in the fast growing Indian market. The new terminal will be a world class facility, offering customers excellent service and further strengthening P&O's global position as a leading port operator. This transaction represents a further step in our strategy of focusing capital in the strongest growing areas of our business where we have a competitive advantage, and reducing investment elsewhere."

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Notes to Editors:

1. P&O is a major international logistics and transport company. It is a leading global port operator with 28 container terminals and logistics operations in over 90 ports and has a presence in 18 countries. In India, P&O owns and operates Nhava Sheva International Container Terminal and Chennai Container Terminal. Current annualised throughput at those terminals is approximately 1.8 million teu. P&O is also a leading ferry operator in the UK, provides cold logistics services internationally and owns half of P&O Nedlloyd, a major container shipping line.
2. P&O intends to operate the terminal under the name Mundra International Container Terminal Limited ("MICTL"). The company acquired is currently called Adani Container (Mundra) Terminals Ltd ("ACTL").
3. teu = twenty foot equivalent unit. This is the standard size of a container and is a common measure of capacity in the container business.

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