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P&O EXPANDS PORT OPERATIONS IN RUSSIA

P&O announces that it has reached agreement with its joint venture partner to double the size of its port operations at Vostochny in Russia. Vostochny is located at the eastern end of the Trans Siberian railway which provides highly competitive transit times for cargo from east Asia to Europe, the CIS countries and elsewhere in Russia.

P&O originally owned a 25% stake in Vostochny International Container Services (VICS) which holds a long term concession to operate two container berths with a capacity of 400,000 teu. Following the transaction, P&O holds 25% of a new joint venture, Railfleet Holdings Limited (RHL). RHL holds 100% of VICS and freehold rights to four container berths.

Total capacity of the four berths, comprising the current two berths operated by VICS and two adjacent berths, is estimated at 800,000 to 1 million teu when fully equipped. This capacity will be developed in line with demand which grew at a compound annual growth rate of 45% between 2000 and 2004. Throughput in 2004 was 273,000 teus.

P&O's main partner in the joint venture is Transportation Investments Holding Limited (TIHL), the major private company in the Russian transport services market and owner of the leading Russian transport companies Severstaltrans, Balttransservice and New Forwarding Company. The cash consideration paid by P&O to its partner is £9 million (US\$16 million).

Commenting on the announcement, Bryan Smith, P&O Ports Regional Director, East Asia said "We are pleased to have concluded this agreement and look forward to continuing to work closely with TIHL and its subsidiaries, notably Severstaltrans. The new project provides an excellent opportunity to grow our operations significantly at this strategically important location."

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Notes to editors:

1. P&O Ports is a leading global port operator. With 28 container terminals and logistics operations in over 100 ports, it has a presence in 18 countries. In 2004 P&O Ports' total throughput worldwide was 13.8 million teus.
2. Under the detailed terms of the transaction, P&O has acquired 25% of Vostochnaya Stevedore Limited Liability Company (VSC) for £9 million (US\$16 million) from TIHL and has transferred this holding, together with the 25% that it already owned in VICS, into a new joint venture, Railfleet Holdings Limited (RHL). Consequently, RHL now holds 100% of both VSC and VICS. RHL is owned 25% by P&O and 75% by National Container Holding Limited, in which TIHL has a 50% shareholding.
3. The transport company Severstaltrans is wholly owned by TIHL. TIHL is in turn 50% owned by Mr Alexei Mordashov who also owns the Severstal Group.
4. teu = twenty foot equivalent unit. This is the standard size of a container and is a common measure of capacity in the container industry.

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