

28 April 2010

**This is an announcement falling under Rule 2.4 of the City Code on Takeovers and Mergers (the “Code”) and does not constitute an announcement of a firm intention to make an offer or to pursue any other transaction under Rule 2.5 of the Code. Accordingly, Forth Ports PLC shareholders are advised that there can be no certainty that a formal offer for Forth Ports PLC will be forthcoming, even in the event that the pre-conditions in this announcement are satisfied or waived.**

**Further Revised Proposal for Forth Ports of 1,400 pence per share**

**from**

**AEIF General Partner Limited, on behalf of Arcus European Infrastructure Fund 1 LP (“Arcus”), Peel Holdings Limited (“Peel”) and RREEF Limited, as a manager of the RREEF Pan-European Infrastructure Fund (“RREEF Infrastructure”)**

**Rejected by Forth Ports Board**

Arcus, Peel and RREEF Infrastructure (together the “Consortium”) note the announcement made today by Forth Ports PLC (“Forth Ports”) rejecting a further conditional proposal (“Further Revised Proposal”) of 1,400 pence per Forth Ports share.

The Consortium confirms that on 27 April 2010, it made a Further Revised Proposal of 1,400 pence per share to the Board of Forth Ports to acquire the remaining Forth Ports shares it does not already own. In aggregate, the Consortium currently holds approximately 27.4% of the outstanding shares in Forth Ports.

This Further Revised Proposal was rejected by the Board of Forth Ports on 28 April 2010 and follows the rejection of the Consortium’s initial Indicative Proposal to Forth Ports at 1,285 pence per Forth Ports share on 28 January 2010 and the rejection of the Consortium’s 1,340 pence per share Revised Indicative Offer presented to the Board of Forth Ports on 11 February 2010.

In light of this further rejection and the continuing lack of engagement from the Forth Ports Board, the Consortium has decided to make the details of its Further Revised Proposal public.

The Further Revised Proposal of 1,400 pence per share represents:

- a premium of 34.2% to the unaffected price of 1,043 pence per share on 10 February 2010, the day prior to its last proposal on 11 February 2010;
- an increase of 10.6% over the initial Indicative Proposal of 1,285 pence per share detailed in its letter to the Board of Forth Ports of 28 January 2010 as adjusted to take account of the declared Forth Ports final dividend of 19.1p per Forth Ports share; and
- including the Property business, a value for Forth Ports of 16 times the Ports & Recycling EBITDA of £59.5<sup>1</sup> million for the financial year ended 31 December 2009.

This multiple of 16 times compares favourably to the arithmetic average of 14 times EBITDA for the four most recent core UK public ports transactions<sup>2</sup>, which also included large property portfolios/land banks not dissimilar to Forth Ports. In addition, these transactions were

<sup>1</sup> Underlying Ports 2009A EBITDA of £54.2 million, Underlying Recycling 2009A EBITDA of £2.4m and Tilbury Container Services Ltd 2009A EBITDA of £2.9 million (representing Forth Ports’ 33% share)

<sup>2</sup> Nomura, in their note of 24 March 2010, illustrated four key precedent UK Ports transactions: Peel Ports acquisition of Mersey Docks (10.9x EV/EBITDA), DP World acquisition of P&O (15.7x EV/EBITDA), Babcock & Brown’s acquisition of PD Ports (14.7x EV/EBITDA) and the Admiral Consortium’s acquisition of AB Ports (14.5x EV/EBITDA) resulting in an arithmetic average of 14.0x EV/EBITDA

completed in very different debt and equity market environments and included competing bidders.

The Consortium's strategic rationale in making an offer for Forth Ports continues to be centred on the Ports & Recycling division. However, in recognition of the Forth Ports Board's strongly held view that there is upside potential in the Property division, despite the very long-term nature of the property assets and risks associated with their development, the Consortium has offered a premium to the adjusted DTZ valuation (see below) of the property assets to address its potential option value.

Set out below are the respective values the Consortium ascribes to each of the Ports & Recycling and Property divisions within its Further Revised Proposal of 1,400 pence per share.

## Ports & Recycling

In respect of the Ports & Recycling division, the Consortium is prepared to offer Forth Ports shareholders 1,285 pence in cash for each Forth Ports share held. This represents:

- a multiple of 14 times the Ports & Recycling EBITDA of £59.5<sup>3</sup> million for the financial year ended 31 December 2009.

The Consortium believes this valuation fully recognises the expected growth and future potential of the Ports & Recycling business and is a highly compelling proposition, particularly when compared with historical sector multiples, which have also included property portfolios.

## Property

The Consortium continues to have difficulty in ascertaining the additional financial potential of the Property division. There remains considerable uncertainty around infrastructure costs associated with realising the Company's property assets, the relevant planning processes and decisions and the likely financing challenges Forth Ports will face in realising this value.

To illustrate the Consortium's understanding around the disclosure for the Property division in Forth Ports' Preliminary Results and Annual Report, outlined below are the adjustments the Consortium has made to the latest DTZ valuation. Principally, the Consortium has adjusted the valuation for the "Ports income" at Leith and Grangemouth, Burntisland & Methil as this is already included within the Ports & Recycling EBITDA of £59.5<sup>3</sup> million:

Valuation (£ million) <sup>4</sup>	Comments
74	DTZ valuation as at 31 December 2009
(34)	Value of Leith based on "Ports income" contributing to the underlying 2009A Ports EBITDA of £54.2 million
(7)	Value of Grangemouth, Burntisland & Methil contributing to the underlying 2009A Ports EBITDA of £54.2 million
<b><u>33</u></b>	<b>Underlying net property value, of which £17 million is attributed to Ocean Terminal</b>

<sup>3</sup> Underlying Ports 2009A EBITDA of £54.2 million, Underlying Recycling 2009A EBITDA of £2.4m and Tilbury Container Services Ltd 2009A EBITDA of £2.9 million (representing Forth Ports' 33% share)

<sup>4</sup> Forth Ports 2009A Preliminary Results and Annual Report, Nomura broker note published on 24 March 2010

Notwithstanding the above, the Consortium has significantly increased the value ascribed to this business to 115 pence per share or £52.6 million in aggregate. This represents a 59% premium over the adjusted DTZ valuation of £33 million, as outlined above.

Whilst the Consortium remains willing to consider ascribing further value to the property development assets if it can be demonstrated through access to due diligence, an alternative approach may be to separate the property development assets from the Ports & Recycling division. This would leave existing Forth Ports' shareholders with the alternative to take part cash for the Ports & Recycling division and a paper instrument providing continuing exposure to the property development assets.

In summary, the Consortium believes that its Further Revised Proposal of 1,400 pence per share represents a highly compelling proposition for Forth Ports' shareholders and the wider Forth Ports Group given the Consortium's unique ability to deliver a transaction quickly and which fully values Forth Ports today as well as its future growth potential.

The making of any offer by the Consortium remains subject, inter alia, to the following pre-conditions:

- the unanimous and unqualified recommendation by the Board of Forth Ports in respect of any offer by the Consortium;
- each member of the Board of Directors of Forth Ports giving irrevocable undertakings to accept any such offer in respect of all of their Forth Ports shares;
- the Consortium being granted access to, and satisfactory completion of, a limited due diligence exercise; and
- agreement being reached with the trustees of the relevant Forth Ports pension schemes, regarding the ongoing funding requirements of the relevant schemes.

The Consortium also reserves the right to waive any or all of the pre-conditions described in this announcement. There can be no guarantee that an offer will be made nor as to the terms on which any offer would be made.

The contents of this Further Revised Proposal are subject to the Assumptions set out in Appendix I as at the date of this announcement.

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This announcement will be available on the corporate websites of the Consortium at [www.arcusip.com](http://www.arcusip.com), [www.peel.co.uk](http://www.peel.co.uk) and [www.rreef.com](http://www.rreef.com)

## **Further Information**

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The release, distribution or publication of this announcement in jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements.

## **Dealing Disclosure Requirements:**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

## **APPENDIX I**

### **Assumptions**

1. Unless otherwise stated, financial and other information concerning Forth Ports and Tilbury Container Services Ltd has been extracted or derived from the preliminary results and annual report and accounts of each company for the relevant periods or from published sources or from Forth Ports management sources.
2. Total Forth Ports shares in issue of 45,749,519 as at 22 March 2010.
3. Total Forth Ports net debt of £251.9 million, including Ocean Terminal debt of £67.7 million and TCS net debt of £4.0 million (representing Forth Ports 33% share)
4. Total Forth Ports other liabilities of £25.2 million; made up of £12.6 million of current and non-current derivative financial instruments, pre-payment fee of £2.8 million on Forth Ports facilities and contingent liability of £9.8 million required to complete acquisition of 65 acres at Tilbury
5. Forth Ports pension deficit of £30.7 million on a trustee funding basis as at 5 April 2008
6. TCS pension deficit of £1.4 million on an accounting basis as at 31 December 2008 (representing Forth Ports 33% share)
7. Forth Ports Underlying Ports 2009A EBITDA of £54.2 million, Forth Ports Underlying Recycling 2009A EBITDA of £2.4 million and Tilbury Container Services Ltd 2009A EBITDA of £2.9 million (representing Forth Ports' 33% share)