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P&O PRINCESS CRUISES PLC  
Form 6-K  
March 14, 2003

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 6-K

P&O PRINCESS CRUISES PLC

REPORT OF FOREIGN ISSUER  
PURSUANT TO RULES 13a - 16 OR 15d - 16 OF THE  
SECURITIES EXCHANGE ACT OF 1934

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For the month of  
March 2003

Not Applicable  
(Translation of registrant's name into English)

77 New Oxford Street, London WC1A 1PP  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

This report on Form 6-K, including the attached P&O Princess Cruises plc Circular to P&O Princess Shareholders and Notice of Extraordinary General Meeting (the "Circular"), except for the sections of the Circular under the captions "Report on unaudited reconciliations to UK GAAP from PricewaterhouseCoopers LLP" in Section 2, Part B; "Report on unaudited reconciliations to Carnival accounting policies from KPMG Audit Plc" in Section 3, Part B; "Report on pro forma financial information from KPMG Audit Plc" in Section 4, Part B; "Working Capital" in Section 8, paragraph 11; and "Consents" with respect to the consents of PricewaterhouseCoopers LLP and KPMG Audit Plc in Section 8, paragraphs 14(c) and 14(d), shall be deemed to be incorporated by reference into the prospectus included in the registration statement on Forms S-4/F-4 (Registration No. 333-102443) filed by Carnival Corporation and P&O Princess Cruises plc in respect of the registration of P&O Princess shares in connection with the DLC transaction and Carnival shares in connection with the Partial Share Offer, and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the

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registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

P&O PRINCESS CRUISES PLC

Date: March 14, 2003

By: /s/ SIMON PEARCE

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Name: Simon Pearce

Title: Company Secretary

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Attached is a draft of a circular that will ultimately be mailed, following approval by the UK Listing Authority, to shareholders of P&O Princess Cruises plc in connection with the Extraordinary General Meeting to approve the Carnival--P&O Princess DLC transaction. This draft circular has not been circulated or approved by the UK Listing Authority. The final circular will only be mailed following approval by the UK Listing Authority.

[LOGO] P&O Princess Cruises plc

PROPOSED DLC TRANSACTION

WITH

[LOGO] CARNIVAL  
CORPORATION

CIRCULAR TO P&O PRINCESS SHAREHOLDERS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised, in the UK, under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your P&O Princess shares or P&O Princess ADSs, please send this document, the form of proxy and any accompanying documents, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

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P&O PRINCESS CRUISES PLC

Proposed DLC Transaction

with

CARNIVAL CORPORATION

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Circular to P&O Princess Shareholders

and

Notice of Extraordinary General Meeting

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This document is not an offer to sell securities, and it is not soliciting an offer to buy securities, in any jurisdiction where the offer or sale is not permitted.

Your attention is drawn to the letter from the Chairman of P&O Princess, which is set out at the beginning of this document and which recommends that you vote in favour of the resolution to be proposed at the P&O Princess EGM referred to below.

The Notice of the P&O Princess EGM, to be held at 10:00 a.m. (London time) on 16 April 2003 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE, is set out at the end of this document. The form of proxy for use by P&O Princess shareholders at the meeting is enclosed with this document and, to be valid, should be completed in accordance with the instructions on it and returned as soon as possible, but in any event it must be received by P&O Princess' registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, no later than 10:00 a.m. (London time) on 14 April 2003.

Schroder Salomon Smith Barney which is regulated in the United Kingdom by the Financial Services Authority is acting for P&O Princess and no-one else in connection with the DLC transaction and will not be responsible to anyone other than P&O Princess for providing the protections afforded to clients of Schroder Salomon Smith Barney, or for providing advice in relation to the DLC transaction.

Merrill Lynch International and UBS Limited, a subsidiary of UBS AG, are acting as joint financial advisers and joint corporate brokers exclusively to Carnival and no-one else in connection with the DLC proposal and will not be responsible to anyone other than Carnival for providing the protections afforded to clients respectively of Merrill Lynch International and UBS Limited, as the case may be, or for providing advice in relation to the DLC proposal.

YOU ARE STRONGLY URGED TO READ AND CONSIDER CAREFULLY THIS DOCUMENT IN ITS ENTIRETY, INCLUDING THE MATTERS REFERRED TO UNDER "RISK FACTORS" IN PART C OF SECTION 4 OF THIS DOCUMENT.

Carnival Shareholders

A Special Meeting of the shareholders of Carnival Corporation will take place at 10:00 a.m. (New York City time) on 14 April 2003 to approve the Implementation Agreement and the transactions contemplated in such agreement, including the proposed amendments to the existing articles of incorporation and by-laws of Carnival. For that purpose, a proxy statement/prospectus is being sent to Carnival shareholders explaining the DLC transaction. A copy of that document is available for inspection by P&O Princess shareholders as described in paragraph 16 of Section 8.

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### EXPECTED TIMETABLE OF EVENTS FOR THE DLC TRANSACTION

Posting of this document	17 March 2003
Carnival Special Meeting	10:00 a.m. (New York City time) on 14 April 2003
Latest time and date for receipt of forms of proxy for the P&O Princess EGM	10:00 a.m. (London time) on 14 April 2003
P&O Princess EGM	10:00 a.m. (London time) on 16 April 2003
Completion of the DLC transaction	17 April 2003
Reorganisation of P&O Princess shares	10:00 p.m. (London time) on 17 April 2003
Dealings commence in consolidated P&O Princess shares	8:00 a.m. (London time) on 22 April 2003

These expected dates and times are indicative only and may be subject to change.

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## SHAREHOLDER HELPLINE

If you have any queries in relation to the DLC transaction and/or the Partial Share Offer you may call the UK helpline from within the UK on 0800 953 0083 between 9:00 a.m. and 5:30 p.m. (London time) on any business day until completion of the DLC transaction. If you are calling from the U.S., the helpline number is 1 866 203-2636. If you are calling from anywhere else, the helpline number is + 44 870 889 3147 (calls will be charged at the applicable rate). For legal reasons, the helpline will only be able to assist you with information contained in this document and the helpline cannot provide advice on the merits of the proposals or give any financial advice. Calls may be monitored for quality control purposes.

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## IMPORTANT INFORMATION

### Certain definitions

Certain words and terms used in this document are defined in the section headed "Definitions" on pages 272 to 276 of this document.

### Cautionary note concerning factors that may affect future results

Certain statements contained in this document are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to P&O Princess and Carnival and their respective subsidiaries and the Combined Group, including certain statements concerning the transactions described in this document, profit forecasts, working capital, future results, plans and goals and other events which have not yet occurred. You can find many (but not all) of these statements by looking for words like "will", "may", "believes", "expects", "anticipates", "forecast", "future", "intends", "plans" and "estimates" and for similar expressions.

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause the transactions described in this document not to occur and/or each of P&O Princess', Carnival's and the Combined Group's actual results, performance or achievements to differ materially from those expressed or implied in this document. These factors include, but are not limited to:

- .. shareholder approvals of the DLC transaction;
- .. achievement of expected benefits from the DLC transaction;
- .. risks associated with the combination of Carnival's and P&O Princess' businesses by means of the DLC structure;
- .. liquidity and index inclusion as a result of the implementation of the DLC structure, including a possible mandatory exchange;
- .. risks associated with the uncertainty of the tax status of the DLC structure;
- .. general economic and business conditions which may impact levels of disposable income of consumers and the net revenue yields for the cruise brands of Carnival, P&O Princess and the Combined Group;
- .. conditions in the cruise and land-based vacation industries, including

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competition from other cruise ship operators and providers of other vacation alternatives and increases in capacity offered by cruise ship and land-based vacation alternatives;

- .. the impact of operating internationally;
- .. the international political and economic climate, armed conflict, terrorist attacks and other world events and negative media publicity and their impact on the demand for cruises;
- .. accidents and other incidents at sea affecting the health, safety, security and vacation satisfaction of passengers;
- .. the ability of Carnival, P&O Princess and the Combined Group to implement their shipbuilding programmes and brand strategies and to continue to expand their businesses worldwide;
- .. the ability of Carnival, P&O Princess and the Combined Group to attract and retain shipboard crew;
- .. the ability to obtain financing on terms that are favourable or consistent with Carnival's, P&O Princess' and the Combined Group's expectations;
- .. the impact of changes in operating and financing costs, including changes in foreign currency and interest rates and security, fuel, food and insurance costs;
- .. changes in the tax, environmental and other regulatory regimes under which each company operates; and
- .. the ability of a small group of shareholders effectively to control the outcome of shareholder voting.

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These risks and other risks are detailed in the section entitled "Risk factors" in Part C of Section 4 of this document. That section contains important cautionary statements and a discussion of many of the factors that could materially affect the accuracy of each company's forward-looking statements and/or adversely affect their respective businesses, results of operations and financial positions.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant listing rules, Carnival and P&O Princess expressly disclaim any obligation to disseminate, after the date of this document, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

### Shareholder disclosure obligations

Any person who, alone or acting together with any other person(s) pursuant to an agreement or understanding (whether formal or informal) to acquire or control securities of Carnival or P&O Princess, owns or controls, or becomes the owner or controller, directly or indirectly, of one per cent. or more of any class of securities of Carnival or P&O Princess is generally required under the provisions of Rule 8 of the Takeover Code to disclose to a Regulatory Information Service and the Panel every dealing in such securities during the period from 16 December 2001, the date of Carnival's announcement of its

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original offer for P&O Princess, until the completion of the DLC transaction. Dealings by Carnival or P&O Princess or by their respective "associates" (within the definitions set out in the Takeover Code) in any class of securities of Carnival or P&O Princess must also be disclosed. Please consult your financial adviser immediately if you believe this rule may be applicable to you.

Disclosure should be made on an appropriate form before 12 noon (London time) on the business day following the date of the dealing transaction. These disclosures should be registered with a Regulatory Information Service (e.g. the Company Announcements Office of the London Stock Exchange (fax number: +44 20 7588 6057)) and to the Panel (fax number: +44 20 7256 9386).

### Financial information

The extracts from the consolidated financial statements of, and the other financial information about, Carnival and P&O Princess appearing in this document are presented in U.S. dollars. Carnival's historical financial statements are prepared in accordance with U.S. GAAP and P&O Princess' historical financial statements are prepared in accordance with UK GAAP. For the purposes of this document, Carnival has prepared reconciliations of certain financial information to UK GAAP and P&O Princess has prepared reconciliations of certain financial information to U.S. GAAP. U.S. GAAP and UK GAAP differ from one another in some significant respects. A description of the principal differences between U.S. GAAP and UK GAAP as they relate to the reconciliations in this document is contained in Part B of Sections 2 and 3.

Unaudited pro forma financial information on the Combined Group that gives effect to the DLC transaction and has been prepared in accordance with UK GAAP is contained in Part B of Section 4 to this document. In addition, unaudited pro forma financial information on the Combined Group that gives effect to the DLC transaction and has been prepared in accordance with U.S. GAAP is also contained in Part B of Section 4 to this document.

### Applicable disclosure requirements

Investors should be aware that this document has been prepared to comply with both English and U.S. securities laws, regulations and requirements and accordingly may not be in the standard format and style for a document of this type.

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### LETTER FROM THE CHAIRMAN OF P&O PRINCESS

[LOGO]

P&O PRINCESS 77 New Oxford Street  
Cruises plc London WC1A 1PP

17 March 2003

To all holders of P&O Princess shares and P&O Princess ADSs and, for information only, to participants in the P&O Princess Employee Share Incentive Plans

Dear Shareholder

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Recommended DLC transaction between P&O Princess and Carnival

### Introduction

On 8 January 2003, P&O Princess announced that it had accepted and recommended Carnival's proposal to combine with P&O Princess under a DLC structure.

The purpose of this document is to set out the background to and reasons for the DLC transaction and to provide information on the businesses of Carnival, P&O Princess and the Combined Group. This document also contains the recommendation of the board of P&O Princess that P&O Princess shareholders vote in favour of the DLC transaction at the P&O Princess EGM to be held at 10:00 a.m. on 16 April 2003.

The Combined Group will be the largest cruise vacation group in the world, based on revenues, passengers carried and available capacity with a wide portfolio of complementary brands, including some of the best known cruise brands globally. By effecting the combination using a DLC structure, P&O Princess is expected to remain in the FTSE 100 index, which will allow P&O Princess shareholders to continue to participate in the long term growth of the global cruise industry through P&O Princess.

### Background

In November 2001, P&O Princess announced that it had reached agreement with Royal Caribbean on a proposed dual listed company combination. In December 2001, Carnival announced a pre-conditional share exchange offer for P&O Princess, which it subsequently increased in January and February 2002. As a result of the P&O Princess board's views about the value, structure and regulatory approval prospects of Carnival's offers, P&O Princess could not negotiate with Carnival without breaching its agreement with Royal Caribbean.

After Carnival received all necessary regulatory clearances for its offer on 4 October 2002, the P&O Princess board re-examined Carnival's offer and, in particular, Carnival's proposal to enter into a dual listed company transaction with P&O Princess as an alternative to its share acquisition offer. The P&O Princess board determined that Carnival's DLC proposal was more favourable financially to P&O Princess shareholders than the Royal Caribbean DLC combination and was reasonably likely to be consummated since all regulatory clearances had been obtained. As a result, P&O Princess was then able to enter into talks with Carnival to discuss its DLC proposal.

On 24 October 2002, following negotiations with P&O Princess, Carnival announced a pre-conditional offer to enter into a DLC transaction with P&O Princess. On 25 October 2002, P&O Princess announced that its board had withdrawn its recommendation of the Royal Caribbean DLC combination and on 29 October 2002, P&O Princess wrote to P&O Princess shareholders informing them of the termination of its agreements with Royal Caribbean.

Further details of the background to the DLC proposal are contained in Part A of Section 5.

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### Carnival's business

Carnival is a global cruise vacation and leisure travel company. Carnival offers a broad range of cruise brands serving the contemporary cruise sector through Carnival Cruise Lines and Costa Cruises, the premium cruise sector through Holland America Line, the premium/luxury cruise sector through Cunard

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Line and the luxury cruise sector through Seabourn Cruise Line and Windstar Cruises. Carnival has a multi-brand strategy which provides products and services appealing to the widest possible target audience across all major segments of the vacation industry.

Carnival operates 45 cruise ships with passenger capacity of 67,282 lower berths. Carnival reported revenues and net income, in accordance with U.S. GAAP, of \$4.4 billion and \$1.0 billion, respectively, for its fiscal year ended 30 November 2002.

### The Combined Group

The implementation of the DLC structure will involve a strategic combination of the businesses of Carnival and P&O Princess. The two companies will have a single senior executive management team and identical boards of directors, and will be run as if they were a single economic enterprise. The two companies will pursue a common set of business objectives established by the identical boards and single management team, who will evaluate these strategies and other operational decisions from the perspective of all shareholders.

On a pro forma basis in accordance with UK GAAP, the Combined Group would have reported revenues of \$6.9 billion and net income of \$1.3 billion for the financial year ended 31 December 2002 (P&O Princess' financial year-end). On the same basis, the Combined Group would have reported net assets of \$12.1 billion as at 31 December 2002. On a pro forma basis in accordance with U.S. GAAP, the Combined Group would have reported revenues of \$6.9 billion and net income of \$1.3 billion for the financial year ended 30 November 2002 (Carnival's financial year-end). On the same basis, the Combined Group would have reported shareholders' equity of \$12.8 billion as at 30 November 2002. These pro forma figures are extracted from the unaudited pro forma financial information of the Combined Group set out in Part B of Section 4.

### Rationale for and benefits of the creation of the Combined Group with Carnival

P&O Princess and Carnival believe that the principal benefits of the creation of the Combined Group are as set forth below and that the DLC structure is the optimal structure to seek to achieve all of these benefits:

#### Complementary well-known brands operating globally

The Combined Group will be the largest cruise vacation group in the world, based on revenues, passengers carried and available capacity. It will have a wide portfolio of complementary brands, both by geography and product offering, and will include some of the best known cruise brands globally. The combination will allow the Combined Group to offer a wider range of vacation choices for its passengers. In addition, the combination is expected to enhance its ability to attract more passengers from land-based vacations, based on its ability to provide vacations in most of the largest vacation markets in the world, and its strategy of entering new and developing markets by building on its brand strength, global presence and ability to strategically deploy its brands and diversified fleet.

The Combined Group's brands will include Carnival Cruise Lines, Princess Cruises, Holland America Line, P&O Cruises (UK), Costa Cruises, Cunard Line, Seabourn Cruise Line, Windstar Cruises, AIDA, A'ROSA, Swan Hellenic, Ocean Village and P&O Cruises (Australia). The Combined Group will serve all of the key cruising destinations outside the Far East, including Alaska, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Hawaiian Islands, the Mexican Riviera, the Mediterranean, New England, the Panama Canal, South America and other exotic destinations worldwide.

#### Benefits of sharing best practices and generating cost savings

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The Combined Group will be managed as if the two companies constituted a single economic enterprise by a single senior executive management team and identical boards of directors.

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Carnival and P&O Princess expect that the Combined Group will generate significant cost savings, estimated to be at least \$100 million on an annualised basis, commencing in the first full financial year following completion of the DLC transaction. Carnival and P&O Princess expect that these cost savings will be generated principally through the dissemination of best practices between the companies, economies of scale and the rationalisation of certain shoreside operations. One-time cash costs of achieving these cost savings are expected to be approximately \$30 million.

Financial flexibility and access to capital markets

The Combined Group will have substantial financial flexibility, with strong operating cash flow, low leverage and a strong balance sheet and expects to maintain a strong investment grade credit rating.

The Combined Group is also expected to have greater access to capital markets. P&O Princess' shares will remain listed on the London Stock Exchange and are expected to remain eligible for inclusion in the FTSE series of indices and are expected to remain included with full weighting in the FTSE 100. Carnival's shares will remain listed on the NYSE and are expected to remain included in the S&P 500.

High quality combined fleet to enhance growth within the cruise industry

As of 31 January 2003, Carnival and P&O Princess together had a fleet of 65 cruise ships with an aggregate capacity of 99,982 lower berths. At that date, P&O Princess and Carnival together had an additional 18 new cruise ships on order, with an aggregate capacity of 42,260 lower berths, scheduled for delivery in the next three and a half years. P&O Princess and Carnival also expect that the Combined Group will have one of the youngest and most modern fleets in the cruise industry, with an average vessel age (weighted by lower berths) of 7.5 years as at 31 January 2003.

The Combined Group expects to deploy its diversified fleet strategically in order to increase its global reach and enter new and developing markets. This strategic deployment is expected to allow the Combined Group to appeal to the largest target audience by providing brands, products and itineraries with the widest appeal in a particular geographic region.

The DLC structure allows continued participation in the global cruise industry for P&O Princess shareholders who wish to continue to hold shares in a UK-listed company

As described above, following the implementation of the DLC structure, P&O Princess is expected to remain included in the FTSE 100. This will allow P&O Princess shareholders who are required, or wish, to hold shares in a UK-listed company included in the FTSE indices to continue to do so, and, as a result, to continue to participate as a shareholder in the global cruise industry through P&O Princess. A share acquisition or exchange offer or other more common means of combining the businesses of P&O Princess and Carnival in which all P&O Princess shareholders would receive Carnival shares, which are not eligible for inclusion in the FTSE series of indices, and/or a partial cash alternative would not have afforded all P&O Princess shareholders this opportunity.

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Additionally, the Partial Share Offer for up to 20 per cent. of P&O Princess' share capital allows those P&O Princess shareholders who would prefer to participate in the Combined Group by holding shares in a U.S.-listed company the opportunity to do so for at least some of their holdings.

### Potential risks

The structure of the DLC transaction involves risks not associated with the more common ways of combining the management and operations of two companies. A discussion of these and certain other risks associated with the DLC transaction and an investment in the Combined Group are set out in Part C of Section 4 of this document.

### Details of the DLC structure

The DLC structure will not involve a merger or transfer of assets between Carnival and P&O Princess. Instead, the two companies will be managed and operated as if they were a single economic enterprise pursuant to contractual arrangements and amendments to each company's constitutional documents. Accordingly, the companies will continue to exist as separate publicly-quoted companies and their shares will remain in issue and continue to be listed on their current stock exchanges. Notwithstanding

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this, the boards of Carnival and P&O Princess will be identical and the Combined Group will be managed by a single senior executive management team. The two companies will pursue a common set of business objectives established by the identical boards and single management team, who will evaluate these strategies and other operational decisions from the perspective of all the shareholders.

The current Carnival shareholders will hold approximately 74 per cent. of the equity (including economic interest) in the Combined Group in the form of Carnival shares. The current P&O Princess shareholders will hold approximately 26 per cent. of the equity (including economic interest) in the Combined Group in the form of P&O Princess shares or, to the extent that they participate in the Partial Share Offer described below, Carnival shares. These are the same percentage equity interests that these shareholders would have had in an enlarged Carnival group if Carnival had completed the share exchange offer made on 7 February 2002 (without giving effect to the pre-conditional partial cash alternative). If the Partial Share Offer is taken up in full, approximately 79 per cent. of the equity (including economic interest) in the Combined Group would be held by Carnival shareholders (including approximately 5 per cent. held by those P&O Princess shareholders who elected for the Partial Share Offer) and approximately 21 per cent. by P&O Princess shareholders who retained their P&O Princess shares.

To implement the DLC structure, the companies will enter into contractual arrangements and amend their constitutional documents to give the shareholders of both companies rights to distributions of both income and capital and voting rights on an equalised basis in accordance with a fixed equalisation ratio. Initially the equalisation ratio will be one P&O Princess share for each 0.3004 Carnival shares, which is the same as the exchange ratio in Carnival's pre-conditional share exchange offer of 7 February 2002. However, on completion of the DLC transaction, P&O Princess will reorganise and consolidate its share capital so that the equalisation ratio will adjust to 1:1. This will be achieved by consolidating each 3.3289 existing P&O Princess shares of \$0.50 into one reorganised P&O Princess share of \$1.66 each. After this reorganisation, one Carnival share will have the same rights to distributions

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of income and capital and voting rights as one P&O Princess share. This reorganisation is being done to simplify the equalisation ratio so that it is easier to compare earnings per share and dividends per share of the two companies. This reorganisation is described in greater detail below.

An amount of \$49.4 million will be payable by either P&O Princess or Carnival to the other company in the event that the transaction does not proceed under certain circumstances. Further details of these arrangements are contained in Part B of Section 5.

The DLC structure is described in detail in Section 5. This description includes further information on:

- .. combined and separate voting by the shareholders of the two companies;
- .. restrictions on purchases by either company of its own, or the other company's, shares;
- .. the equalisation ratio;
- .. dividends and other distributions;
- .. takeover restrictions; and
- .. changes to the rights of any shares of one company that are owned by the other company.

### Mandatory Exchange

In certain limited circumstances, P&O Princess shares can be mandatorily exchanged (in accordance with the then prevailing equalisation ratio) for Carnival shares. These circumstances include:

- .. a change in tax law that has a material adverse impact on the DLC structure that cannot be avoided by other commercially reasonable means, and the mandatory exchange is approved by two-thirds of shareholders of P&O Princess and Carnival voting together on a joint electorate action (joint electorate actions are described in more detail in paragraph 3.5.2 of Section 6); and
- .. the P&O Princess board reasonably determining that all or a substantial part of the DLC documents are illegal or unenforceable and the illegality or unenforceability cannot be eliminated by other commercially reasonable means.

Upon a mandatory exchange, P&O Princess shareholders would no longer hold their investment in the Combined Group in the form of P&O Princess shares listed primarily on the London Stock Exchange and included in the FTSE series of indices, but would instead hold their investment in the form of Carnival shares listed on the NYSE. This is described in detail in paragraph 7 of Section 5.

### P&O Princess share reorganisation

As described above, at 10:00 p.m. on the day that the Partial Share Offer becomes or is declared unconditional, the share capital of P&O Princess will be reorganised and consolidated so that the equalisation ratio will adjust to 1:1. This will be achieved by consolidating each 3.3289 existing P&O Princess shares

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of \$0.50 into one reorganised P&O Princess share of \$1.66 each. Any entitlements to fractions of P&O Princess shares arising out of the consolidation will be aggregated, consolidated and sold into the market and the net proceeds (rounded down to the nearest whole pence) distributed to the relevant P&O Princess shareholders. Following completion of the reorganisation and P&O Princess' change of name to Carnival plc, as proposed at the P&O Princess EGM, new share certificates will be dispatched by post to shareholders who, upon completion of the DLC transaction, hold P&O Princess shares in certificated form. The new share certificates will reflect the revised number of shares held following the reorganisation, the new nominal value of each P&O Princess share (changing from \$0.50 to \$1.66) and P&O Princess' change of name to Carnival plc. These new share certificates are to be used in place of, and should be substituted for, your current share certificates. Shareholders who, upon completion of the DLC transaction, hold P&O Princess shares in uncertificated form will, on the first day of dealings in new P&O Princess shares on the London Stock Exchange, have the appropriate stock account in CREST amended by CRESTCo to reflect the new number and nominal value of P&O Princess shares and the change of name of P&O Princess to Carnival plc.

Shareholder approval is required for this reorganisation. By voting to approve the DLC transaction, P&O Princess shareholders will also be voting to approve the share reorganisation. The P&O Princess share reorganisation will not affect the net assets of either P&O Princess or the Combined Group. Following the reorganisation, the P&O Princess shares will still rank *pari passu* with each other.

Application will be made for the reorganised P&O Princess shares to be admitted for listing on the UK Listing Authority's Official List and to the London Stock Exchange for trading on its market for listed securities. The listing for the existing P&O Princess shares will be cancelled immediately prior to the listing of the reorganised P&O Princess shares becoming effective to effect the DLC structure, with no interruption to trading. It is expected that the reorganisation will take effect at 10:00 p.m. on 17 April 2003, with dealings in the reorganised and consolidated P&O Princess shares of \$1.66 each commencing after the Easter holiday at the start of trading on 22 April 2003.

The proportion of the issued ordinary share capital of P&O Princess held by each P&O Princess shareholder following the P&O Princess share reorganisation will, as far as practicable, remain the same. Reorganised P&O Princess shares will carry the same rights as the existing P&O Princess shares which they will replace (as amended by the changes to P&O Princess' current articles of association described in Section 7).

In the U.S., P&O Princess shares trade on the NYSE in the form of P&O Princess ADSs, each of which represents four P&O Princess shares. Simultaneously with the reorganisation of P&O Princess shares, the ratio of P&O Princess shares to P&O Princess ADSs will also be adjusted to 1:1 so as to have a 1:1 ratio with Carnival shares. This will be effected by each existing P&O Princess ADS being replaced by 1.2016 reorganised P&O Princess ADSs.

### Board and management

Carnival and P&O Princess will be managed and operated as if they were a single economic enterprise. Although each of Carnival and P&O Princess will continue to exist as a separate company with its own board of directors and senior management, the boards and senior executive management of each company will be identical. The proposed directors of each of Carnival and P&O Princess following implementation of the DLC structure are set out in paragraph 8 of Part A of Section 4. In addition to their normal fiduciary duties to the company and obligation to have regard to the interests of its shareholders, the directors of each company will be entitled to have regard to the interests of the other company and its shareholders. Micky Arison, the Chairman and Chief

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Executive Officer of Carnival, will be Chairman and Chief Executive Officer of both Carnival and P&O Princess, Howard S. Frank, the Vice-Chairman and Chief Operating Officer of Carnival, will be the Vice-Chairman and Chief Operating Officer of both Carnival and P&O Princess and Gerald R. Cahill, the Chief Financial Officer and Chief Accounting Officer of Carnival, will be the Chief Financial Officer and Chief Accounting Officer of both Carnival and P&O Princess. The headquarters of the Combined Group will be in Miami with a corporate office in London.

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### Name change

As part of the DLC transaction, P&O Princess intends to change its name to Carnival plc as proposed at the P&O Princess EGM. The name change is intended to communicate that, as a result of the DLC transaction, the two companies will combine their management and operations as if they were a single economic enterprise. The existing well-established brands operated by P&O Princess will not be affected by the change to the parent company name.

### Dividends

Following completion of the DLC transaction, P&O Princess shareholders will continue to receive dividends declared by P&O Princess and Carnival shareholders will continue to receive dividends declared by Carnival. Dividends in respect of both P&O Princess shares and Carnival shares declared after completion of the DLC transaction will be paid at about the same time and in equalised amounts in accordance with the equalisation ratio (see Part B of Section 5) disregarding any amounts required to be deducted or withheld in respect of taxes and the amount of any applicable tax credits.

Carnival will continue to pay dividends in U.S. dollars. P&O Princess shareholders will continue to have the option to elect to receive dividends in U.S. dollars or pounds sterling in accordance with P&O Princess' existing procedures.

In order to align the timing of the dividends of the two companies and to ensure that there is no interruption to the entitlement of quarterly dividends for shareholders of either company as a result of the DLC transaction, the board of P&O Princess declared on 7 January 2003 a dividend of 3.0 cents per P&O Princess share in respect of the fourth quarter of the 2002 financial year. Holders of P&O Princess ADSs will receive their dividends of \$0.12 per P&O Princess ADS in U.S. dollars. This dividend was paid on 14 March 2003 to P&O Princess shareholders on the P&O Princess share register on 21 February 2003. Carnival paid its regular quarterly dividend on the same date.

In recent quarters, Carnival has paid quarterly dividends of 10.5 cents per Carnival share, which, based on the equalisation ratio prior to the reorganisation, equates to approximately 3.15 cents per P&O Princess share. In recent quarters, P&O Princess has paid quarterly dividends of 3.0 cents per P&O Princess share. Following completion of the DLC transaction, it is intended that the value of dividends received by P&O Princess shareholders will be consistent with Carnival's regular quarterly dividend. Accordingly, had the DLC structure been in place for the last four quarters, the dividends received by P&O Princess shareholders would have been approximately five per cent. higher.

It is intended that the first dividend to be paid by the Combined Group will be declared in April 2003, with a record date in May 2003 and a payment date in June 2003.

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### Accounting treatment and reporting

The companies expect to account for the DLC transaction as a purchase by Carnival under U.S. GAAP and an acquisition by Carnival under UK GAAP. Following completion of the DLC transaction, the Combined Group intends to publish combined financial statements denominated in U.S. dollars and prepared in accordance with U.S. GAAP. P&O Princess and Carnival will also prepare any other financial information needed to meet their respective legal and regulatory requirements. P&O Princess will change its financial year end to 30 November so that it will be the same as Carnival's current financial year end.

### P&O Princess Employee Share Incentive Plans

On completion of the DLC transaction, all awards and options granted under the P&O Princess Employee Share Incentive Plans will vest in full and become capable of release or exercise immediately following completion of the DLC transaction. Details of these awards and options are set out in paragraph 4 of Section 8 of this document.

### Partial Share Offer

In connection with the DLC transaction, Carnival is making the Partial Share Offer. The Partial Share Offer is a mechanism designed to enable those P&O Princess shareholders who would prefer to hold

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their interest in the Combined Group in the form of Carnival shares listed on the NYSE to do so by exchanging at least part of their P&O Princess shares for Carnival shares (up to an aggregate maximum of 20 per cent. of P&O Princess' share capital).

You do not need to participate in the Partial Share Offer in order to participate in the Combined Group. If you would prefer to continue to hold P&O Princess shares primarily listed on the London Stock Exchange and do not want to hold Carnival shares listed on the NYSE, you should not accept the Partial Share Offer.

Please note that the P&O Princess board is not making any recommendation as to whether P&O Princess shareholders should accept the Partial Share Offer. The P&O Princess board is not making any recommendation because once the DLC structure has been implemented, both P&O Princess shares and Carnival shares will represent an investment with respect to the Combined Group and the decision by each P&O Princess shareholder about which type of shares to hold will depend upon the individual shareholder's particular preferences and circumstances. To the best of P&O Princess' knowledge, some, but not all, of its directors and executive officers intend to participate in the Partial Share Offer.

However, P&O Princess shareholders should be aware of certain factors that could influence whether they wish to accept the Partial Share Offer:

- . Listing and index inclusion - P&O Princess shares will continue to be listed on the London Stock Exchange and are expected to remain included in the FTSE series of indices, while the Carnival shares issued to those accepting the Partial Share Offer will be listed on the NYSE and are expected to remain included in the S&P 500;
- . Relative market prices - the relative market prices of the shares of P&O Princess and Carnival may not exactly reflect the equalisation ratio and

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P&O Princess shares could therefore trade at either a premium or discount to the Carnival shares. This is because although the economic interests of the shares of the two companies will be contractually aligned in accordance with the equalisation ratio, the shares of the two companies will remain outstanding, will not be exchangeable for each other at the option of the shareholder and will primarily trade in separate markets with different characteristics and in different currencies;

- . Liquidity - the liquidity and aggregate market value of P&O Princess shares could decrease following the completion of the DLC transaction and the Partial Share Offer, and could be further reduced by any future repurchase or buy-backs of P&O Princess shares. However, under the terms of the DLC transaction, other than with the approval of both companies' shareholders, voting separately, neither Carnival nor P&O Princess may buy back P&O Princess shares in the two-year period following the date on which the DLC structure is implemented and, after the end of this initial two-year period, neither Carnival nor P&O Princess may buy back P&O Princess shares in excess of 5 per cent. of the then issued P&O Princess shares in each of the subsequent three years.

The liquidity of the market for the P&O Princess shares could also be adversely affected if they were to cease to be eligible for inclusion in the FTSE 100, which could occur if P&O Princess' market capitalisation was to fall significantly compared to the other constituents of the index; and

- . Taxation - the tax consequences of accepting the Partial Share Offer may differ according to the tax positions of different shareholders. See paragraphs 2 and 3 of Appendix IV of the Partial Share Offer document, although shareholders are encouraged to seek their own advice in this regard.

You must decide whether you want to receive Carnival shares and, if so, how many P&O Princess shares to tender. If you are in any doubt as to whether to accept the Partial Share Offer, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised, in the UK, under the Financial Services and Markets Act 2000.

For more information about the Partial Share Offer, shareholders should refer to the separate Partial Share Offer document enclosed with this document.

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### Taxation

The tax consequences of the DLC transaction, the P&O Princess share reorganisation and the Partial Share Offer to P&O Princess shareholders will depend upon their own particular circumstances. P&O Princess shareholders should consult with their tax advisers to determine the particular UK tax and U.S. federal income tax and any state, local, or other applicable foreign income and other tax consequences of the DLC transaction, the P&O Princess share reorganisation and the Partial Share Offer.

### UK tax

The P&O Princess directors believe that, under current tax law, UK P&O Princess shareholders who do not accept the Partial Share Offer will not be treated as having disposed of their P&O Princess shares for UK capital gains tax purposes

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either on the P&O Princess share reorganisation or upon completion of the DLC transaction.

UK P&O Princess shareholders who do not accept the Partial Share Offer will continue to be taxed on dividends on their existing holdings in the same way as before the DLC transaction.

UK P&O Princess shareholders who accept the Partial Share Offer will make a taxable disposal or part disposal of their P&O Princess shares for the purposes of UK tax on chargeable gains. This disposal or part disposal may give rise to a liability to UK tax on chargeable gains depending on the shareholder's circumstances (including the availability of exemptions or allowable losses). Acceptance of the Partial Share Offer will give rise to the exchange of P&O Princess shares for shares issued by Carnival, and any future dividends received will therefore be Carnival dividends, which are taxed differently from P&O Princess dividends received by shareholders who are resident or ordinarily resident in the UK.

General information on the application of current UK tax law and Inland Revenue practice applicable to UK P&O Princess shareholders in respect of the DLC transaction and the P&O Princess share reorganisation is set out in paragraph 5 of Section 8. For further information on the UK tax consequences of the Partial Share Offer please refer to the Partial Share Offer document.

### U.S. federal income tax

Although there is no U.S. federal income tax authority addressing the tax consequences of a dual listed company transaction, the DLC transaction should not give rise to taxable income or gain for U.S. P&O Princess shareholders for U.S. federal income tax purposes. However, the Internal Revenue Service may assert that U.S. P&O Princess shareholders received taxable income as a result of the various voting and equalisation provisions necessary to implement the DLC structure. Such voting and other rights, if any, received by shareholders are expected to have only nominal value and, therefore, the receipt of such rights by U.S. P&O Princess shareholders would only result in a nominal amount of income. It is possible, however, that the Internal Revenue Service may disagree with this conclusion.

The P&O Princess share reorganisation should not give rise to taxable gain or income to U.S. P&O Princess shareholders except with respect to a gain, if any, upon the disposition of fractional shares. U.S. P&O Princess shareholders who dispose of fractional shares under the P&O Princess share reorganisation will recognise gain or loss in an amount equal to the difference between the cash received and the shareholder's adjusted tax basis in his/her P&O Princess shares or P&O Princess ADSs allocable to the fractional share, as the case may be.

The exchange of P&O Princess shares or P&O Princess ADSs for Carnival shares pursuant to the Partial Share Offer will likely be a taxable transaction for U.S. federal income tax purposes in which U.S. P&O Princess shareholders recognise gain or, subject to the possible application of the "wash sale" rule as described below, loss in an amount equal to the difference between the fair market value of such Carnival shares received and the shareholder's adjusted tax basis in the P&O Princess shares or P&O Princess ADSs, as the case may be. If the P&O Princess shares or P&O Princess ADSs are deemed to be "substantially identical", for the purposes of the wash sale rule of the Internal Revenue Code and applicable Treasury Regulations, to the Carnival shares received by a U.S. holder pursuant to the Partial Share Offer, such holder will not be able to recognise a loss on such exchange. Any loss that is disallowed through the application of the wash sale rule would not be eliminated but would rather be deferred and a U.S. holder's holding period and tax basis in their P&O Princess shares exchanged pursuant to the Partial Share Offer would carry over to the

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Carnival shares received pursuant to such exchange.

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General information on the application of current U.S. tax laws applicable to U.S. P&O Princess shareholders in respect of the DLC transaction and the P&O Princess share reorganisation is set out in paragraph 6 of Section 8. For further information on the U.S. tax consequences of the Partial Share Offer, please refer to the Partial Share Offer document.

### Shareholder approval

Completion of the DLC transaction requires approval by the shareholders of both companies. As set out at the end of this letter, the directors of P&O Princess voting on the DLC transaction have recommended that the P&O Princess shareholders approve the DLC transaction at the P&O Princess EGM. The directors of Carnival have also recommended that the Carnival shareholders approve the DLC transaction at the Carnival Special Meeting to be held on 14 April 2003.

### Takeover Code

The UK Takeover Panel has confirmed that, on the basis of information available to it, upon completion of the DLC transaction, neither P&O Princess nor Carnival will be a company to which the Takeover Code applies. The Takeover Code provides a number of protections for shareholders, particularly in relation to mandatory offers where a person or group of persons acting in concert acquires in excess of 30 per cent. of the voting rights of a company.

Provisions will be included in the constitutional documents of Carnival and P&O Princess in order to replicate certain of the protections provided by the Takeover Code. To the extent that any person, or group of persons acting in concert, acquires shares in the Combined Group so that such person(s) acquires, or acquires voting rights over, 30 per cent. or more of the combined votes which could be cast on most shareholder resolutions (called joint electorate actions and described in further detail in paragraph 3.5 of Section 6), or any person(s) that already holds not less than 30 per cent., but not more than 50 per cent., of the combined votes which could be cast on a joint electorate action acquires, or acquires voting rights over, any shares which increase the percentage of votes which such person(s) could cast on a joint electorate action, such shares will be disenfranchised (that is, the owner of those shares would cease to have any economic or voting rights in those shares) unless an offer for all shares in the Combined Group at a price equivalent to that applicable to the acquisition has been made.

There are certain exceptions to these provisions in the case of Micky Arison, other members of the Arison family and trusts for their benefit, which together will hold approximately 35 per cent. of the equity of the Combined Group. To enable Carnival and/or P&O Princess to include Micky Arison in share option plans, under the DLC Agreements the Arison family and trusts for their benefit may acquire shares in the Combined Group without triggering these provisions, as long as their aggregate holdings do not increase by more than 1 per cent. of the voting power of the Combined Group in any period of 12 consecutive months, subject to their combined holdings not exceeding 40 per cent. of the voting power of the Combined Group at any time.

### The Arison family and associates

Micky Arison (Carnival's Chairman and Chief Executive Officer, who will also become the Chairman and Chief Executive Officer of P&O Princess following completion of the DLC transaction), other members of the Arison family and

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trusts for their benefit have entered into undertakings under which they will be required to cause shares beneficially owned by them representing approximately 47 per cent. of the voting rights in Carnival to vote in favour of the resolutions required to implement the DLC structure at the Carnival Special Meeting. Such undertakings are irrevocable except in circumstances where the DLC proposal is withdrawn or lapses. These undertakings are described in more detail in paragraph 7 of Section 8.

Following completion of the DLC transaction, Micky Arison, other members of the Arison family and trusts for their benefit will beneficially own shares representing approximately 35 per cent. of the combined voting power of the issued shares of the Combined Group. There are certain restrictions on their ability to increase their aggregate holdings beyond 40 per cent. of the voting power of the Combined Group, unless they acquire additional shares or voting power by making comparable offers to acquire all the equity of the Combined Group as described in Part B of Section 5.

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Carnival has in place a Code of Business Conduct and Ethics for directors and employees, including Micky Arison, which, among other things, prohibits an employee or his family from: having a financial relationship with businesses that do business with Carnival or any of its subsidiaries without prior written approval (in Micky Arison's case from the Carnival board); having ownership interests in any entity that is competing, or doing, or seeking to do business, with Carnival (except through publicly traded securities with less than one per cent. of voting control); and using Carnival's property, information or his position at Carnival for personal gain. A similar code will be adopted by P&O Princess after the implementation of the DLC structure.

In addition, Micky Arison's executive long-term compensation agreement with Carnival, dated 11 January 1999, contains certain non-competition provisions which prohibit him from, directly or indirectly, within the US or its territories, engaging in any business activity, directly or indirectly, competitive with Carnival, or any of its subsidiaries or divisions, or serving as an officer, director, owner, consultant or employee of any organisation then in competition with Carnival, or any of its subsidiaries or divisions, at any time during his employment with Carnival (and for five years following the termination of his employment, except in certain limited circumstances), without the prior written approval of the Carnival board. If breached, his unpaid stock options would not be payable and his unvested stock options and restricted stock would be forfeited. These non-competition provisions will be extended to cover P&O Princess following completion of the DLC transaction

Carnival is, and following implementation of the DLC structure the Combined Group will be, capable of carrying on its business independently of this group of shareholders. Carnival has a policy to ensure that all transactions and relationships between it and its affiliated entities (which include such shareholders and entities controlled by them) are on an arm's length basis and also on a normal commercial basis (i.e. it may not engage in business transactions with any affiliate on terms and conditions less favourable to Carnival than the terms and conditions available at the time for comparable transactions with unaffiliated persons). On completion of the DLC transaction, P&O Princess will adopt a similar policy on transactions with this group of shareholders. Thus, following implementation of the DLC structure, any business transactions between the Combined Group and this group of shareholders will be at arm's length and on a normal commercial basis.

Deferred consideration payable in respect of Aida Cruises

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In September 2000, P&O Princess acquired the 49 per cent. it did not own in Aida Cruises from Deutsche Seereederei GmbH ("DS") (a company wholly-owned by Horst Rahe, a director of P&O Princess, and his family). An element of deferred consideration in respect of this transaction was also payable in respect of any 12 month period up to the end of 2005. In the event of a change of control of P&O Princess or if certain members of the P&O Princess group fail to comply with other specific restrictions (including material breach of non-compete/non-solicitation provisions), DS is entitled to accelerate the payment of the total outstanding balance of the deferred consideration.

Completion of the DLC transaction will trigger the right to such payment. Since P&O Princess entered into the Implementation Agreement DS has confirmed to P&O Princess that it will exercise this right. Accordingly, P&O Princess will pay (Euro)58.8 million to DS shortly after completion, and the sale and purchase agreement (referred to in paragraph 7 of section 8) will then terminate.

### Trading and prospects

Paragraph 12 of Part A of Section 4 contains a description of the trading and prospects of P&O Princess, Carnival and the Combined Group.

### P&O Princess EGM

As indicated above, completion of the DLC transaction is subject, among other things, to the approval of the P&O Princess shareholders, which will be sought at the P&O Princess EGM. At that meeting, a single special resolution as set out in the Notice of Meeting at the end of this document will be proposed to approve, among other things, the DLC transaction and, conditional upon completion of the DLC transaction, the P&O Princess share reorganisation, the changes to the P&O Princess memorandum, the adoption of the new P&O Princess articles of association, the change of P&O Princess' name and the authorisation of the allotment of the P&O Princess special voting and equalisation shares.

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### Further information

Your attention is drawn to the information set out in this document. The board of P&O Princess encourages you to, and you should, read the entire document. In particular, Section 4 contains information on the Combined Group and Section 2 and Section 3 contain information on Carnival and P&O Princess, respectively. Section 5 contains information on the DLC structure.

### Action you should now take

This DLC transaction is an important event in the history of P&O Princess and one that the directors of P&O Princess recommend and believe is in the best interest of P&O Princess shareholders. You should read and consider the information set out in this document carefully and the board of P&O Princess urges you to exercise your voting rights. You may do so by attending the P&O Princess EGM in person or by completing and signing the enclosed blue form of proxy in accordance with the instructions set out on it and returning it as soon as possible, but in any event it must be received by P&O Princess' registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8FB, by not later than 10:00 a.m. (London time) on 14 April 2003. By returning the blue form of proxy you will not preclude yourself from attending the P&O Princess EGM and voting in person should you wish to do so.

If you are a corporation and considering appointing a corporate representative to represent you and vote your shareholding in P&O Princess at the P&O Princess

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EGM you are strongly encouraged to pre-register your corporate representative to make registration on the day of the meeting more efficient. You may obtain a pre-registration pack by contacting the company's registrar, Computershare Investor Services PLC, on 0870 703 6050 from within the UK or +44 870 703 6050 from elsewhere (attention: John Miller or Robert Mole). Please note that P&O Princess' registrar cannot provide advice on the merits of the proposals or give any financial advice. Whether or not you intend to appoint a corporate representative, you are strongly encouraged to return the enclosed blue form of proxy to P&O Princess' registrars as explained above.

### Recommendation of the P&O Princess board

The P&O Princess board, which has been so advised by Schroder Salomon Smith Barney, considers the terms of the DLC transaction to be fair and reasonable. In providing advice to the P&O Princess board, Schroder Salomon Smith Barney has taken account of the P&O Princess board's commercial assessments of the DLC transaction.

The P&O Princess board considers that the resolution to be proposed at the P&O Princess EGM is in the best interests of the P&O Princess shareholders as a whole. The P&O Princess board recommends you to vote in favour of the resolution to be proposed at the P&O Princess EGM as they intend to do in respect of their beneficial holdings. Horst Rahe, a non-executive director, excused himself from the P&O Princess board's decision on the DLC transaction as a result of a potential conflict of interest related to the Aida Cruises sale and purchase agreement referred to in paragraph 7 of Section 8.

Yours faithfully  
/s/ Lord Sterling

Lord Sterling of Plaistow  
Chairman

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## SECTION 1

### SUMMARY

This summary highlights selected information from this document in question and answer format and does not contain all of the information that is important to you. To understand the DLC proposal fully, you should read this document in its entirety. The page references included below direct you to a more complete description of the topics presented in this summary.

#### Part A. Summary Information on Carnival and P&O Princess

##### Carnival

Carnival is a global cruise vacation and leisure travel company. Carnival offers a broad range of cruise brands serving the vacation market through Carnival Cruise Lines, Holland America Line, Costa Cruises, Cunard Line, Seabourn Cruise Line and Windstar Cruises. Carnival's various brands operate 45 cruise ships, offering a total of 67,282 lower berths, in Alaska, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Hawaiian Islands, the Mexican Riviera, the Mediterranean, New England, the Panama Canal, South America and other exotic worldwide destinations. Carnival has 13 additional cruise ships on order, which will offer a further 30,580 lower berths. These ships are expected to enter service over the next three and a half years. In addition to its cruise operations, Carnival operates a tour business through

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Holland America Tours, which markets sightseeing tours both separately and as a part of its cruise/tour packages. Holland America Tours operates 13 hotels in Alaska and the Canadian Yukon, two luxury dayboats and a fleet of over 300 motorcoaches and 13 rail cars. Carnival's business strategy is to use this wide, diverse range of vacation options to attract consumers from other land-based vacation choices.

Carnival was incorporated under the laws of the Republic of Panama in November 1974 and is listed on the NYSE. Its shares trade under the symbol "CCL". The address of Carnival's principal executive offices is 3655 N.W 87/th/ Avenue, Miami, Florida 33178-2428.

### P&O Princess

P&O Princess is a global cruise vacation company operating under the following brand names: Princess Cruises in North America; P&O Cruises, Ocean Village and Swan Hellenic in the UK; AIDA and A'ROSA in Germany; and P&O Cruises in Australia. P&O Princess provides cruises to Alaska, the Caribbean, Europe, the Mediterranean, the Panama Canal and other exotic destinations. The P&O Princess Group had a fleet of 20 ocean cruise ships and two river boats offering a total of 33,100 lower berths as at 31 January 2003, with five additional ocean cruise ships and two river boats on order as at that date, offering a further 12,080 lower berths. The new ships are expected to be delivered over the next two years. P&O Princess' tour division, Princess Tours, is a tour operator in Alaska with five riverside lodges, a fleet of motorcoaches and Midnight Sun Express rail cars.

P&O Princess was incorporated and registered in England and Wales in July 2000. P&O Princess shares are listed on the London Stock Exchange and P&O Princess ADSs are listed on the NYSE. Both P&O Princess shares and P&O Princess ADSs trade under the symbol "POC" on their respective exchanges. P&O Princess' registered office is at 77 New Oxford Street, London WC1A 1PP, England.

Where can I find more information about Carnival and P&O Princess?

You can find more information about Carnival and P&O Princess from various sources described in the sections entitled "Where you can find additional information about Carnival" and "Where you can find additional information about P&O Princess" in Part A of Sections 2 and 3 of this document.

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### Part B. Summary of the DLC transaction

Why am I receiving these documents?

On 24 October 2002, Carnival announced the terms of a pre-conditional offer to enter into the DLC transaction with P&O Princess and make the Partial Share Offer for up to, in aggregate, a maximum of 20 per cent. of the issued share capital of P&O Princess. On 8 January 2003, P&O Princess announced that the P&O Princess board had accepted and recommended Carnival's offer to enter into the DLC transaction with P&O Princess.

As a P&O Princess shareholder, you are entitled to vote on whether to approve the implementation of the DLC structure and to participate in the Partial Share Offer. You are receiving this document in connection with your vote on the DLC transaction, and enclosed with this document is a separate Partial Share Offer document in connection with the Partial Share Offer.

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What is the DLC transaction?

The DLC transaction is a means of enabling P&O Princess and Carnival to combine their management and operations as if they were a single economic enterprise, while retaining their separate legal identities. This will be accomplished through contractual arrangements and amendments to each company's constitutional documents. In addition, the constitutional documents of the two companies will be harmonised, to the extent practicable and permitted by law, to ensure their corporate procedures are substantially similar. As part of the DLC transaction, P&O Princess intends to change its name to Carnival plc as proposed at the P&O Princess EGM.

What is the Partial Share Offer?

In connection with the DLC transaction, Carnival is making an offer to P&O Princess shareholders to exchange all or part of their P&O Princess shares for Carnival shares, subject to an aggregate maximum of 20 per cent. of P&O Princess' issued share capital. This offer is referred to in this document as the "Partial Share Offer." Whether or not you accept the Partial Share Offer will not influence whether or not the DLC transaction will proceed. If the DLC transaction is not completed due to lack of shareholder approval or for any other reason, the Partial Share Offer will not be completed. If the DLC transaction is completed, then your participation in the Partial Share Offer will only affect how you participate in the Combined Group, whether through ownership of Carnival shares, P&O Princess shares or both. The Partial Share Offer is open to all shareholders of P&O Princess, whether you hold P&O Princess shares directly or in the form of P&O Princess ADSs. For more information please refer to the Partial Share Offer document enclosed with this document.

Do I need to accept the Partial Share Offer to participate in the Combined Group?

No. You do not need to participate in the Partial Share Offer in order to participate as a shareholder in the Combined Group. If you would prefer to continue to hold P&O Princess shares listed on the London Stock Exchange and do not want to hold Carnival shares listed on the NYSE, you should not accept the Partial Share Offer. However, the board of P&O Princess encourages you to exercise your voting rights to approve the DLC transaction.

Why does P&O Princess want to combine with Carnival?

The P&O Princess board believes that combining with Carnival is advantageous for P&O Princess and in the best interests of P&O Princess and its shareholders as a whole. A combination of P&O Princess and Carnival will create the largest cruise vacation group in the world, based on revenue, passengers carried and available capacity. The Combined Group will have a wide range of complementary brands, a significant presence in the key cruise vacation regions worldwide, a strong balance sheet from which to drive future capacity and growth and leading management and operating practices. In addition, cost savings are expected to be generated by combining the two companies.

Why does P&O Princess want to use a DLC structure to combine with Carnival?

P&O Princess wants to use a DLC structure to combine with Carnival because, following the implementation of the DLC structure, P&O Princess shareholders who are required, or wish, to hold

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shares in a UK-listed company included in the FTSE indices may continue to do so, and, as a result, continue to participate as a shareholder in the global cruise industry through P&O Princess. As described above, P&O Princess is expected to remain included in the FTSE 100 index. A share acquisition or exchange offer or other more common means of combining the businesses of Carnival and P&O Princess in which all P&O Princess shareholders would receive Carnival shares, which are not eligible for inclusion in the FTSE series of indices, and/or a partial cash alternative would not have afforded all P&O Princess shareholders this opportunity. Additionally, the Partial Share Offer for up to 20 per cent. of P&O Princess' issued share capital allows those P&O Princess shareholders who would prefer to participate in the Combined Group by holding shares in a U.S.-listed company the opportunity to do so.

What is the premium implied by the DLC transaction?

The "look through" value per P&O Princess share under the DLC transaction, based on the closing price of \$26.00 per Carnival share on 23 October 2002, the last business day prior to the announcement of the DLC transaction, was 504 pence. This represents a premium of 59.1 per cent. to the closing middle-market price of 317 pence per P&O Princess share on 19 November 2001, the last business day prior to the announcement of the Royal Caribbean DLC combination, a premium of 40.1 per cent. to the closing middle market price of 360 pence per P&O Princess share on 14 December 2001, the last business day prior to the announcement of Carnival's first pre-conditional offer for P&O Princess, and a premium of 10.8 per cent. to the closing middle-market price of 455 pence per P&O Princess share on 23 October 2002.

The look through value per P&O Princess share under the DLC transaction, based on the closing price of \$20.75 per Carnival share on 12 March 2003, the latest practicable day prior to the publication of this document, was 386 pence. This represents a premium of 21.9 per cent. to the closing middle-market price of 317 pence per P&O Princess share on 19 November 2001, the last business day prior to the announcement of the Royal Caribbean DLC combination, a premium of 7.4 per cent. to the closing middle market price of 360 pence per P&O Princess share on 14 December 2001, the last business day prior to the announcement of Carnival's first pre-conditional offer for P&O Princess, and a discount of 15.1 per cent. to the closing middle-market price of 455 pence per P&O Princess share on 23 October 2002 and values the entire existing share capital of P&O Princess at approximately (Pounds)2.7 billion.

The look through value is, however, based upon the closing price of Carnival shares on the applicable date, and P&O Princess shareholders should note that P&O Princess shares may trade at a discount to Carnival shares.

What votes are required to approve the DLC transaction?

The DLC transaction must be approved by the shareholders of both P&O Princess and Carnival. P&O Princess shareholders must approve the resolution required to implement the DLC structure by not less than three-quarters of the votes that are cast at the P&O Princess EGM in favour of the DLC transaction. Carnival shareholders must approve the resolutions required to implement the DLC structure by the affirmative vote of a majority of all outstanding Carnival shares entitled to vote at the Carnival Special Meeting. Micky Arison, other members of the Arison family and trusts for their benefit have entered into undertakings under which they will be required to cause shares beneficially owned by them representing approximately 47 per cent. of the voting power of Carnival to vote in favour of the resolutions to implement the DLC structure at the Carnival Special Meeting. These undertakings are irrevocable except in circumstances where the DLC proposal is withdrawn or lapses.

Does the P&O Princess board recommend the approval of the DLC transaction?

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Yes. The P&O Princess directors consider the DLC transaction to be in the best interests of the P&O Princess shareholders as a whole and recommend that you vote in favour of the resolution to approve, among other matters, the DLC transaction at the P&O Princess EGM. Horst Rahe excused himself from the decision for the reasons described in the Chairman's letter. As at the date of this document, the directors and executive officers of P&O Princess beneficially hold approximately 0.2 per cent. of P&O Princess' existing issued ordinary share capital. Such directors and executive officers intend to vote their beneficial holdings in favour of the resolution.

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Does the Carnival board recommend the approval of the DLC transaction?

Yes. The Carnival board of directors has approved the DLC transaction and has recommended to its shareholders that they vote for the resolutions set out in its notice of the Carnival Special Meeting. As of 11 March 2003 (the latest practicable date prior to the publication of this document), the directors and executive officers of Carnival and their affiliates beneficially hold an aggregate of 234,661,927 Carnival shares, which represent 39.8 per cent. of Carnival's outstanding shares entitled to vote. Such directors and executive officers intend to vote their beneficial holdings in favour of these resolutions.

What will happen to my P&O Princess shares?

Except to the extent that you elect to exchange P&O Princess shares for Carnival shares in the Partial Share Offer described above, following the completion of the DLC transaction you will continue to own your P&O Princess shares. P&O Princess shares will continue to have a primary listing on the London Stock Exchange and it is currently intended that P&O Princess ADSs will continue to be listed on the NYSE for the foreseeable future. The existing full index participation of P&O Princess in the FTSE 100 index is expected to be retained. However, the rights accompanying your P&O Princess shares will change to give effect to the DLC transaction described below.

The economic and voting interests represented by an individual share in each company will be equalised based on an "equalisation ratio". The current equalisation ratio is one P&O Princess share for each 0.3004 Carnival shares, which is the same as the exchange ratio in Carnival's pre-conditional share exchange offer of 7 February 2002. On completion of the DLC transaction, P&O Princess will reorganise and consolidate its share capital so that the equalisation ratio will adjust to 1:1. This will be achieved by consolidating each 3.3289 existing P&O Princess shares of \$0.50 into one reorganised P&O Princess share of \$1.66 each. If you hold fewer than four P&O Princess shares, you will not receive any P&O Princess shares under the reorganisation. Instead, you will receive a cash sum reflecting the market value of your P&O Princess shares sold into the market. After this reorganisation one Carnival share will have the same rights to distributions of income and capital and voting rights as one P&O Princess share. Following the reorganisation of P&O Princess shares, the equalisation ratio will be subject to adjustment only in a limited number of circumstances, as described in Part B of Section 5 of this document. In no event will the take-up of the Partial Share Offer affect the equalisation ratio.

Why is the number of P&O Princess shares I hold reducing?

The number of P&O Princess shares in issue will be reduced as a result of the P&O Princess share reorganisation which will take effect at 10.00 p.m., London time, on the day that the Partial Share Offer becomes or is declared unconditional. This share reorganisation will not result in any change in your

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ownership percentage of P&O Princess shares. To enable the economic and voting rights of each share in P&O Princess to be equal to the economic and voting rights of each share in Carnival, P&O Princess' share capital is being reorganised at completion of the DLC transaction. This will be achieved by consolidating each 3.3289 existing P&O Princess shares of \$0.50 into one reorganised P&O Princess share of \$1.66 each. If you hold fewer than four P&O Princess shares, you will not receive any P&O Princess shares under the reorganisation. Instead you will receive a cash sum reflecting the market value of your P&O Princess shares sold into the market. In addition, any entitlement to fractions of P&O Princess shares arising out of the reorganisation will be aggregated, consolidated and sold into the market and the net proceeds (rounded down to the nearest whole pence) distributed to the relevant P&O Princess shareholders.

The current P&O Princess shareholders will hold approximately 26 per cent. of the equity in the Combined Group in the form of P&O Princess shares or, to the extent that they participate in the Partial Share Offer described above, Carnival shares.

What are P&O Princess ADSs?

In the U.S., P&O Princess shares trade on the NYSE in the form of P&O Princess ADSs. Each P&O Princess ADS currently represents four P&O Princess shares. Simultaneously with the reorganisation of P&O Princess shares, the ratio of P&O Princess shares to P&O Princess ADSs will also be adjusted to 1:1 in order to have a 1:1 ratio with Carnival shares.

The rights of P&O Princess ADS holders are derivative of the rights of holders of P&O Princess shares because P&O Princess ADSs represent underlying P&O Princess shares. As described in the prospectus issued at the time the P&O Princess ADSs were offered to the public in the U.S., the rights of P&O Princess ADS holders are not, however, identical to the rights of holders of ordinary shares.

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For example, the rights of P&O Princess ADS holders are based on the deposit agreement with the P&O Princess ADS depository bank, as P&O Princess ADS holders are not in the P&O Princess share register and voting is effected through the P&O Princess ADS depository bank and not directly by the ADS holders. These differences are not impacted by the DLC transaction or the reorganisation of P&O Princess shares. P&O Princess ADS holders will be impacted to the same extent as holders of P&O Princess shares by the implementation of the DLC structure.

What will happen to my future dividends?

After the completion of the DLC transaction, P&O Princess shareholders will continue to receive dividends declared by P&O Princess and Carnival shareholders will continue to receive dividends declared by Carnival. However, no dividend or other distribution may be made by either company in respect of its shares unless an equivalent per share dividend or other distribution (before taxes and other deductions) is made by the other company. Dividends and other distributions will be equalised on a per share basis in accordance with the equalisation ratio. The payment of dividends by P&O Princess in the future will depend on business conditions, its financial condition and earnings and the financial condition and earnings of the Combined Group, the ability of Carnival to pay an equivalent dividend and other factors. It is intended that the first dividend to be paid by the Combined Group will be declared in April 2003, with a record date in May 2003 and a payment date in June 2003.

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What will happen to Carnival shares?

Carnival shareholders will continue to hold their Carnival shares. In addition, Carnival shareholders will be receiving trust shares relating to a trust the trustee of which will hold a "special voting share" issued by P&O Princess. Through this special voting share, the votes of Carnival shareholders at Carnival shareholder meetings will be reflected at P&O Princess shareholder meetings on joint electorate actions and class rights actions. These voting rights are described below under "Will my voting rights change?" The trust shares will be paired with the Carnival shares and will be listed and traded on the New York Stock Exchange together with the Carnival shares.

Will P&O Princess shareholders also receive trust shares?

No. Carnival will issue a special voting share through which the votes of P&O Princess shareholders at P&O Princess shareholder meetings will be reflected at Carnival shareholder meetings, but it will be held by a special voting corporation rather than the trustee of a trust. However, the absence of these trust shares in respect of the Carnival "special voting share" will in no way affect the operation of the special voting share or the ability of P&O Princess shareholders to have their votes reflected at Carnival shareholder meetings for purposes of joint electorate actions and class rights actions.

Will my voting rights change?

Yes. On most matters that affect all of the shareholders of the Combined Group, the shareholders of P&O Princess and Carnival will effectively vote together as a single decision-making body on matters requiring the approval of shareholders of either company. These matters will be specified in the constitutional documents of each company as "joint electorate actions". Combined voting will be accomplished through a special voting share that will be issued by each company. Certain matters where the interests of the two shareholder bodies may diverge will be specified in the constitutional documents of each company as "class rights actions". These class rights actions will be voted on separately by the shareholders of each company. If either group of shareholders does not approve a class rights action, that action generally cannot be taken by either company.

What impact will the implementation of the DLC structure have on me for UK or U.S. tax purposes?

The tax consequences of the DLC transaction, the P&O Princess share reorganisation and the Partial Share Offer on P&O Princess shareholders will depend upon each shareholder's particular circumstances, including whether such shareholder is a UK P&O Princess shareholder or a U.S. P&O Princess shareholder. Accordingly, the P&O Princess board strongly urges P&O Princess shareholders to consult with their tax advisers to determine the particular UK, U.S. federal, state, local, or other applicable foreign tax consequences of the DLC transaction, the P&O Princess share reorganisation and the Partial Share Offer.

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UK P&O Princess shareholders

Under current UK tax law, UK P&O Princess shareholders who do not accept the Partial Share Offer will not be treated as having disposed of their P&O Princess shares for UK capital gains tax purposes by virtue of either the implementation of the DLC structure or the P&O Princess share reorganisation.

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UK P&O Princess shareholders who continue to hold P&O Princess shares after completion of the DLC transaction will be taxed on dividends received in respect of their P&O Princess shares on the same basis as that in effect prior to the DLC transaction.

UK P&O Princess shareholders who accept the Partial Share Offer will make a taxable disposal or part disposal of their P&O Princess shares for the purposes of UK tax on chargeable gains.

General information on the application of current UK tax law and Inland Revenue practice applicable to UK P&O Princess shareholders in respect of the DLC transaction and the P&O Princess share reorganisation is set out in paragraph 5 of Section 8. For further information on the UK tax consequences of the Partial Share Offer, refer to the Partial Share Offer document.

### U.S. P&O Princess shareholders

Although there is no U.S. federal income tax authority addressing the tax consequences of a dual listed company transaction, the DLC transaction should not give rise to taxable income or gain for U.S. P&O Princess shareholders for U.S. federal income tax purposes. However, the Internal Revenue Service may assert that U.S. P&O Princess shareholders received taxable income as a result of the various voting and equalisation provisions necessary to implement the DLC structure. Such voting and other rights, if any, received by shareholders are expected to have only nominal value and, therefore, the receipt of such rights by U.S. P&O Princess shareholders would only result in a nominal amount of income. It is possible, however, that the Internal Revenue Service may disagree with this conclusion.

The P&O Princess share reorganisation should not give rise to taxable gain or income to U.S. P&O Princess shareholders except with respect to gain, if any, upon the disposition of fractional shares. U.S. P&O Princess shareholders who dispose of fractional shares under the P&O Princess share reorganisation will recognise gain or loss in an amount equal to the difference between the cash received and the shareholder's adjusted tax basis in his/her P&O Princess shares or P&O Princess ADSs allocable to the fractional share, as the case may be.

U.S. P&O Princess shareholders will be taxed on dividends received in respect of their P&O Princess shares or P&O Princess ADSs after completion of the DLC transaction on the same basis as they were prior to the DLC transaction.

The exchange of P&O Princess shares or P&O Princess ADSs for Carnival shares pursuant to the Partial Share Offer will likely be a taxable transaction for U.S. federal income tax purposes.

General information on the application of current U.S. tax laws applicable to U.S. P&O Princess shareholders in respect of the DLC transaction and P&O Princess share reorganisation is set out in paragraph 6 of Section 8. For further information on the tax consequences of the Partial Share Offer, refer to the Partial Share Offer document.

What percentage of the Combined Group will be controlled by existing P&O Princess shareholders?

If the DLC transaction is approved, existing P&O Princess shareholders will hold 26 per cent. of the equity of the Combined Group following its implementation. This percentage will not be affected by the extent of the take-up of the Partial Share Offer. However, depending on the extent that P&O Princess shares are exchanged for Carnival shares under the Partial Share Offer, part of the interest in the Combined Group held by existing P&O Princess shareholders will be in the form of Carnival shares rather than P&O Princess

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shares. If the Partial Share Offer is taken up in full, approximately 21 per cent. of the equity of the Combined Group will be held through P&O Princess shares and the balance of the equity in the Combined Group will be held through Carnival shares.

Will P&O Princess become a subsidiary of Carnival?

No. P&O Princess will continue to exist as a separate publicly quoted company and its shares will continue to be listed on the London Stock Exchange. The boards of Carnival and P&O Princess will be identical and the Combined Group will be managed by a single senior executive management team. The two companies will pursue a common set of business objectives established by the identical boards and single management team, who will evaluate these strategies and other operational decisions from the perspective of all shareholders.

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Will there be any transfer of assets between P&O Princess and Carnival in connection with the DLC transaction?

The implementation of the DLC structure will not result in the transfer of any assets between P&O Princess and Carnival. Following completion of the DLC transaction, management of the Combined Group will determine whether assets will be owned by Carnival or P&O Princess as is most efficient and appropriate under the then prevailing circumstances. The Combined Group will comprise all of the assets held by P&O Princess and Carnival immediately prior to the implementation of the DLC transaction. No transfer of assets between the two companies will affect the equalisation ratio or the relative economic interests of P&O Princess shareholders and Carnival shareholders in the Combined Group.

What accounting treatment and reporting requirements will be applicable to the Combined Group?

It is expected that under U.S. GAAP the DLC transaction will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations". In accordance with the purchase method of accounting, the P&O Princess U.S. GAAP accounting policies will be conformed to Carnival's accounting policies upon completion of the DLC transaction.

Following the completion of the DLC transaction, P&O Princess will change its financial year end from 31 December to 30 November so that it will be the same as Carnival's current financial year end. The Combined Group intends to publish combined financial statements denominated in U.S. dollars and prepared in accordance with U.S. GAAP. It is envisaged that these combined financial statements will be included in a combined annual report. P&O Princess also expects to include summary balance sheet information and summary income statement information prepared in accordance with UK GAAP, without notes, in the combined annual report. P&O Princess shareholders will be able to request an additional document containing P&O Princess financial statements prepared in accordance with UK GAAP, which together with the other published information would constitute the full annual report and financial statements.

In addition, Carnival and P&O Princess will file periodic and current reports with the SEC on a joint basis in accordance with the rules applicable to U.S. domestic reporting companies. The financial statements presented in the periodic reports will consist of combined financial statements of the Combined Group prepared in accordance with U.S. GAAP. See paragraph 10 of Part A of Section 4 of this document.

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Who will be the directors and senior executive management team of the Combined Group?

Carnival and P&O Princess will be managed and operated as if they were a single economic enterprise. Although each of Carnival and P&O Princess will continue to exist as a separate company with its own board of directors and senior executive management, the boards and senior executive management of each company will be identical. The proposed directors of each of P&O Princess and Carnival following implementation of the DLC structure are set out in paragraph 8 of Part A of Section 4. In addition to their normal fiduciary duties to the company and obligation to have regard to the interests of its shareholders, the directors of each company will be entitled to have regard to the interests of the other company and its shareholders. Micky Arison, the Chairman and Chief Executive Officer of Carnival, will be Chairman and Chief Executive Officer of both Carnival and P&O Princess, Howard S. Frank, the Vice-Chairman and Chief Operating Officer of Carnival, will be the Vice-Chairman and Chief Operating Officer of both Carnival and P&O Princess and Gerald R. Cahill, the Chief Financial Officer and Chief Accounting Officer of Carnival, will be the Chief Financial Officer and Chief Accounting Officer of both Carnival and P&O Princess. The headquarters of the Combined Group will be in Miami with a corporate office in London.

How will the directors of Carnival and P&O Princess be elected?

Resolutions relating to the appointment, removal and re-election of directors will be considered as a joint electorate action and voted upon by the shareholders of each company effectively voting together as a single decision-making body. No person may be a member of the board of directors of Carnival or P&O Princess without also being a member of the board of directors of the other company.

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When will we elect the new directors of Carnival and P&O Princess?

Carnival and P&O Princess expect to hold their next annual meetings in June 2003 at which the re-election of each of the directors will be considered as joint electorate actions.

What corporate governance requirements will apply to the Combined Group?

Carnival and P&O Princess comply with, and the Combined Group will comply with, the applicable corporate governance requirements of the U.S. Sarbanes-Oxley Act of 2002 and the NYSE. These are the corporate governance rules applicable to U.S. public companies. P&O Princess will also continue to comply with the rules of the UK Listing Authority (including certain annual disclosure requirements regarding compliance with the Combined Code, appended to those rules) and the London Stock Exchange. Upon completion of the DLC transaction, it is expected that P&O Princess will not comply with the recommendation of the Combined Code to have a separate chairman and chief executive officer.

Will the Takeover Code apply to P&O Princess after completion of the DLC transaction?

No. The UK Takeover Panel has confirmed that, on the basis of information available to it, upon completion of the DLC transaction, neither P&O Princess nor Carnival will be a company to which the Takeover Code applies. However, provisions will be included in the constitutional documents of Carnival and P&O Princess in order to replicate certain of the protections provided by the Takeover Code. See "Takeover regulation of the Combined Group" in Part B of

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Section 5.

When do you expect to complete the DLC transaction?

P&O Princess and Carnival are working to complete the DLC transaction as soon as possible. P&O Princess and Carnival hope to complete the DLC transaction as soon as practicable after the Carnival Special Meeting and the P&O Princess EGM if the required shareholder approvals are obtained at those meetings. In addition to shareholder approvals, the companies must satisfy all of the other closing conditions specified in the Implementation Agreement. Subject to these conditions, the completion of the DLC transaction is expected to take place early in the second quarter of 2003.

Should I vote?

Yes. The proposed DLC transaction is an important step in the history of P&O Princess. Your vote is critical to this process, which the P&O Princess board believes is in the best interests of its shareholders and recommends that you vote for the DLC resolution. Please complete and send in the blue form of proxy included with this document. See "Information about the P&O Princess EGM" in Part C of Section 1 of this document and the Notice of Meeting at the end of this document for more information on how to vote at the P&O Princess EGM.

Who can answer questions I might have about the DLC transaction?

If you have any queries in relation to the DLC transaction and/or the Partial Share Offer you may call the UK helpline from within the UK on 0800 953 0083 between 9:00 a.m. and 5:30 p.m. (London time) on any business day until completion of the DLC transaction. If you are calling from the U.S., the helpline number is 1 866 203-2636 (calls will be toll-free within the U.S.) If you are calling from anywhere else, the number is +44 870 889 3147 (calls will be charged at the applicable rate). For legal reasons, the helpline will only be able to assist you with information contained in this document and the helpline cannot provide advice on the merits of the proposals or give any financial advice. Calls may be monitored for quality control purposes.

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Part C. Information about the P&O Princess EGM

When and where is the P&O Princess EGM being held?

The P&O Princess EGM is being held on 16 April 2003 at 10:00 a.m. (London time) at the Queen Elizabeth II Conference Centre, Broad Sanctuary, London SW1P 3EE.

Who is entitled to attend and vote at the P&O Princess EGM?

If you are a P&O Princess shareholder registered in the register of members of P&O Princess at 11:00 p.m. on 14 April 2003 you will be entitled to attend in person and vote at the P&O Princess EGM in respect of the number of P&O Princess shares registered in your name at that time, regardless of whether you have tendered any or all of your P&O Princess shares in the Partial Share Offer. You may also appoint one or more proxies to attend and (on a poll) vote instead of you. If you are a corporation you may appoint a corporate representative to represent you and vote your shareholding in P&O Princess at the P&O Princess EGM. For further details regarding appointing a proxy or corporate representative please see below.

How do I vote my P&O Princess shares without attending the P&O Princess EGM?

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You may vote your P&O Princess shares at the P&O Princess EGM by completing and signing the enclosed blue form of proxy in accordance with the instructions set out on the form and returning it as soon as possible, but in any event so as to be received by P&O Princess' registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8FB, by not later than 10:00 a.m. (London time) on 14 April 2003. By returning the blue form of proxy you will not preclude yourself from attending the P&O Princess EGM and voting in person should you wish to do so.

If you are a corporation you can vote your P&O Princess shares at the P&O Princess EGM by appointing a corporate representative. You are strongly encouraged to pre-register your corporate representative to make registration on the day of the P&O Princess EGM more efficient. You may obtain a pre-registration pack by contacting the company's registrars, Computershare Investor Services PLC, on 0870 703 6050 from within the UK or +44 870 703 6050 from elsewhere (attention: John Miller or Robert Mole). Please note that P&O Princess' registrar cannot provide advice on the merits of the proposals or give any financial advice. Corporate representatives themselves are urged to arrive at least two hours before commencement of the P&O Princess EGM to assist P&O Princess' registrar with the appropriate registration formalities. Whether or not you intend to appoint a corporate representative, you are strongly encouraged to return the enclosed blue form of proxy to the P&O Princess' registrar as explained above.

Can I change my vote given by proxy or by my corporate representative?

Yes, in certain circumstances. You may change your proxy vote by either completing, signing and dating a new form of proxy in accordance with its instructions and returning it to P&O Princess' registrars by no later than 10:00 a.m. (London time) on 14 April 2003, or by attending and voting in person at the P&O Princess EGM. If you do not attend and vote in person at the P&O Princess EGM and wish to revoke the appointment of your proxy or corporate representative you must do so by delivering a notice of such revocation to P&O Princess' registrars at least three hours before the start of the P&O Princess EGM.

Where can I find the voting results of the P&O Princess EGM?

The results of the P&O Princess EGM will be announced on a Regulatory Information Service as soon as practicable following the P&O Princess EGM and will be posted on the P&O Princess and Carnival websites ([www.poprincesscruises.com](http://www.poprincesscruises.com) and [www.carnivalcorp.com](http://www.carnivalcorp.com), respectively).

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### SECTION 2

#### INFORMATION ON CARNIVAL

##### Part A. Description of Carnival's business

###### 1. General

Carnival is a global cruise vacation and leisure travel company that offers a broad range of cruise brands serving the contemporary cruise sector through Carnival Cruise Lines, or CCL, and Costa Cruises, or Costa, the premium sector through Holland America Line, or Holland America, the premium/luxury cruise sector through Cunard Line, or Cunard, and the luxury cruise sector through Seabourn Cruise Line, or Seabourn, and Windstar Cruises, or Windstar. Carnival has a multi-brand strategy which provides products and services appealing to

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the widest possible target audience across all major segments of the vacation industry.

Additional summary information about Carnival's cruise brands is as follows:

Cruise Brand	Number of Ships	Passenger Capacity/(1)/	Primary Location of Customers
CCL	18	38,348	North America
Holland America	11	14,494	North America
Costa	8	10,754	Europe
Cunard	2	2,458	Europe/North America
Seabourn	3	624	North America
Windstar	3	604	North America
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	45	67,282	

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(1) In accordance with cruise industry practice, all passenger capacities are measured in lower berths calculated based on two passengers per cabin even though some cabins can accommodate three or more passengers.

Carnival currently has signed agreements with three shipyards providing for the construction of 13 additional cruise ships during the next three and a half years. This will increase Carnival's passenger capacity by 30,580 lower berths, or 46 per cent., assuming none of Carnival's existing ships are sold or retired from service. However, it is possible that some of Carnival's older ships may be retired or sold during the next three to four years, thus reducing the increase to Carnival's fleet over this period.

In addition to Carnival's cruise operations, Carnival operates a tour business under the brand name Holland America Tours. Holland America Tours is a leading cruise/tour operator in the state of Alaska and the Canadian Yukon and currently markets and/or operates:

- .. 13 hotels in Alaska and the Canadian Yukon;
- .. two luxury dayboats offering tours to the glaciers of Alaska and the Yukon River;
- .. over 300 motor coaches used for sightseeing and charters in the states of Washington and Alaska and in British Columbia, Canada and the Canadian Yukon;
- .. 13 private, domed rail cars which are run on the Alaska Railroad between Anchorage and Fairbanks; and
- .. sightseeing packages both separately and as part of Carnival's cruise/tour packages to Carnival's Alaska bound cruise passengers and to the public.

### 2. Cruise operations

The multi-night cruise industry is a small part of the overall global vacation market. Carnival estimates that the global cruise industry carried more than 10 million passengers in 2002. The principal sources for cruise passengers are North America, Europe, Asia/South Pacific including Australia, and South America. Carnival sources passengers principally from North America, the largest cruise sector in the world and, to a lesser extent, from Europe. A small percentage of Carnival's passengers are sourced from South America and Asia/South Pacific.

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Passengers, capacity and occupancy

Carnival's cruise operations had worldwide cruise passengers, passenger capacity and occupancy as follows/(1)/:

Fiscal Year	Cruise Passengers	Passenger Capacity	Occupancy/(3)/
1998	2,045,000	39,466	106.3%
1999	2,366,000	43,810	104.3%
2000	2,669,000	48,196	105.4%
2001	3,385,000	58,346	104.7%
2002	3,549,000	67,282/(2)/	105.2%

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- (1) Information presented is as of the end of Carnival's fiscal year for passenger capacity. Costa's passengers, capacity and occupancy are only included in 2001 and 2002.
- (2) Excludes Windstar Cruises' 148 passenger capacity ship, Wind Song, which was removed from service in December 2002.
- (3) In accordance with cruise industry practice, occupancy is determined based on double occupancy per cabin even though some cabins can accommodate three or more passengers. Accordingly, the percentages in excess of 100 per cent. indicate that more than two passengers occupied some cabins.

The actual occupancy percentage for all cruises on Carnival ships during each quarter indicated below was as follows:

Quarters Ended	Occupancy
30 November 2000	103.4%
28 February 2001	105.2%
31 May 2001	102.5%
31 August 2001	113.0%
30 November 2001	97.9%/(1)/
28 February 2002	102.8%
31 May 2002	101.9%
31 August 2002	113.7%
30 November 2002	102.1%

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- (1) Carnival's fourth quarter 2001 occupancy decreased compared to the fourth quarter of 2000 due primarily to the impact of the events of September 11, 2001 and their aftermath.

Carnival's passenger capacity has grown from 39,466 berths at 30 November 1998 to 67,282 berths at 31 January 2003. In 1999 capacity increased by 4,344 berths, primarily due to the deliveries of the Carnival Triumph and Holland America's Volendam. During 2000 capacity increased by 4,386 berths, primarily due to the deliveries of the Carnival Victory and Holland America's Zaandam and Amsterdam, partially offset by the 1,214 berth decrease due to the sale of Holland America's Nieuw Amsterdam. During 2001 capacity increased by 10,150 berths, primarily due to the acquisition and consolidation of Costa's 9,200

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berths and the delivery of the Carnival Spirit, partially offset by the removal from service of the 946 berth Costa Riviera and the 232 berth decrease due to the sale of the Seabourn Goddess I and II. During 2002, capacity increased by 8,936 berths primarily due to the deliveries of the Carnival Pride, Carnival Legend, Carnival Conquest and Holland America's Zuiderdam, partially offset by the removal from service of the 148 berth Wind Song.

### Cruise ships and itineraries

CCL's 18 cruise ships operate in the contemporary sector and are primarily marketed in North America. All of the CCL ships were designed by and built for CCL, including four that are among the world's largest, the Carnival Conquest, the Carnival Victory, the Carnival Triumph and the Carnival Destiny. In addition, CCL introduced the first three of its new "Spirit" class ships, the Carnival Spirit, the Carnival Pride and the Carnival Legend, which have 80 per cent. outside cabins, with 80 per cent. of those outside cabins having balconies. Sixteen of the CCL cruise ships operate to destinations in the Bahamas or the Caribbean during all or a portion of the year and two CCL ships call on ports on the Mexican Riviera year round. CCL ships also offer cruises to Alaska, Bermuda, Canada, New England, the Hawaiian Islands and the Panama Canal.

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Through Carnival's wholly-owned subsidiary, HAL Antillen, N.V. ("HAL Antillen"), Carnival operates 11 cruise ships in the premium sector, which are primarily marketed in North America under the Holland America brand. HAL Antillen also operates three sailing ships in the luxury cruise sector under the Windstar brand.

The Holland America cruise ships offer premium cruises of various lengths to destinations in Alaska, the Caribbean, the Panama Canal, Europe, the Mediterranean, Bahamas, the Hawaiian Islands, South America and other worldwide locations. Cruise lengths vary from three to 100 days, with a large proportion of cruises being seven or ten days. Periodically, the Holland America ships make longer cruises or operate on special itineraries in order to increase travel opportunities for their passengers and diversify their cruise offerings. For example, in 2002, Holland America offered a 100-day world cruise. The majority of the Holland America ships operate to destinations in the Bahamas and the Caribbean during fall to spring and in Alaska and Europe during spring to fall. In order to offer a unique destination and, to compete more effectively while operating in the Bahamas and the Caribbean, Holland America includes in certain of its Bahamas and Caribbean itineraries, a private island destination known as Half Moon Cay. Half Moon Cay is a 2,400-acre island owned by Holland America. Facilities were constructed on the island on 45 acres along a crescent-shaped white sand beach. The remainder of the island remains undeveloped. The facilities on Half Moon Cay include bars, shops, restrooms, a post office, a chapel and an ice cream shop, as well as a food pavilion with open-air dining shelters.

Windstar currently markets cruises to destinations in the Caribbean, Europe, Central America and Tahiti and offers a casual, yet luxurious, cruise experience on board its modern sail ships. The Windstar ships are primarily marketed in North America.

Costa's eight ships operate in Europe during the spring to fall. During the fall to spring, Costa repositions most of its ships to the Caribbean and South America. The Costa ships serve the contemporary sector and are primarily marketed in Europe. Costa is the number one cruise line in continental Europe based on passengers carried and capacity of its ships, principally serving

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customers in Italy, France, Germany and Spain. The Costa ships call on 105 European ports with 44 different itineraries and to various other ports in the Caribbean and South America. Costa has also expanded its presence in Germany by launching a new cruise product aimed exclusively at Germans, with European and Caribbean sailings aboard the 762 berth Costa Marina, which began in the spring 2002.

Under the Cunard brand, Carnival operates two cruise ships in the premium/luxury sector, which are primarily marketed in North America, the UK, Germany and Australia. Cunard's flagship, the Queen Elizabeth 2, offers the only regularly scheduled transatlantic crossings between New York and Southampton, England. In addition, Cunard repositioned the Caronia to service the growing UK region, with round-trip cruises from Southampton, which commenced in May 2002. Both of Cunard's ships offer cruises to other worldwide destinations, with many of the cruises ranging generally between six and 26 days. The Cunard ships also offer extended cruises, such as the QE2's world cruise.

The three Seabourn cruise ships ("The Yachts of Seabourn") offer an intense focus on personalised service and quality cuisine aboard its intimately sized all-suite ships. The Yachts of Seabourn serve the luxury sector and are primarily marketed in North America. These ships concentrate their operations in Europe, Asia and the Americas with cruises generally in the seven to 14 day range.

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Summary information of Carnival's ships as at 31 January 2003 is as follows:

Ship	Registry	Calendar Year Built	Passenger Capacity	Approx. Gross Registered Tons
CCL				
Carnival Conquest	Panama	2002	2,974	110,000
Carnival Legend	Panama	2002	2,124	88,500
Carnival Pride	Panama	2001	2,124	88,500
Carnival Spirit	Panama	2001	2,124	88,500
Carnival Victory	Panama	2000	2,758	102,000
Carnival Triumph	Bahamas	1999	2,758	102,000
Paradise	Panama	1998	2,052	70,000
Elation	Panama	1998	2,052	70,000
Carnival Destiny	Bahamas	1996	2,642	101,000
Inspiration	Bahamas	1996	2,052	70,000
Imagination	Bahamas	1995	2,052	70,000
Fascination	Bahamas	1994	2,052	70,000
Sensation	Bahamas	1993	2,052	70,000
Ecstasy	Panama	1991	2,052	70,000
Fantasy	Panama	1990	2,056	70,000
Celebration	Panama	1987	1,486	47,000
Jubilee	Bahamas	1986	1,486	47,000
Holiday	Bahamas	1985	1,452	46,000
	Total CCL		38,348	
Holland America				
Zuiderdam	Netherlands	2002	1,848	81,800
Zaandam	Netherlands	2000	1,440	63,000

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Amsterdam	Netherlands	2000	1,380	62,000
Volendam	Netherlands	1999	1,440	63,000
Rotterdam	Netherlands	1997	1,316	62,000
Veendam	Bahamas	1996	1,266	55,000
Ryndam	Netherlands	1994	1,266	55,000
Maasdam	Netherlands	1993	1,266	55,000
Statendam	Netherlands	1993	1,266	55,000
Prinsendam	Netherlands	1988	792	38,000
Noordam	Netherlands	1984	1,214	34,000
			-----	
	Total Holland America		14,494	
			-----	
Costa				
Costa Atlantica	Italy	2000	2,114	86,000
Costa Victoria	Italy	1996	1,928	76,000
Costa Romantica	Italy	1993	1,344	53,000
Costa Allegra	Italy	1992	806	30,000
Costa Classica	Italy	1991	1,302	53,000
Costa Marina	Italy	1990	762	25,500
Costa Europa	Italy	1986	1,476	54,000
Costa Tropicale	Italy	1982	1,022	37,000
			-----	
	Total Costa		10,754	
			-----	
Cunard				
Caronia	UK	1973	668	24,500
QE2	UK	1969	1,790	70,000
			-----	
	Total Cunard		2,458	
			-----	
Seabourn				
Seabourn Legend	Bahamas	1992	208	10,000
Seabourn Spirit	Bahamas	1989	208	10,000
Seabourn Pride	Bahamas	1988	208	10,000
			-----	
	Total Seabourn		624	
			-----	
Windstar Cruises				
Wind Surf	Bahamas	1990	308	14,750
Wind Spirit	Bahamas	1988	148	5,700
Wind Star	Bahamas	1986	148	5,700
			-----	
	Total Windstar		604	
			-----	
	Total Passenger Capacity		67,282	
			=====	

Cruise ship construction and cruise port facility development

Carnival has signed agreements with three shipyards providing for the construction of 13 new cruise ships which have 30,580 berths. Primarily in cooperation with private or public entities, Carnival is engaged in the development of new or enhanced cruise port facilities. These facilities are expected to provide Carnival's passengers with an improved holiday experience. Carnival's involvement typically includes providing cruise port facility development and management expertise and assistance with financing. During

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2002, Carnival was primarily involved in the development of cruise port facilities in Long Beach, California, Galveston, Texas, La Romana, Dominican Republic, which opened in December 2002, San Juan, Puerto Rico, Savona, Italy and Cozumel, Mexico. No assurance can be given that any of these cruise port facilities that are still being developed will be completed.

### Ship Commitments

A description of Carnival's ships under contract for construction is as follows (in millions, except passenger capacity data):

Ship	Expected Service Date/(1)/	Shipyard	Passenger Capacity/(2)/	Estimated Total Cost/(3)/
<b>CCL</b>				
Carnival Glory	7/03	Fincantieri	2,974	\$ 510
Carnival Miracle	3/04	Masa-Yards/(4)/	2,124	375
Carnival Valor	11/04	Fincantieri/(4)/	2,974	510
Newbuild	1/06	Fincantieri	2,974	460
			-----	-----
Total CCL			11,046	1,855
			-----	-----
<b>Holland America</b>				
Oosterdam	7/03	Fincantieri/(4)/	1,848	410
Westerdam	5/04	Fincantieri/(4)/	1,848	410
Newbuild	11/05	Fincantieri/(4)/	1,848	410
Newbuild	6/06	Fincantieri	1,848	390
			-----	-----
Total Holland America			7,392	1,620
			-----	-----
<b>Costa</b>				
Costa Mediterranea	6/03	Masa-Yards/(5)/	2,114	360
Costa Fortuna	12/03	Fincantieri/(5)/	2,720	440
Costa Magica	11/04	Fincantieri/(5)/	2,720	460
			-----	-----
Total Costa			7,554	1,260
			-----	-----
<b>Cunard</b>				
Queen Mary 2	1/04	Chantiers de l'Atlantique/(4)/	2,620	780
Newbuild	2/05	Fincantieri/(4)/	1,968	410
			-----	-----
Total Cunard			4,588	1,190
			-----	-----
Total			30,580	\$5,925
			=====	=====

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- (1) The expected service date is the date the ship is currently expected to begin its first revenue generating cruise.
  - (2) In accordance with cruise industry practice, passenger capacity is calculated based on two passengers per cabin even though some cabins can accommodate three or more passengers.
  - (3) Estimated total cost of the completed ship includes the contract price with the shipyard, design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items.
  - (4) These construction contracts are denominated in euros and have been fixed into U.S. dollars through the utilisation of forward foreign currency contracts. The \$178 million of unrealised losses from these forward contracts has been recorded as fair value of derivative contract

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liabilities on Carnival's 30 November 2002 balance sheet and are also included in the above estimated total cost of these construction contracts.

- (5) These construction contracts are denominated in euros, which is Costa's functional currency. The estimated total costs have been translated into U.S. dollars using the 30 November 2002 exchange rate.

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In connection with Carnival's ships under contract for construction, Carnival has paid approximately \$712 million through 30 November 2002 and anticipates paying the remaining estimated total costs as follows (U.S. dollars in millions):

Fiscal Year	
2003	\$1,630
2004	2,110
2005	1,140
2006	330
	-----
	\$5,210
	=====

### Cruise pricing

Each of Carnival's cruise brands publishes brochures with prices for the upcoming seasons. In many regions, brochure prices vary by cruise line, by category of cabin, by ship, by season and by itinerary. Brochure prices are regularly discounted through early booking discount programmes and other promotions. The cruise ticket price includes accommodations, meals and most onboard entertainment, such as the use of, or admission to, a wide variety of activities and facilities, including on substantially all ships a fully equipped casino, nightclubs, theatrical shows, movies, parties, a disco, a jogging track, a health club, swimming pools, whirlpools and saunas.

When a passenger elects to purchase air transportation from Carnival, both Carnival's cruise revenues and operating expenses generally increase by approximately the same amount.

On