

15 February 2001

P&O PRINCESS CRUISES PLC
PRELIMINARY REPORT ON THE FINANCIAL RESULTS FOR THE
FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2000

P&O Princess Cruises today announced its financial results for the fourth quarter and full year for 2000.

In 2000 the company became an independently listed company, grew by 22% and produced a return on capital of 12.7%. Peter Ratcliffe, Chief Executive Officer of P&O Princess Cruises said, "2000 was a successful and profitable year for P&O Princess Cruises, notwithstanding a competitive trading situation in the fourth quarter."

"While we believe that trading conditions will remain competitive in 2001, the company looks forward to an improving situation" added Peter Ratcliffe.

Cruising is one of the fastest growing sectors of the leisure market. Peter Ratcliffe stated: "We are poised to grow by building on our leading positions in four of the major vacation markets of the world."

Key points for the year

- Earnings per share of 40.1 cents in line with market expectations
- Operating profit of \$373.6 million representing a return on capital of 12.7%
- 22% growth in passenger cruise days and net yields down 4% on a like for like basis
- Significant expansion in UK with introduction of Aurora and in Germany with acquisition of AIDA and Seetours

Key points for the fourth quarter

- Operating profit of \$15.9 million, with a small profit after interest and tax, before a one-off exceptional write down on the sale of Victoria
- 26% increase in passenger cruise days
- Net yields down 13% on a like for like basis as previously anticipated

2001 Outlook

- Positive earnings expected in the first quarter
- Significantly reduced yield decline in first quarter
- Solid bookings for UK, Germany and Australia
- Princess bookings in line with previous year, pricing lower
- Our expectations for full year earnings are within the range of current market forecasts.

P&O PRINCESS CRUISES
SUMMARISED GROUP PROFIT AND LOSS ACCOUNT FOR THE 3 MONTHS
AND YEAR ENDED 31 DECEMBER 2000

	Three months to 31 December		Twelve months to 31 December	
	2000 (Unaudited)	1999 (Unaudited)	2000 (Audited)	1999 (Audited)
US\$ million				
Turnover (gross revenue)	484.8	465.3	2,423.9	2,111.6
Direct operating costs	(343.8)	(295.7)	(1,558.0)	(1,301.9)
Selling and administrative expenses	(88.5)	(82.6)	(348.2)	(304.5)
Depreciation and amortisation	(36.7)	(30.1)	(144.6)	(116.9)
	<u>(469.0)</u>	<u>(408.4)</u>	<u>(2,050.8)</u>	<u>(1,723.3)</u>
Operating profit	15.8	56.9	373.1	388.3
Share of operating results of joint ventures	0.1	-	0.5	-
Total operating profit	<u>15.9</u>	<u>56.9</u>	<u>373.6</u>	<u>388.3</u>
Loss on disposal of ships	(6.0)	-	(6.7)	(4.8)
Profit on sale of businesses	-	-	0.2	-
Profit before interest	<u>9.9</u>	<u>56.9</u>	<u>367.1</u>	<u>383.5</u>
Net interest and similar items	(13.9)	(6.1)	(49.1)	(25.7)
Profit/(loss) before taxation	<u>(4.0)</u>	<u>50.8</u>	<u>318.0</u>	<u>357.8</u>
Taxation	0.6	(6.5)	(41.3)	(47.0)
Profit/(loss) after taxation	<u>(3.4)</u>	<u>44.3</u>	<u>276.7</u>	<u>310.8</u>
Equity minority interests	(0.2)	(0.5)	(2.6)	(0.5)
	<u>(3.6)</u>	<u>43.8</u>	<u>274.1</u>	<u>310.3</u>
Proposed dividend for the year			(83.1)	-
Retained profit for the year			<u>191.0</u>	<u>310.3</u>
Basic earnings per share	(0.7)c	6.4c	40.1c	45.5c
Basic earnings per ADS	\$(0.03)	\$0.26	\$1.60	\$1.82
Dividend per share			12.0c	-
Dividend per ADS			\$0.48	-

	Three months to 31 December		Twelve months to 31 December	
	2000	1999	2000	1999
<u>Operating statistics</u>				
Passenger cruise days				
North America	1,430,931	1,235,578	5,902,352	5,262,186
Europe and Australia	801,352	533,405	2,828,308	1,870,639
Total	<u>2,232,283</u>	<u>1,768,983</u>	<u>8,730,660</u>	<u>7,132,825</u>
Occupancy				
North America	98.1%	99.5%	99.9%	100.4%
Europe and Australia	96.5%	98.3%	97.9%	98.8%
Total	<u>97.6%</u>	<u>99.1%</u>	<u>99.3%</u>	<u>100.0%</u>
 Change in Net Revenue Yields				
Like for Like - excluding on board revenue		(13)%		(4)%
- including on board revenue		(11)%		(3)%

Like for Like is defined as movements in net revenue yields after adjusting for the effects of the higher priced cruises over the Millennium, changes in exchange rates and changes in the mix of cruises.

Commentary on results

Fourth quarter results

In the fourth quarter, passenger cruise days increased by 26% over the same period in 1999. Within this, Princess increased by 16% in North America as a result of the introduction of Ocean Princess earlier in the year, offset by the transfer of Sky Princess to Australia in November, and P&O Cruises increased by 47% in the UK as a result of the introduction of Aurora earlier in the year.

As previously reported, net revenue yields (a measure of average prices achieved) for the quarter, were, on a like for like basis, 13% lower excluding on board revenue, and 11% lower including on board revenue. This resulted primarily from the competitive conditions in North America, with the Caribbean and transcanal trades being the most affected. The unsettled situation in Israel required us to suspend calls at ports in that country which did result in reduced carryings for the cruises concerned. This reduced the results by around \$3 million.

Operating profit for the fourth quarter was \$15.9 million compared with \$56.9 million in 1999, reflecting the lower yields and \$4 million of additional costs due to the higher price of fuel. There was an exceptional \$6 million accounting write down of the book value of Victoria for which we have just entered into a contract for sale. The prior period comparison is also affected by the \$18 million of additional income in the fourth quarter of 1999 on cruises which spanned the Millennium. After interest and tax, for the fourth quarter of 2000 we recorded a loss of \$3.4 million, including the Victoria write down of \$6 million, against \$44.3 million profit in 1999.

Year to 31 December 2000

For the year as a whole, passenger cruise days increased by 22% to over 8.7 million. Within this, Princess grew by 12% in North America due to the introduction of Ocean Princess in February, and P&O Cruises by 32% in the UK due to the introduction of Aurora in April. The remaining increase in passenger carryings resulted from the acquisitions of the German businesses AIDA, in November 1999, and Seetours, in April 2000.

Princess had a strong first quarter and another successful summer season in Alaska and Europe. As noted above, pricing conditions were challenging for Princess in the Caribbean and transcanal trades in the fourth quarter. In the UK, P&O Cruises performed well, enjoying revenue stability after Aurora added approximately 45% to capacity from April. AIDA also performed well, with higher yields than achieved in the previous year, prior to acquisition. Overall, net revenue yields for the group compared to 1999 were, on a like for like basis, 4% lower excluding on board revenue, and 3% lower including on board revenue, with the reduction resulting mainly from the lower yields experienced in the fourth quarter.

Total operating profit for the year was \$373.6 million against \$388.3 million for 1999, reflecting the lower yields, higher fuel prices which increased costs by some \$30 million, adverse exchange rate movements which impacted operating profit by \$6 million and a \$7 million net reduction in the benefit of Millennium cruises, offset by an underlying reduction in unit costs. Return on operating assets remained strong at 12.7%. After interest and tax, profits were \$276.7 million compared with \$310.8 million for 1999. Earnings per share/ADS were 40.1c/\$1.60 against 45.5c/\$1.82 for 1999.

Dividend

The Board is proposing a maiden dividend for the company of 12 cents per share. Subject to approval by the shareholders, this dividend will be paid on 4 May 2001 to shareholders on the register on 6 April 2001. Unless they have elected otherwise, ordinary shareholders will receive their dividend in sterling, converted at the exchange rate on 18 April 2001. Holders of ADS will receive their dividends, proposed at 48 cents per ADS, in US dollars.

As indicated in the Listing Particulars, we believe that the level of dividends should be set by our peers in the sector. Consequently we intend to pay dividends on a quarterly basis, with the full year dividend divided into four approximately equal instalments. The first quarterly dividend for 2001 is expected to be 3 cents per share, giving a base annual dividend of 12 cents per share. Although this is lower than the illustrative dividend indicated at the time the demerger was announced a year ago, the Board considers it appropriate for a growth company such as ourselves. We remain committed to maintaining an efficient capital structure and will continue to ensure funds are returned to shareholders where appropriate, consistent with maintaining our financial position.

Expectations for 2001

As we have indicated in previous announcements, whilst trading conditions for the first quarter of 2001 have been competitive, particularly in the Caribbean, they are improved compared to those for the fourth quarter of 2000. As a result Princess has experienced a significantly lower level of yield reduction than in the previous quarter. There has been some yield pressure for P&O Cruises in the UK where capacity has increased by 45% year on year, and the 2000 comparative includes a highly successful two month charter of Victoria. For the Group as a whole we anticipate that net revenue yields, including on board spend, will be 6% lower, on a like for like basis, than for the first quarter of 2000, as compared with the 11% decline experienced in the previous quarter.

We will not, of course, have the benefit of the Millennium cruises that added \$11 million to the first quarter result last year. We will also be incurring some one off costs as a result of our office relocation in Los Angeles. Nevertheless, subject to unforeseen circumstances, we do expect to improve on the fourth quarter result and anticipate positive earnings per share of 2-3 cents.

For the remainder of the year, it is more difficult to estimate the likely revenue yields. However, the booking situation in the UK, Germany and Australia is solid with bookings and yields ahead of the position this time last year. For Princess, the so-called "wave" season is progressing well with the overall proportion of capacity booked so far broadly in line with last year. Pricing for bookings taken to date for the second and third quarters is somewhat lower than at this time a year ago, particularly in the shoulder periods around the peak summer season, but above the final average yield for 2000 sailings in the same periods.

It is early days as far as bookings for the fourth quarter are concerned, but the outlook is positive when compared to the final quarter of 2000 given the difficult final quarter of 2000 and the entry of Golden Princess alongside her sister ship Grand Princess, with its strong earning potential, into the fall 7 day Caribbean trade.

It would appear that booking trends for the industry as a whole are positive and this may make it possible to obtain price increases as the year progresses. However, if this were not to be the case,

on current trends we would anticipate net revenue yields, including on board revenue, to be 1-2% lower than 2000 on a like for like basis.

On the cost side, we expect to benefit from the improved cost structure of Golden Princess when she joins the fleet in May. In addition, we are implementing a number of cost reduction initiatives, including Princess' office relocation from Century City to Valencia in north Los Angeles county and the relocation of the United Kingdom customer service centre from central London to Southampton. Overhead costs will rise in Germany as we prepare for our significant expansion in 2002. Nevertheless, subject to any increase in fuel costs from their current levels, we anticipate achieving a reduction in unit costs in excess of our annual target of 2%.

The 2001 results will benefit from the reduction in our tax rate from 13% to around 5%. We expect to elect for the new UK tonnage tax regime during the year and, although we may not enter the regime until 2002, our tax charge will benefit immediately as we will no longer be required to provide for deferred tax on UK profits.

Overall, assuming a 1-2% yield reduction, and with the usual caveats that apply to any projections, our current expectation for full year 2001 earnings per share are within the range of current market forecasts.

Business outlook

We remain positive on the prospects for the cruise industry. Although there has been pressure on pricing in North America recently, demand for cruising in the United States is continuing to grow and has not yet matured. Clearly a strong United States economy would be advantageous to us, but we believe that the industry can continue to grow even in the event of more difficult economic conditions. We expect the same drivers of demographics, rising disposable income and, most importantly, product satisfaction, that are growing cruising in North America to grow the European and other international markets. However, the industry is at a much earlier stage of development in these markets and has the potential for sustained growth rates, as penetration into the overall vacation market increases.

With P&O Cruises in the UK and Seetours in Germany, we are a leading cruise operator in two of the largest vacation markets outside North America. We intend to build on these positions in the near term. In addition to the two new ships we have on order for the AIDA brand, Crown Princess will move to the German market in spring 2002 and we expect Regal Princess to join her in 2004. In the UK we have one new ship on order, and have today announced that Ocean Princess, to be renamed Oceana, will transfer to the P&O Cruises fleet from Princess in the final quarter of 2002. As these redeployments take place, Victoria, which we have announced the sale of today, and Arkona will be withdrawn from the UK and German markets respectively.

In both the UK and Germany we already enjoy high levels of consumer awareness for our brands, with a significant passenger base in these markets and have products tailored specifically for nationals of these countries. Whilst the build up of overhead and marketing expenditure in preparation for expansion in Germany will restrict returns in the short term, we do believe that these strengths, together with the fleet expansion through newbuildings and redeployments, should result in returns above the cost of that capital and drive earnings growth.

Princess Cruises will benefit over the next four years from the delivery of four new Grand Princess sisters, as well as two new panamax design ships. These ships will have industry leading proportions of balcony cabins, and will be purpose built to deliver the personal choice in dining

and entertainment experience that our target market desires. They have also been ordered at competitive prices.

With the introduction of these new ships being offset by redeployments of other vessels to the European markets, Princess' capacity is now expected to grow at an average of around 10 per cent per annum over the next four years. This growth rate is consistent with historic levels, which we believe will make it less likely for us to need the lever of price to stimulate demand to meet this increased supply. In addition, with their improved cost structure as compared with the overall existing fleet, including those vessels being withdrawn, the new ships should help to reduce unit costs for Princess, as well as improve the quality of the product and the revenue potential.

Princess Cruises strives to innovate and differentiate its product. We have just introduced true restaurant style (personal choice) dining on Grand Princess and will be rolling this out across the fleet. We have also recently launched our new "where i belong" marketing campaign, aimed at our target market of the 45 plus experienced traveller and focussing on the segments with the fastest growing demographics and disposable income. Princess continues to enjoy strong levels of brand awareness and support from the travel agent community, and has a leading position in the destination trades. We do not seek to be a market leader in the Caribbean, but with a modest year round presence and four sister ships to Grand Princess joining the fleet, we believe their lower cost structure and higher revenue potential will allow us to compete effectively in this trade, notwithstanding our relatively small share.

Finally, we believe that we can continue to improve the cost structure of the Group and bring it more closely into line with that of our major competitors. We expect to benefit from economies of scale both shoreside and in the fleet as we grow by 65% in the next four years, the introduction of large more cost effective ships, taking the average vessel size from 1,450 berths to 1,850 over four years, and the integration of our systems and purchasing across our global operations. Cost control will be a focus for management going forwards. Our target remains to reduce unit costs by 2% per annum, whilst maintaining the quality of our product and not compromising our operating standards.

We have a solid financial base with a debt to capital employed ratio of 28%, a stable tax structure and a current return on capital of over 12% which positions us well for the future.

Approved by the Board on 15 February 2001
77 New Oxford Street
London, WC1A 1PP, UK

For further information contact:

P&O Princess Cruises plc

Gwyn Hughes, Executive Vice President, Corporate Development
and Communications +44 20 7805 1218
07801 039 722

Caroline Keppel-Palmer, Investor Relations
and Corporate Communications Manager +44 20 7805 1214
07730 732015

Gavin Anderson & Company

Byron Ousey +44 20 7496 1446

Website

www.poprincesscruises.com

About P&O Princess Cruises plc

P&O Princess Cruises plc is one of the largest international cruise companies with some of the strongest cruising brand names: Princess Cruises in North America; P&O Cruises in the UK and in Australia; AIDA and Seetours in Germany and Swan Hellenic also in the UK. It is a leading provider of cruises to Alaska, the Caribbean, Europe, the Panama Canal and other Exotic destinations. The current complement of 17 ships offering 24,770 berths is set to grow in the next four years with the addition of 9 ships offering a further 19,620 berths.

P&O Princess Cruises has approximately 19,000 employees worldwide and in 2000 generated revenue of over \$2 billion (£1.4 billion). Headquartered in London, P&O Princess Cruises' ordinary shares are quoted on the London Stock Exchange and as ADSs on the New York Stock Exchange (under the symbol "POC").

Statements in this report on financials relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performances or achievements of P&O Princess Cruises to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, changes in cruise industry capacity and competition, changes in tax and other laws and regulations affecting P&O Princess Cruises and other factors, which are described in further detail in P&O Princess Cruises' filings with the Securities and Exchange Commission and the UK Listing Authority..

SUMMARISED GROUP BALANCE SHEET AS AT 31 DECEMBER 2000

	2000	1999
US\$ million		
Goodwill	121.0	14.2
Ships	3,608.0	3,036.0
Properties and other fixed assets	219.6	199.7
Investments	10.9	8.4
Stocks	79.8	78.9
Debtors	318.6	264.6
	<hr/>	<hr/>
	4,357.9	3,601.8
Net borrowings (Note 5)	(967.0)	(632.1)
Other creditors and provisions	(927.1)	(773.2)
Equity minority interests	(0.2)	(7.7)
	<hr/>	<hr/>
	2,463.6	2,188.8
	<hr/>	<hr/>
Equity shareholders' funds (Note 2)	2,463.6	2,188.8

**SUMMARISED GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2000**

	2000	1999
US\$ million		
Net cash inflow from operating activities	532.3	483.9
Returns on investments and servicing of finance	(75.9)	(39.1)
Taxation	(34.3)	(13.7)
 Capital expenditure and financial investment		
Purchase of ships	(749.8)	(233.6)
Purchase of other fixed assets	(45.9)	(58.6)
Disposal of ships	14.7	(2.0)
Disposal of other fixed assets	0.2	-
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(780.8)	(294.2)
 Acquisitions and disposals (Purchase)/disposal of subsidiaries	(14.7)	1.5
Net cash (outflow)/inflow before financing	(373.4)	138.4
Net cash inflow/(outflow) from financing	565.8	(113.2)
Increase in cash in the period	192.4	25.2
 Movement in net borrowings:		
Net cash (outflow)/inflow before financing	(373.4)	138.4
Net investment by P&O	1.2	117.7
Amortisation of bond issue costs	(0.2)	-
Borrowings of subsidiaries acquired	-	(173.7)
Exchange movements in borrowings	37.5	16.4
Movement in net borrowings	(334.9)	98.8

NOTES

1 Basis of preparation

P&O Princess Cruises plc acquired the cruise business of The Peninsular and Oriental Steam Navigation Company ("P&O") on 23 October 2000. The acquisition was effected by way of a share exchange between that company and its shareholders.

The consolidated financial statements have been prepared using merger accounting principles as if the businesses comprising P&O Princess Cruises had been part of P&O Princess Cruises for all periods presented, since they have been under common control throughout this period. Businesses acquired from or disposed of to third parties during the periods presented have been accounted for using acquisition accounting, from or to the date control passed.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United Kingdom ("U.K. GAAP") under the historical cost convention, and in accordance with applicable U.K. accounting standards.

2 Reconciliation of movements in shareholders' funds

	Year to 31 December 2000	Year to 31 December 1999
US\$ million		
Profit for the financial year	274.1	310.3
Exchange movements	(5.5)	(2.6)
Total recognised gains and losses	<u>268.6</u>	<u>307.7</u>
Dividends	(83.1)	-
New shares issued	41.3	-
Shares to be issued	46.8	-
Net investment by P&O	1.2	117.7
Net increase to shareholders' funds	<u>274.8</u>	<u>425.4</u>
Shareholders' funds at beginning of year	2,188.8	1,763.4
Shareholders' funds at end of year	<u>2,463.6</u>	<u>2,188.8</u>

Shares to be issued consists of the estimated value of the outstanding consideration in respect of the acquisition of the 49% minority interest in AIDA Cruises Ltd.

3 Segmental analysis

	Year to 31 December		Year to 31 December	
	2000	1999	2000	1999
	Turnover		Total operating profit	
US\$million				
North America	1,796.7	1,680.9	279.6	300.2
Europe and Australia	627.2	430.7	94.0	88.1
	<u>2,423.9</u>	<u>2,111.6</u>	<u>373.6</u>	<u>388.3</u>
	Year to 31 December		Year to 31 December	
	2000	1999	2000	1999
	Net operating assets excluding goodwill		Return on average net operating assets	
US\$million				
North America	2,200.0	1,969.2	13.3%	15.3%
Europe and Australia	977.1	660.9	11.2%	15.2%
	<u>3,177.1</u>	<u>2,630.1</u>	<u>12.7%</u>	<u>15.3%</u>

Return on net operating assets represents total operating profit before goodwill amortisation divided by average net operating assets excluding goodwill.

- 4 Earnings per share is calculated using the weighted average number of shares in issue of 684.2 million (1999 681.2 million)
- 5 Net borrowings include bank loans, issued loan notes and bonds of \$1,054.0 million (1999 \$210.6 million), short term borrowings and overdrafts of \$163.9 million (1999 \$39.1 million) and loans to P&O of \$3.7 million (1999 loan from P&O \$445.6 million) less cash of \$247.2 million (1999 \$63.2 million).
- 6 The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 1999 and 31 December 2000. The company was formed during 2000 as part of the creation of the P&O Princess Cruises Group following demerger from The Peninsular and Oriental Steam Navigation Company. The 2000 report and accounts will be delivered to the registrar of companies following the Company's annual general meeting. The auditors have reported on these accounts; their report was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

**QUARTERLY CONSOLIDATED UNAUDITED PROFIT
AND LOSS ACCOUNTS FOR 2000**

US\$million	Q1	Q2	Q3	Q4	Total
	2000	2000	2000	2000	2000
Turnover (gross revenue)	519.0	642.0	778.1	484.8	2,423.9
Direct operating costs	(344.6)	(405.0)	(464.6)	(343.8)	(1,558.0)
Selling and administrative expenses	(80.5)	(91.4)	(87.8)	(88.5)	(348.2)
Depreciation and amortisation	(33.8)	(37.3)	(36.8)	(36.7)	(144.6)
	(458.9)	(533.7)	(589.2)	(469.0)	(2,050.8)
Operating Profit	60.1	108.3	188.9	15.8	373.1
Share of operating results of joint venture	-	-	0.4	0.1	0.5
Total operating profit	60.1	108.3	189.3	15.9	373.6
Loss on disposal of ships	-	-	(0.7)	(6.0)	(6.7)
Profit on sale of assets	-	0.2	-	-	0.2
Profit before interest	60.1	108.5	188.6	9.9	367.1
Net interest and similar items	(8.3)	(13.3)	(13.6)	(13.9)	(49.1)
Profit before taxation	51.8	95.2	175.0	(4.0)	318.0
Taxation	(6.7)	(12.4)	(22.8)	0.6	(41.3)
Profit/(loss) after taxation	45.1	82.8	152.2	(3.4)	276.7
Equity minority interests	(0.4)	(0.4)	(1.6)	(0.2)	(2.6)
	44.7	82.4	150.6	(3.6)	274.1
Earnings per share	6.6c	12.1c	22.1c	(0.7)c	40.1c
Earnings per ADS	\$0.26	\$0.49	\$0.88	\$(0.03)	\$1.60
Dividends per share					12.0c
Dividends per ADS					\$0.48

Operating statistics

Passenger cruise days					
North America	1,436,190	1,531,576	1,503,655	1,430,931	5,902,352
Europe and Australia	557,495	685,660	783,801	801,352	2,828,308
Total	1,993,685	2,217,236	2,287,456	2,232,283	8,730,660

Occupancy					
North America	99.9%	100.1%	101.6%	98.1%	99.9%
Europe and Australia	95.8%	97.3%	101.4%	96.5%	97.9%
Total	98.7%	99.2%	101.5%	97.6%	99.3%

CHANGES IN NET YIELD INDEX

The following table shows the trend in net revenue yields, including on board revenue, expressed in US dollars, for North America and Europe and Australia using 1995 as a base year with net revenue yield in that year indexed to a value of 100.0.

	Years ended 31 December					
	1995	1996	1997	1998	1999	2000
Change in net revenue yields (including onboard revenue)						
North America	100.0	102.5	106.5	110.7	111.5	106.3
Europe and Australia	100.0	105.9	123.8	124.4	120.1	107.7
Total	100.0	103.5	111.6	114.8	114.4	106.7

Net revenue has historically been defined as gross revenue (turnover) from the sale of cruises less the cost of sales (primarily travel agent commissions) and the flight component of a fly-cruise. In order to ensure consistency with the figures published by our peers in the sector, we have published net revenue figures that include on board revenue.

CAPACITY INCREASES

The estimated passenger cruise days for the period 2001 to 2004 are shown below. This information takes account of the newbuild programme, ship transfers and the company's current projections for ship withdrawals.

Passenger cruise days (millions)	North America	UK	Germany	Australia	Group
Total 2000	5.90	1.99	0.55	0.29	8.73
Quarter 1 2001	1.39	0.55	0.15	0.11	2.20
Quarter 2 2001	1.54	0.56	0.15	0.11	2.36
Quarter 3 2001	1.66	0.57	0.16	0.10	2.49
Quarter 4 2001	1.61	0.55	0.16	0.11	2.43
Total 2001	6.20	2.23	0.62	0.43	9.48
Total 2002	6.9	2.3	1.2	0.4	10.8
Total 2003	7.6	2.7	1.8	0.4	12.5
Total 2004	8.7	3.2	2.1	0.4	14.4

The number of berths and the implied growth in our geographic segments is shown in the table below:

Segment	----- Lower berths -----			Projected capacity in 2004	Average growth in pcds
	Current capacity	Transfers/ on order	Transfers/ withdrawals		
North America	15,660	14,480	(5,840)	24,300	10%
United Kingdom	6,210	4,620	(700)	10,130	13%
Germany	1,700	5,720	(510)	6,910	40%
Australia	1,200	-	-	1,200	8%
Total	24,770	24,820	(7,050)	42,540	13%

CAPACITY DEPLOYMENT

The planned capacity deployment within North America for the period 2000 to 2002 is as follows:

2000	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Full Year
Passenger cruise days (millions)					
Alaska	-	0.51	0.90	-	1.41
Caribbean	0.69	0.29	-	0.64	1.62
Europe	-	0.23	0.41	0.07	0.71
Mexico	0.15	0.06	0.01	0.03	0.25
Panama Canal	0.33	0.16	0.01	0.34	0.84
Exotics and others	0.27	0.28	0.17	0.35	1.07
	<u>1.44</u>	<u>1.53</u>	<u>1.50</u>	<u>1.43</u>	<u>5.90</u>

2001	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Full Year
Passenger cruise days (millions)					
Alaska	-	0.46	0.80	-	1.26
Caribbean	0.76	0.36	0.24	0.76	2.12
Europe	-	0.27	0.38	-	0.65
Mexico	-	0.04	0.04	0.21	0.29
Panama Canal	0.32	0.22	0.01	0.22	0.77
Exotics and other	0.31	0.19	0.19	0.42	1.11
	<u>1.39</u>	<u>1.54</u>	<u>1.66</u>	<u>1.61</u>	<u>6.20</u>

2002	Full Year
Passenger cruise days (millions)	
Alaska	1.4
Caribbean	2.3
Europe	0.8
Mexico	0.4
Panama Canal	0.7
Exotics and other	1.3
	<u>6.9</u>

CAPITAL EXPENDITURE COMMITMENTS

P&O Princess Cruises had nine ships on order as at 31 December 2000, which are scheduled for delivery from 2001 to 2004. As at 31 December 2000, the Group had incurred \$376.5 million of capital expenditure in respect of these ships excluding capitalised interest of \$25.0 million. The future capital commitments (including contract stage payments, design and engineering fees and various owner supplied items and excluding capitalised interest) by year in respect of ships on order are set out below:

Ship deliveries	Delivery Date	Commitment \$'m
2001		
Golden Princess	Second quarter 01	522.5
2002		
Star Princess	First quarter 02	
AIDAvita	First quarter 02	992.9
Coral Princess	Fourth quarter 02	
2003		
AIDA unnamed	First quarter 03	
Island Princess	Second quarter 03	906.7
Diamond Princess	Third quarter 03	
2004		
P&O Cruises unnamed	Second quarter 04	750.1
Sapphire Princess	Second quarter 04	

		3,172.2

P&O Princess Cruises also has fixed price options with Chantiers d'Atlantique to build two 1,970 berth vessels for delivery in 2004. These options expire in June 2001.

OPERATING STATISTICS

Definitions

Passenger cruise days (pcds) means the number of passengers who could be carried on board (defined by lower berth capacity) multiplied by the available cruise days. Cruises that begin in one accounting period and end in another have their pcds apportioned accordingly; the financial results are treated similarly.

Occupancy is calculated by dividing the achieved pcds by the offered pcds. Since the former includes upper berths whereas the latter includes only lower berths, the occupancy can exceed 100%.

Net revenue has historically been defined as gross revenue (turnover) from the sale of cruises less the cost of sales (primarily travel agent commissions) and the flight component of a fly-cruise. In the future, in order to ensure consistency with the figures published by our peers in the sector, we shall publish net revenue figures that include on board revenue too. In this release, the figures have been calculated and presented on both bases.

Like for Like is defined as movements in net revenue yields after adjusting for the effects of the higher priced cruises over the Millennium, changes in exchange rates and changes in the mix of cruises.