

26 April 2001

**P&O PRINCESS CRUISES PLC
RESULTS FOR THE QUARTER ENDED 31 MARCH 2001**

Key points for the quarter

- Trading conditions significantly better in Q1 2001 than in Q4 2000
- Earnings per share/ADS in line with expectations at 2.6c/\$0.10
- Passenger cruise days increased by 11%
- Like for like net revenue yields 6% lower, as forecast in our previous trading update

Outlook for the remainder of 2001

- Pace of bookings for Princess has remained in line with 2000
- Pricing for Princess continues to be lower year over year
- Bookings remain solid in UK, Germany and Australia
- Overall like for like yield reduction for the year forecast at 2-3%
- Cost reduction ahead of target
- Our expectations for full year earnings are within the range of current market forecasts.

Peter Ratcliffe, Chief Executive Officer of P&O Princess Cruises, commented:

“Trading conditions in Q1 showed a considerable improvement over Q4 2000, particularly in North America. Although yields were lower year over year, in line with expectations, the increase in passenger carryings and reduced unit costs allowed us to report positive earnings in this seasonally weaker part of the year.

Looking forward to the rest of the year, our UK, German and Australian businesses continue to do well. In North America the pricing environment remains competitive but nonetheless we expect to increase earnings for the year and continue to earn returns above our cost of capital.

We have made further progress towards our strategic goals. Plans for the expansion of our German and UK businesses are on track. We continue to take steps to differentiate further our Princess product with the introduction of Personal Choice cruising reinforced by our new "i belong" marketing campaign. Our cost reduction programme is progressing well and we expect to exceed our target for this year.

Tomorrow we take delivery of Golden Princess, sister to the highly successful Grand Princess. This new ship will further strengthen the Princess fleet with its high proportion of balconies, onboard choices in dining and entertainment and cost effective operation.

The prospects for growth in cruising remain positive. With our well known brands in North America, Germany and the UK we are well positioned to take advantage of this growth in the world's three largest vacation markets.”

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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 9 new ships offering a further 19,620 berths on order.

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 PROFIT AND LOSS ACCOUNT FOR THE 3 MONTHS
ENDED 31 MARCH 2001**

	Three months to 31 March	
	2001 (Unaudited)	2000 (Unaudited)
US\$ million		
Turnover (gross revenue)	542.1	519.0
Direct operating costs	(388.0)	(344.6)
Selling and administrative expenses	(84.6)	(80.5)
Depreciation and amortisation	(36.8)	(33.8)
	(509.4)	(458.9)
Operating profit	32.7	60.1
Net interest and similar items	(13.8)	(8.3)
Profit before taxation	18.9	51.8
Taxation	(0.9)	(6.7)
Profit after taxation	18.0	45.1
Equity minority interests	-	(0.4)
	18.0	44.7
Basic earnings per share	2.6c	6.6c
Basic earnings per ADS	\$0.10	\$0.26
Dividend per share	3.0c	-
Dividend per ADS	\$0.12	-
Weighted average number of shares in issue (in millions)	692.6	681.2

	Three months to 31 March	
	2001	2000
<u>Operating statistics</u>		
Passenger cruise days (thousands)		
North America	1,396	1,436
Europe and Australia	816	558
Total	<u>2,212</u>	<u>1,994</u>
Occupancy		
North America	103.0%	99.9%
Europe and Australia	95.5%	95.8%
Total	<u>100.3%</u>	<u>98.7%</u>
Change in Net Revenue Yields		
Like for like, including on board revenue	(6)%	

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 first quarter results

Passenger cruise days in the quarter were 11% higher than in the same quarter in 2000. In North America, Princess' passenger cruise days were slightly below last year with the inclusion of Ocean Princess (introduced in February 2000) for the full quarter offsetting the effect of the transfer of Sky Princess to Australia. For Europe and Australia, growth was 46% with the inclusion of Aurora (introduced in April 2000) for P&O Cruises in the UK, the acquisition of Seetours (in April 2000) which added Arkona to the German business, and the expansion in Australia through the replacement of Fair Princess with the larger Pacific Sky (formerly Sky Princess).

As indicated with our last quarterly results, net revenue yields, including on board revenue, were 6% lower than for the first quarter in 2000. This compares favourably with the 11% reduction experienced in the fourth quarter of 2000, with Princess in particular experiencing a significantly lower level of yield reduction.

Overall revenues for the quarter increased by 4%, reflecting the increase in passenger carryings, the lower net revenue yields and adverse exchange rates as well as a slightly higher air/sea mix and the Seetours acquisition. In addition, the first quarter of 2000 included \$11 million of additional income from cruises which spanned the Millennium.

Underlying unit costs were around 2% lower than in the first quarter of 2000, with costs also benefiting from the relative strength of the US dollar but increased by the higher air/sea mix and the Seetours acquisition. Unit cost savings were achieved in both operating costs and overheads, offsetting some one-off costs of the office relocation in Los Angeles.

Operating profit for the quarter was \$32.7 million against \$60.1 million, with the comparison affected by the \$11 million Millennium benefit in 2000 and the inclusion of a seasonal loss of \$3 million for the quarter from Arkona. Interest costs were in line with the previous quarter, but increased compared with the first quarter of 2000 with the additional borrowings taken on when Ocean Princess and Aurora were delivered.

As anticipated, the overall tax charge was reduced to 5% with deferred tax no longer being provided on the profits of P&O Cruises in the UK due to the planned entry into the tonnage tax regime. One-off restructuring tax charges relating to tonnage tax entry were offset by the release of the accumulated deferred tax provision. After interest, tax and minority interests, profits were \$18.0 million against \$44.7 million in the first quarter of 2000. Earnings per share/ADS were 2.6c/\$0.10 compared with 6.6c/\$0.26 for 2000.

In line with previous indications, it is our intention to declare a first quarterly dividend of 3.0c per share, payable on 15 June 2001 to shareholders on the register on 18 May 2001. Unless they have elected otherwise, ordinary shareholders will receive their dividend in sterling, converted at the exchange rate on 1 June 2001. Elections to receive dividends in US dollars must be made by 24 May 2001. Holders of ADSs will receive their dividend of \$0.12 per ADS in US dollars.

2001 Outlook

Since our trading update on 15 February, bookings for Princess have maintained a good pace and the overall proportion of capacity booked remains broadly in line with this time 12 months ago. The pricing environment in North America remains competitive. Bookings for the UK, Germany and Australia continue to be solid.

Sailings for the second quarter are almost fully booked and we anticipate that the Group's net revenue yields for this quarter will be around 3% lower, on a like for like basis, compared with the second quarter of 2000. Pricing for bookings for the third quarter remains above the final yields achieved for the third quarter of 2000, but below the position for bookings we had taken at this time 12 months ago. Given the current pricing environment in the North America, particularly for Alaska where there has been a significant increase in competitive capacity this year, we expect yields for the third quarter to finish below the comparable 2000 figure. For the fourth quarter, it is early days for bookings but, to date, pricing has been good. With a less demanding comparative for this quarter, we anticipate a more positive overall position than in the first three quarters of this year.

Taking all this into account, we have marginally reduced our expectations for net revenue yields for the Group for the year as a whole and now anticipate a reduction on a like for like basis of 2-3%.

Our cost reduction program is progressing well. We are nearing completion of our office re-locations in Los Angeles and the UK, which, after some one-off costs in the second quarter, will reduce annual operating costs. We continue with our systems and purchasing integration and our ongoing cost management initiatives and remain confident of exceeding our target of reducing unit costs by 2% per annum.

Recognising that a number of analysts have lowered earnings forecasts, reducing the consensus estimate by 1-2 cents per share, our current expectation for full year 2001 earnings per share remain within the range of current market forecasts.

Business Developments

We continue to make strategic progress across the business. Princess' introduction of "Personal Choice" cruising, including true restaurant style dining, has been very well received by passengers and continues to differentiate Princess' product. Golden Princess, sister ship to the highly successful Grand Princess, commences commercial operations early next month after various promotional events in Southampton. With over 50% of her cabins having balconies, and the ship designed specifically to deliver the choice inherent in "Personal Choice" cruising, she will enhance the revenue potential and cost structure of our fleet, improving our position in the Caribbean in particular.

Princess' new marketing campaign, "where i belong", was launched at the beginning of the year and has been well received in the market place. We are seeing increasing benefits from our alliance with AOL, including a doubling in the number of visitors to the Princess website (www.princess.com). In Alaska, we have completed the expansion of our hotel in Fairbanks and work continues on our new

lodge at Copper River. Together, these developments will take us to 1,100 owned hotel rooms in Alaska, further reinforcing our leading position in the cruise tour segment.

In Germany, AIDAcara, the first Aida ship, continues to trade well as we prepare to expand in this segment with the introduction of a second ship, AIDAvita in April 2002. We are also preparing for the transfer of Crown Princess to Germany in 2002 to offer a destination-oriented product. An exciting new brand is being developed for this product, with its innovative launch currently taking place in Germany.

P&O Cruises is performing well in the UK market, having absorbed the capacity increase from the introduction of Aurora last year. We are reinforcing our commitment to customer service levels through rolling out a new customer service programme across our P&O Cruises' fleet. The UK is benefiting from our combined Group purchasing unit and from the integration of systems across the Group. In Australia, the introduction of Pacific Sky continues to go well with net revenue yields ahead of 2000, despite the 45% increase in capacity.

Notwithstanding the competitive conditions in North America, the fundamentals of the industry remain strong. The strength of the Princess brand, the quality of our fleet and further product differentiation allow us to compete effectively in North America. In addition, cruising continues to expand around the world and P&O Princess is particularly well placed to take advantage of this with its leading positions in the UK, Germany and Australia.

SUMMARISED GROUP BALANCE SHEET

	As at 31 March 2001 (Unaudited)	As at 31 December 2000 (Audited)
US\$ million		
Goodwill	113.1	121.0
Ships	3,099.6	3,206.5
Ships under construction	429.1	401.5
Properties and other fixed assets	228.7	219.6
Investments	10.8	10.9
Stocks	77.6	79.8
Debtors	305.8	318.6
	4,264.7	4,357.9
Net borrowings	(967.6)	(967.0)
Other creditors and provisions	(876.9)	(927.1)
Equity minority interests	(0.2)	(0.2)
	2,420.0	2,463.6
Equity shareholders' funds	2,420.0	2,463.6
Debt/capital ratio	29%	28%
Net operating assets	3,020.7	3,177.1

SUMMARISED GROUP CASH FLOW STATEMENT

US\$ million	Three months to 31 March	
	2001 (Unaudited)	2000 (Unaudited)
Net cash inflow from operating activities	122.1	134.7
Returns on investments and servicing of finance	(11.4)	(9.5)
Taxation	(113.2)	(3.5)
Capital expenditure and financial investment		
Purchase of ships	(20.0)	(394.4)
Purchase of other fixed assets	(18.2)	(11.2)
Disposal of ships	15.2	1.4
Net cash outflow for capital expenditure and financial investment	(23.0)	(404.2)
Acquisitions and disposals		
Purchase of subsidiaries	-	(2.7)
Net cash outflow before financing	(25.5)	(285.2)
Movement in net borrowings:		
Net cash outflow before financing	(25.5)	(285.2)
Net investment by P&O	-	(5.9)
Amortisation of bond issue costs	(0.4)	-
Exchange movements in borrowings	25.3	(3.0)
Movement in net borrowings	(0.6)	(294.1)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Three months to
31 March 2001
(Unaudited)

US\$ million

Profit for the period	18.0
Exchange movements	(40.3)
Dividends	<u>(21.3)</u>
Net decrease in shareholders' funds	(43.6)
Shareholders' funds at beginning of period	<u>2,463.6</u>
Shareholders' funds at end of period	<u>2,420.0</u>

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 is defined as gross revenue (turnover) from the sale of cruises and on board revenue less the cost of sales (primarily travel agent commissions) and the flight component of a fly-cruise.

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.