

P&O PRINCESS CRUISES PLC
Form 424B3
March 18, 2003

Filed pursuant to Rule 424(b)(3)
Registration No. 333-102443

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Partial Share Offer, the DLC transaction or the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised, in the United Kingdom, under the Financial Services and Markets Act 2000. This document should be read in conjunction with the accompanying Form of Acceptance or Letter of Transmittal (as appropriate).

If you have sold or otherwise transferred all your P&O Princess shares or P&O Princess ADSs, please send this document, the Form of Acceptance or the Letter of Transmittal (as appropriate) 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.

Application will be made for the Carnival shares offered in connection with the Partial Share Offer to be listed on the NYSE, where they will trade together with the currently outstanding Carnival shares under the symbol "CCL".

Partial Share Offer

by

Carnival Corporation

to acquire up to 20 per cent. of the issued share capital of

P&O Princess Cruises plc

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 transaction and the Partial Share Offer 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 transaction and the Partial Share Offer.

Schroder Salomon Smith Barney is acting as sole financial adviser 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.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS SET OUT ON PAGES 27 TO 34 OF THIS DOCUMENT.

THE PROCEDURE FOR ACCEPTANCE OF THE PARTIAL SHARE OFFER IS SET OUT ON PAGES 76 TO 80 OF THIS DOCUMENT AND IN THE ACCOMPANYING FORM OF ACCEPTANCE AND LETTER OF TRANSMITTAL.

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NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THE DISCLOSURES IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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EXPECTED TIMETABLE OF EVENTS FOR THE PARTIAL SHARE OFFER AND THE DLC TRANSACTION

Posting of this document	
Carnival Special Meeting	10:00 a.m. (New York)
P&O Princess EGM	10:00 a.m. (London)
Expected closing date of the Partial Share Offer	10:00 a.m. (London)
Completion of the DLC transaction	
Reorganisation of the P&O Princess shares	10:00 p.m. (London)
Dealings commence in consolidated P&O Princess shares	8:00 a.m. (London)
Settlement	

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

SHAREHOLDER HELPLINE

If you have any queries in relation to the DLC transaction and/or the Partial Share Offer, you may call the UK shareholder 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 156 to 160 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, 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 competition from other cruise ship operators and providers of other vacation alternatives and increases in capacity offered by cruise ship and land-based vacation alternative capacities;
- .. the impact of operating internationally;
- .. the international political and economic climate, armed conflict, terrorist attacks and other world events and negative 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;

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- .. 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.

These risks and other risks are detailed in the section entitled "Risk factors" in Part II of this document and in Carnival's and P&O Princess' SEC reports. That section and those reports contain important

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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, which statements and factors are incorporated in this document by reference.

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 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).

Rules prohibiting tendering borrowed stock

Under applicable U.S. securities laws, you must have a "net long position" in

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P&O Princess shares at least equal to the number of shares you tender both at the time of tender and at completion of the Partial Share Offer. Your net long position is equal to the excess, if any, of your long position in P&O Princess shares over your short position in P&O Princess shares, in each case as defined in the applicable regulations. For the purposes of these rules, borrowed shares will count towards both your long position and your short position in P&O Princess shares. Accordingly, borrowing shares will not increase your net long position. The effect of these rules is to restrict your ability to tender borrowed shares in the Partial Share Offer. The application of these rules can be complex. If you have any questions regarding whether you will have a net long position in P&O Princess shares upon participating in the Partial Share Offer, you should contact your legal or financial advisers prior to tendering your shares.

Financial information

The extracts from the consolidated financial statements of, and the other financial information about, Carnival and P&O Princess appearing or incorporated by reference in this document are presented in U.S. dollars. Carnival's historical financial statements are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, and P&O Princess' historical financial statements are prepared in accordance with UK generally accepted accounting principles, or UK 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 P&O Princess is contained in Part C of Section B of Part III of this document and in the notes to the P&O Princess consolidated financial statements for the year ended 31 December 2002 which are incorporated by reference in this document.

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

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Incorporation of documents by reference

Carnival and P&O Princess have filed a registration statement on Form S-4/F-4 to register with the SEC:

- .. the Carnival shares to be delivered to P&O Princess shareholders in exchange for their P&O Princess shares and P&O Princess ADSs pursuant to the Partial Share Offer; and
- .. the P&O Princess shares deemed to be exchanged as a result of the DLC transaction.

This document is a part of that registration statement and constitutes a prospectus of Carnival and a prospectus of P&O Princess as well as Carnival's offer to exchange. In addition, Carnival has filed with the SEC a Tender Offer Statement on Schedule TO under the Exchange Act to furnish certain information about the Partial Share Offer.

This document incorporates important business and financial information about Carnival and P&O Princess, and about the DLC transaction and the Combined Group, by reference to documents that Carnival and P&O Princess have previously filed with the SEC and that are not included in or delivered with this

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document. This means that:

- .. incorporated documents are considered part of this document;
- .. Carnival and P&O Princess can disclose important information to you by referring you to those documents;
- .. information in this document automatically updates and supersedes information in earlier documents that are incorporated by reference in this document;
- .. information in a document incorporated by reference in this document automatically updates and supersedes information in earlier documents that are incorporated by reference in this document; and
- .. information that Carnival and P&O Princess file with the SEC after the date of this document that is incorporated by reference in this document automatically updates and supersedes information in this document.

Any references to statutory safe harbours from liability for forward-looking statements in any of the documents we incorporate by reference in this document are specifically excluded from this document.

In connection with the P&O Princess EGM to approve the implementation of the DLC structure, P&O Princess has prepared a shareholder circular which is being distributed to you separately. That circular has been furnished to the SEC under cover of a Form 6-K, and certain portions of that circular are incorporated in this document by reference.

You may obtain copies of the Form S-4/F-4 and the Schedule TO (and any amendments or supplements to those documents) and copies of documents filed by Carnival with the SEC that are incorporated by reference in this document from Carnival as set forth in "Where you can find additional information about Carnival" in Part IV of this document and copies of the Form S-4/F-4 (and any amendments or supplements to that document) and copies of documents filed with, or furnished to, the SEC by P&O Princess that are incorporated by reference in this document from P&O Princess as set forth in "Where you can find additional information about P&O" in Part V of this document. As allowed by SEC rules, this document does not contain all the information you can find in the registration statement on Form S-4/F-4 or the exhibits to the registration statement.

You may also contact the U.S. Information Agent, Georgeson Shareholder, at: 17 State Street, 10th Floor, New York, NY 10004. You may also call the U.S. Information Agent toll-free from the U.S., at 1 866 203-2636. Calls from outside the U.S. will be charged at the applicable rate. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY 7 APRIL 2003.

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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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 and the other documents to which you are referred.

Section A. These materials

Why am I receiving these materials?

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 and Carnival 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. The purpose of this document is to explain the terms and conditions of the Partial Share Offer and DLC transaction. See Section C below for questions and answers concerning the Partial Share Offer and Section D below for questions and answers concerning the DLC transaction.

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 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 urges you to exercise your voting rights to approve the DLC transaction.

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.

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Section B. Summary information on the Combined Group, Carnival and P&O Princess

The Combined Group

The Combined Group, which reflects the businesses of Carnival and P&O Princess that will be managed and operated as if they were a single economic enterprise, 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. Carnival and P&O Princess together had, as at 31 January 2003, a combined fleet of 65 cruise ships offering 99,982 lower berths, with 18 additional cruise ships with 42,260 lower berths scheduled to be added over the next three and a half years, and will be a leading provider of cruises to all major cruise destinations outside the Far East. Carnival and P&O Princess together carried approximately 4.7 million passengers in fiscal 2002.

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,

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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. 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 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 passengers 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 87th/ Avenue, Miami, Florida 33178-2428, and its telephone number is +1 305 599 2600.

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 of 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 and 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. The address of P&O Princess' principal executive office is 11-12 Charles II Street, London SW1Y 4QU, England, and its telephone number is +44 20 7805 1200.

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 Parts IV and V of this document.

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Section C. Summary of the terms of the Partial Share Offer

If you want to continue to hold your P&O Princess shares, you should not accept the Partial Share Offer, and the information in this Section C will not be relevant to you. Please see Section D for a discussion of the DLC transaction.

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

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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. Please see "The Partial Share Offer" in Section A of Part VI of this document.

Why is Carnival making the Partial Share Offer?

The Partial Share Offer is being made in connection with the DLC transaction. It is designed to allow those P&O Princess shareholders who would prefer to hold their interest in the Combined Group through Carnival shares listed on the NYSE to exchange P&O Princess shares for Carnival shares if the DLC transaction is completed. The extent to which a P&O Princess shareholder will be able to do this will depend on how many shares are tendered into the Partial Share Offer. The board of directors of Carnival believes that the DLC transaction is advantageous for Carnival and in the best interests of Carnival and its shareholders. Carnival has agreed to enter into the DLC transaction with P&O Princess in order to create the Combined Group. The transaction will allow the Combined Group to offer a wider range of vacation choices for its passengers and is expected to enhance its ability to attract more passengers from land-based vacations.

What would I receive in exchange for my P&O Princess shares?

Under the terms of the Partial Share Offer, Carnival will issue 0.3004 Carnival shares for each P&O Princess share and 1.2016 Carnival shares for each P&O Princess ADS tendered. P&O Princess shareholders may elect to accept the Partial Share Offer in respect of all or a portion of their P&O Princess shareholdings. If more than 20 per cent. of the issued P&O Princess shares are tendered into the Partial Share Offer, then the proration procedures described in paragraph 4 of Section A of Part VI of this document will apply.

If the Partial Share Offer is oversubscribed, how will the scaling down work?

P&O Princess shareholders who tender at least 20 per cent. of the P&O Princess shares they hold will have at least 20 per cent. accepted. The extent to which tenders in excess of 20 per cent. are accepted will depend on how many P&O Princess shares each individual shareholder tenders and how many P&O Princess shares all P&O Princess shareholders tender. If less than 20 per cent. of the issued share capital of P&O Princess is tendered, all shares tendered by tendering P&O Princess shareholders will be accepted. If more than 20 per cent. is tendered, each tendering shareholder will have its 20 per cent. accepted. The remaining amount tendered will be accepted pro rata for each shareholder based on the proportion of the number of shares available once acceptances of up to 20 per cent. have been satisfied to the total number of shares tendered in excess of 20 per cent. See paragraph 4 of Section A of Part VI.

How will fractional P&O Princess shares and P&O Princess ADSs be treated in the Partial Share Offer?

Fractional entitlements to Carnival shares arising under the Partial Share Offer will be aggregated and sold in the market and the proceeds (converted into pounds sterling at the prevailing exchange rate)

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remitted to the persons entitled to them, except that individual entitlements of less than (Pounds)3 will be retained for the benefit of the Combined Group.

Does the P&O Princess board recommend the Partial Share Offer?

No. The P&O Princess board is not making any recommendation as to whether you should tender or refrain from tendering your P&O Princess shares. 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 he or she should hold will depend upon the individual shareholder's particular preferences and circumstances. You must decide whether you want to receive Carnival shares and, if so, how many P&O Princess shares to tender. To the best of the knowledge of P&O Princess, some, but not all, of its directors and executive officers intend to participate in the Partial Share Offer. If you are in any doubt about the Partial Share Offer or the action you should take, you should seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised, in the UK, under the Financial Services and Markets Act 2000.

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 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 five 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 series of indices, including the FTSE 100, which could occur if P&O Princess' market capitalisation were to fall significantly compared to other constituents of the index; and

- . Taxation - the tax consequences of accepting the Partial Share Offer may

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differ according to the tax positions of different shareholders. See paragraphs 2 and 3 of Appendix IV, although shareholders are encouraged to seek their own advice in this regard.

Will any vote by Carnival shareholders be required to approve the issuance of the Carnival shares?

No. Carnival shareholders will not be required to approve the proposed issuance of the Carnival shares in the Partial Share Offer.

How long do I have to decide whether to accept the Partial Share Offer?

You initially will have until 10:00 a.m., London time, 5:00 a.m., New York City time, on 17 April 2003, to decide whether to accept the Partial Share Offer (at which time the Partial Share Offer will be declared unconditional), unless the Partial Share Offer is extended by Carnival. It is expected that 16 April 2003

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will be the date of the P&O Princess EGM, and that there will be no need to extend the Partial Share Offer. In the event that the Partial Share Offer is extended, it is likely to be for a period of less than 14 days.

Can the Partial Share Offer be extended and under what circumstances?

Yes. If all of the conditions to the Partial Share Offer (including the completion of the DLC transaction) have not been either satisfied, fulfilled or, to the extent permitted, waived by Carnival by 10:00 a.m., London time, 5:00 a.m., New York City time, on 17 April 2003, Carnival will extend the period for acceptances for an additional period by making an announcement on a Regulatory Information Service. However, in no event will Carnival extend the Partial Share Offer after it is declared unconditional. See paragraph 3 of Part B of Appendix I to this document.

How do I participate in the Partial Share Offer?

If you hold P&O Princess shares in certificated form (that is, you hold a share certificate) and wish to accept the Partial Share Offer you must deliver the certificate(s) representing the P&O Princess shares you wish to tender, together with a completed Form of Acceptance, to Computershare Investor Services PLC, the UK Receiving Agent, as soon as possible and, in any event, so as to be received by no later than the time the Partial Share Offer expires. See paragraph 3(a) of Section A of Part VI of this document and the Form of Acceptance in Section B of Part VI.

If you hold P&O Princess shares in uncertificated form (that is, in CREST) and wish to accept the Partial Share Offer you must send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction in accordance with the procedure set out in paragraph 3(b) of Section A of Part VI of this document, as soon as possible and, in any event, so as to be received by no later than the time the Partial Share Offer expires.

If you hold P&O Princess ADSs in book-entry form through your broker or otherwise and wish to accept the Partial Share Offer, you should contact the institution promptly and instruct it to accept the Partial Share Offer on your behalf not later than the time the Partial Share Offer expires. If you hold P&O Princess ADRs evidencing P&O Princess ADSs that are registered in your name and wish to accept the Partial Share Offer, you must complete and deliver the Letter of Transmittal to Computershare Trust Company of New York, the U.S. Exchange Agent, no later than the time the Partial Share Offer expires. See

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paragraph 3(c) of Section A of Part VI of this document.

Do not send your share certificate(s), P&O Princess ADRs, Forms of Acceptance or Letters of Transmittal to Carnival or P&O Princess. See Part VI and Parts B, C and D of Appendix I to this document.

If you wish to have your Carnival shares credited to an existing U.S. brokerage account rather than receiving a share certificate, you may do so provided that you have an existing U.S. brokerage account and validly complete and timely return the Brokerage Account Election Form.

If I accept the Partial Share Offer, can I still vote on the DLC transaction?

Yes. You are entitled to vote all of your P&O Princess shares in the vote on the DLC transaction, regardless of whether you tender any or all of your shares in the Partial Share Offer.

Until what time can I withdraw my acceptance of the Partial Share Offer?

You can withdraw your acceptance at any time until the Partial Share Offer is declared unconditional. See paragraph 5 of Section A of Part VI and paragraph 4 of Part B of Appendix I to this document.

How do I withdraw my acceptance of the Partial Share Offer?

To withdraw your acceptance and P&O Princess shares or P&O Princess ADSs tendered, you must deliver a written notice of withdrawal with the required information to the UK Receiving Agent or the U.S. Exchange Agent while you still have the right to withdraw the P&O Princess shares or P&O Princess ADSs. See paragraph 4 of Part B of Appendix I to this document.

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When will I receive my Carnival shares?

Assuming that the Partial Share Offer is declared unconditional, Carnival will provide the consideration for the P&O Princess shares taken up in the Partial Share Offer within 14 calendar days of the Partial Share Offer being declared unconditional. If proration is required, Carnival will determine the proration factor as soon as practicable following the Partial Share Offer becoming unconditional.

In what form will I receive my Carnival shares?

Unless you have an existing U.S. brokerage account and complete and return a Brokerage Account Election Form, you will receive a share certificate evidencing your Carnival shares. If you have an established U.S. brokerage account and validly complete and timely return a Brokerage Account Election Form, your Carnival shares will be credited to your U.S. brokerage account.

What is a U.S. brokerage account?

This is an account with a registered U.S. broker-dealer in which you can deposit securities. Rather than holding certificates, securities deposited in such an account will be evidenced in electronic form by book entry. Such securities can be traded, subject to applicable rules through a book entry transfer facility.

Does the closing of the Partial Share Offer require any regulatory approvals?

No. The closing of the Partial Share Offer does not require any regulatory

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approvals.

Can I tender borrowed stock?

Under applicable U.S. securities laws, you must have a "net long position" in P&O Princess shares at least equal to the number of shares you tender both at the time of tender and at completion of the Partial Share Offer. Your net long position is equal to the excess, if any, of your long position in P&O Princess shares over your short position in P&O Princess shares, in each case as defined by the applicable regulations. For the purposes of these rules, borrowed shares will count towards both your long position and your short position in P&O Princess shares. Accordingly, borrowing shares will not increase your net long position. The effect of these rules is to restrict your ability to tender borrowed shares in the Partial Share Offer. The application of these rules can be complex. If you have any questions regarding whether you will have a net long position in P&O Princess shares upon participating in the Partial Share Offer, you should contact your legal or financial advisers prior to tendering your shares.

Do I have any appraisal rights with respect to P&O Princess shares?

Under English law, shareholders do not generally have appraisal rights as that concept is understood under U.S. corporate law or any similar specific statutory right to have a court determine the fair value of securities subject to a business combination. In many U.S. jurisdictions, shareholders who are disappointed with the consideration being offered for their shares in connection with a merger or consolidation of the company have the option to seek appraisal rights and have a court determine the fair value of their shares. In addition, as is common among UK companies, P&O Princess' articles of association do not contain any such rights.

Will I have to pay any fees or commissions?

If you are the registered or record owner of your P&O Princess shares and/or P&O Princess ADSs and you accept the Partial Share Offer, you will not have to pay brokerage fees or similar expenses. If you own your P&O Princess shares and/or P&O Princess ADSs through a broker or other nominee, and your broker accepts the Partial Share Offer on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply.

If I accept the Partial Share Offer, will this be a taxable transaction to me for UK or U.S. tax purposes?

The tax implications of the Partial Share Offer on P&O Princess shareholders will depend on each shareholder's particular circumstances. Holders of P&O Princess shares and P&O Princess ADSs

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should consult their independent professional advisers in the light of their particular circumstances as to the UK tax and U.S. federal income tax consequences of the DLC transaction, the P&O Princess share reorganisation and the Partial Share Offer, as well as to the effect of any state, local or applicable foreign tax law.

UK tax

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 taken up by

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Carnival in the Partial Share Offer 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 Partial Share Offer is set out in paragraph 2 of Appendix IV.

U.S. federal income taxation

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 Carnival shares received pursuant to such exchange. See paragraph 3 of Appendix IV to this document.

If I accept the Partial Share Offer, how will my rights as a Carnival shareholder differ from my rights as a P&O Princess shareholder?

P&O Princess is a company organised under the laws of England and Wales, while Carnival is a company organised under the laws of the Republic of Panama. Since the Partial Share Offer is conditional on approval of the DLC transaction, the rights accompanying the Carnival shares you receive will change to give effect to the DLC transaction. A summary of the material differences between the existing rights of P&O Princess shareholders and the rights of Carnival shareholders following implementation of the DLC structure is contained in Appendix III to this document.

What is the timing of the votes on the DLC transaction relative to the Partial Share Offer?

The vote of Carnival shareholders on the DLC transaction is scheduled for 14 April 2003, and the vote of P&O Princess shareholders on the DLC transaction is scheduled for 16 April 2003. The Partial Share Offer will be declared unconditional (that is, it will expire) at 10:00 a.m., London time, on the day after the P&O Princess EGM, unless the Partial Share Offer is extended as described above.

Who can answer questions I might have about the Partial Share Offer?

If you have any queries in relation to the DLC transaction and/or the Partial Share Offer, you may call the UK shareholder 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 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.

If I am a shareholder resident outside the UK or the U.S., what do I need to do?

P&O Princess shareholders that are citizens or residents of jurisdictions outside the UK or the U.S., or who are nominees of, or custodians or trustees for, such persons, or who intend to forward this document to any jurisdiction outside the UK or the U.S., should refer to paragraph 7 of Part B of Appendix I and the relevant provisions of the Form of Acceptance and Letter of Transmittal.

Section D. Summary of the DLC transaction

This summary of the DLC transaction highlights selected information in question and answer format and does not contain all of the information that is important to you. To understand the DLC transaction fully, you should read the shareholder circular for the P&O Princess EGM and the other documents to which you are referred.

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 at the P&O Princess EGM. You will receive a shareholder circular in connection with the P&O Princess EGM to approve the implementation of the DLC structure, which describes the DLC transaction in greater detail.

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 transaction, 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

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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 transaction, 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 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. 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?

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

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from the vote due to a potential conflict of interest. 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.

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

Yes. The Carnival board of directors has unanimously 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 directors and executive officers of Carnival and their affiliates beneficially held 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

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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". 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. 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 the same 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. 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 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 on 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 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, Carnival shares.

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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

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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. For example, the rights of P&O Princess ADS holders are based on the deposit agreement with the ADS depository bank, as P&O Princess ADS holders are not in the P&O Princess share register and voting is effected through the ADS depository bank and not directly by the P&O Princess 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.

What will happen to Carnival shares?

Carnival shareholders will continue to hold their Carnival shares. In addition, Carnival shareholders will be receiving trust shares of beneficial interest in a trust that Carnival will form, the trustee of which will hold a "special voting share" issued by P&O Princess. Through the 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

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"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.

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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. Holders of P&O Princess shares and P&O Princess ADSs should 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.

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. 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, the P&O Princess share reorganisation and the Partial Share Offer is set out in paragraph 2 of Appendix IV.

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

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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 incomes tax purposes.

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.

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, the P&O Princess share reorganisation and the Partial Share Offer, if accepted, is set out in paragraph 3 of Appendix IV.

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 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

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P&O Princess 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.

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

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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 fiscal 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.

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 Carnival and P&O Princess following implementation of the DLC structure are set out in paragraph 8 of Section A of Part III. 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

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Officer of Carnival, will be Chairman and Chief Executive Officer of both Carnival and P&O Princess, Howard S. Frank, the Vice-Chairman and the 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. It is expected that P&O Princess will, upon completion of the DLC transaction, not comply with the recommendation of the Combined Code to have a separate chairman and chief executive officer.

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 P&O Princess EGM and the Carnival Special Meeting 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.

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Section E. Carnival selected historical financial and operating data

The selected consolidated financial data presented below for fiscal 1998 through 2002 and as of the end of each such fiscal year are derived from Carnival's audited consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements and the related notes, including those incorporated in this document by reference to Carnival's Annual Report on Form 10-K/A for the year ended 30 November 2002. Carnival's consolidated financial statements have been prepared in accordance with U.S. GAAP, using Carnival's accounting policies.

	Years ended 30 November				
	2002	2001	2000	1999	1998

	dollars in thousands, except per share and operating data)				
Statement of operations data/(a)/:					
Revenues	4,368,269	4,535,751	3,778,542	3,497,470	3,009,306
Operating income	1,042,059	891,731	982,958	1,019,699	896,524
Net income /(b)/	1,015,941/(c)/	926,200/(c)/	965,458	1,027,240	835,885
Earnings per share /(b)/					
Basic	1.73	1.58	1.61	1.68	1.40/
Diluted	1.73	1.58	1.60	1.66	1.40/
Dividends declared per share	.420	.420	.420	.375	.315/
Cash from operations	1,469,032	1,238,936	1,279,535	1,329,724	1,091,840

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Capital expenditures	1,986,482	826,568	1,003,348	872,984	1,150,413
Other operating data:					
Available lower berth days/ (e)/	21,436	20,685	15,888	14,336	12,237
Passengers carried	3,549	3,385	2,669	2,366	2,045
Occupancy percentage / (f)/	105.2%	104.7%	105.4%	104.3%	106.3%

As of 30 November

2002/ (a) /	2001 / (a) /	2000 / (a) /	1999
(U.S. dollars in thousands)			

Balance sheet and other data:

Total assets	12,334,848/ (g) /	11,563,552 / (g) /	9,831,320	8,286,355
Long-term debt, excluding current portion	3,011,969	2,954,854	2,099,077	867,515
Total shareholders' equity	7,417,903	6,590,777	5,870,617	5,931,247
Debt to capital/ (h) /	29.9%	31.1%	28.6%	15.3%

(a) From June 1997 through 28 September 2000, Carnival owned 50 per cent. of Costa Cruises. On 29 September 2000, Carnival completed the acquisition of the remaining 50 per cent. interest in Costa. Carnival accounted for this transaction using the purchase accounting method. Prior to the fiscal 2000 acquisition, Carnival accounted for its 50 per cent. interest in Costa using the equity method. Commencing in fiscal 2001, Costa's results of operations have been consolidated in the same manner as Carnival's other wholly-owned subsidiaries. Carnival's 30 November 2000 and subsequent consolidated balance sheets include Costa's balance sheet. All statistical information prior to 2001 does not include Costa. See Notes 5 and 17 in Carnival's 2002 consolidated financial statements, which are incorporated by reference in this document.

(b) Effective 1 December 2001, Carnival adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", which requires that companies stop amortising goodwill and requires an annual, or when events or circumstances dictate a more frequent, impairment review of goodwill. Accordingly, as of 1 December 2001, Carnival no longer amortises its goodwill. If goodwill had not been recorded for periods prior to 1 December 2001, Carnival's adjusted net income and adjusted basic and diluted earnings per share would have been as follows (U.S. dollars in thousands, except per share data):

	Years Ended 30 November			
	2001	2000	1999	1998
-	-	-	-	-
Net income	926,200	965,458	1,027,240	835,885
Goodwill amortisation	25,480	23,046	20,666	17,074
Adjusted net income	951,680	988,504	1,047,906	852,959
Adjusted earnings per share				
Basic	1.63	1.65	1.71	1.43
Diluted	1.62	1.64	1.70	1.43

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- (c) Carnival's net income for fiscal 2001 and 2002 includes an impairment charge of \$140 million and \$20 million, respectively, and fiscal 2001 includes a nonoperating net gain of \$101 million from the sale of Carnival's investment in Airtours. In addition, fiscal 2002 included a \$51 million income tax benefit as a result of a new Italian investment incentive, which allows Costa to receive an income tax benefit based on contractual expenditures during 2002 on construction of new ships. See Notes 4, 5 and 9 in Carnival's 2002 consolidated financial statements, which are incorporated by reference in this document.
- (d) The 1998 per share amounts have been adjusted to reflect a two-for-one stock split effective 12 June 1998.
- (e) Represents the total annual passenger capacity, assuming two passengers per cabin, that Carnival's ships offered for sale, which is computed by multiplying passenger capacity by ship operating days.

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- (f) In accordance with cruise industry practice, occupancy percentage is calculated based upon two passengers per cabin even though some cabins can accommodate three or more passengers. The percentages in excess of 100 per cent. indicate that more than two passengers occupied some cabins.
- (g) Effective 1 December 2000, Carnival adopted SFAS No. 133, which requires that all derivative instruments be recorded on Carnival's balance sheet. Total assets at 30 November 2001 and 2002 included \$567 million and \$178 million, respectively, which represents the fair value of hedged firm commitments. See Note 2 in Carnival's 2002 consolidated financial statements, which are incorporated by reference in this document.
- (h) Represents the percentage of total debt to the sum of total debt and shareholders' equity.

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Section F. P&O Princess selected historical financial data

The selected financial data of P&O Princess presented below for financial 1998 through 2002 and as of the end of each such financial year are derived from P&O Princess' audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes to those accounts incorporated by reference in this document.

P&O Princess' consolidated financial statements are presented on the basis that P&O Princess' cruise business and subsidiaries were part of its business and subsidiaries for all years presented or, if not owned by P&O Princess at all times during such period, from the date such businesses and subsidiaries were acquired by P&O Princess and/or until the date on which P&O Princess disposed of them, as applicable.

P&O Princess' consolidated financial statements have been prepared using P&O Princess' accounting policies in accordance with UK GAAP, which differ in some respects from U.S. GAAP. The notes to the P&O Princess consolidated financial statements for the year ended 31 December 2002, which are incorporated by reference in this document, contain a description of the principal differences between U.S. GAAP and UK GAAP as they relate to P&O Princess and a reconciliation to U.S. GAAP of certain financial statement items.

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	Years ended 31 December (rest		
	2002	2001	2000
	(U.S. dollars in milli except per share and per ADS i		
Selected profit and loss information:			
UK GAAP			
Turnover	2,526.8	2,451.0	2,423.9
Net operating costs	(2,228.1) / (b) /	(2,089.7)	(2,050.8)
Group operating profit	298.7	361.3	373.1
Share of operating results of joint ventures	--	0.1	0.5
Total operating profit	298.7	361.4	373.6
Non-operating profit/(loss)	1.2	(1.9)	(6.5)
Profit on ordinary activities before interest	299.9	359.5	367.1
Net interest and similar items	(74.0)	(58.0)	(49.1)
Profit on ordinary activities before taxation	225.9	301.5	318.0
Taxation/(c) /	(17.1)	81.7 / (f) /	(57.2)
Profit on ordinary activities after taxation	208.8	383.2	260.8
Equity minority interests	--	(0.1)	(2.6)
Profit for the financial year attributable to shareholders	208.8	383.1	258.2
Basic earnings per ordinary share (cents)	30.2	55.4 / (f) /	38.1
Diluted earnings per share (cents)	30.0	55.2 / (f) /	38.1
Basic earnings per ADS (cents)	120.8	221.6	152.4
Diluted earnings per ADS (cents)	120.0	220.8	152.4
Fixed charge cover / (d) /	2.9	3.8	4.8
Dividend per share (cents)	12.0	12.0	12.0
Dividend per ADS (cents)	48.0	48.0	48.0
U.S. GAAP			
Net income //	212.9	425.2 / (e) (f) /	253.7
Basic earnings per share (cents) / (g) /	30.7	61.5	37.1
Diluted earnings per share (cents) / (g) /	30.6	61.2	37.1
Basic earnings per ADS (cents)	122.8	246.0	148.4
Diluted earnings per ADS (cents)	122.4	244.8	148.4

(a) Prior to the de-merger of P&O Princess from The Peninsular and Oriental Steam Navigation Company in 2000, no combined financial statements had been prepared for the companies and businesses comprising P&O Princess. The financial information for financial years 1998 and 1999 has been extracted from KPMG Audit Plc's accountants' report on P&O Princess contained in the listing particulars dated 26 September 2000 which were prepared for the de-merger.

(b) Infiscal 2002, net operating costs under UK GAAP included U.S.\$117.0 million of transaction costs.

(c) At 1 January 2002, P&O Princess adopted FRS 19. The 2001 balance sheet was

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restated to reflect full provision for deferred tax, an increase in deferred tax liabilities of \$108.1 million. The tax credit for the year ended 31 December 2001 has been increased to reflect the elimination of the majority of future potential tax liabilities upon P&O Princess' election to enter the UK tonnage tax regime by \$96.8 million. The profit and loss account and balance sheet information for each of the three years ended 31 December 2000 have also been restated for the adoption of Financial Reporting Standard 19: Deferred Tax.

- (d) Defined as profit before fixed charges (excluding capitalised interest) and taxation divided by fixed charges. Fixed charges consist of the net interest expense in the profit and loss account, interest capitalised in respect of ships and other fixed assets and an estimate of the interest implicit in operating lease rentals.
- (e) At 1 January 2001, P&O Princess adopted SFAS No. 133. The cumulative effect of the change in this accounting policy at that date was a charge of \$9.0 million, which is included in net income for the financial year ended 31 December 2001. The basic and diluted earnings per share for financial 2001 is after the cumulative effect of the change in this accounting principle.
- (f) Under UK GAAP, the year ended 31 December 2001 includes a tax credit of \$97.5 million, comprising a credit from the release of deferred tax on entry into the tonnage tax regime of \$192.5 million and tax charges arising from internal corporate restructuring of \$95.0 million. The U.S. GAAP tax credit for the year ended 31 December 2001 is for the release of deferred taxes.
- (g) Effective 1 January 2002, P&O Princess adopted SFAS No. 142, which requires that companies stop amortizing goodwill and requires an annual, or when events or circumstances dictate a more frequent, impairment review of goodwill. Accordingly, as of 1 January 2002, P&O Princess no longer amortizes its goodwill. If goodwill had not been recorded for periods prior to 1 January 2002, P&O Princess' adjusted net income and adjusted basic and diluted earnings per share would have been as follows:

	Years Ended 31 December			
	2001	2000	1999	1998

	2001	2000	1999	1998

	(U.S. dollars in thousands, except per share data)			
Net income	425.2	253.7	267.7	222.4
Goodwill amortization	2.9	2.0	1.0	0.8

Adjusted net income	428.1	255.7	268.7	223.2

Adjusted earnings per share				
Basic	61.9	37.4	39.4	32.7
Diluted	61.6	37.4	39.4	32.7

	At 31 December (restated) / (c) /				
	2002	2001	2000	1999	1998

Selected balance sheet information:					
UK GAAP					
Fixed assets	5,772.8	4,418.3	3,959.5	3,258.3	2,949.7
Current assets	558.9	451.4	649.3	406.7	382.4

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Total assets	6,331.7	4,869.7	4,608.8	3,665.0	3,332.1
Other creditors and provisions	(1,000.9)	(847.0)	(1,190.4)	(1,343.8)	(1,494.4)
Creditors: amounts falling due after one year	(2,516.8)	(1,393.1)	(1,062.7)	(216.7)	(139.7)
Total liabilities	(3,517.7)	(2,240.1)	(2,253.1)	(1,560.5)	(1,634.1)
Equity minority interests	(0.2)	(0.2)	(0.2)	(7.7)	--
Consolidated shareholders' funds	2,813.8	2,629.4	2,355.5	2,096.8	1,698.0
U.S. GAAP					
Total assets	6,368.9	4,996.3	4,460.7	3,571.3	3,252.1
Long-term obligations	(2,623.6)	(1,641.8)	(1,275.5)	(416.1)	(296.8)
Consolidated shareholders' equity	2,724.9	2,551.8	2,296.3	2,006.8	1,622.0

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Section G. Selected unaudited pro forma financial data in accordance with U.S. GAAP

The following selected unaudited pro forma financial data give pro forma effect to the DLC transaction, after giving effect to the pro forma adjustments described in the notes accompanying the unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP included in Part A of Section B of Part III of this document. The unaudited pro forma financial data have been prepared from, and you should read the data in conjunction with, the historical consolidated financial statements, including the related notes, of Carnival and P&O Princess that have been incorporated by reference in this document.

The following selected unaudited pro forma financial data have been prepared in accordance with Carnival's accounting policies under U.S. GAAP. U.S. GAAP differs in certain respects from UK GAAP, and Carnival's accounting policies under U.S. GAAP differ in certain respects from P&O Princess' accounting policies under UK GAAP and U.S. GAAP. The notes to the P&O Princess consolidated financial statements for the year ended 31 December 2002, which are incorporated by reference in this document, describe the principal differences between U.S. GAAP and UK GAAP as they relate to P&O Princess.

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Selected Unaudited Pro Forma Financial Data
For the Combined Group in U.S. GAAP
(U.S. dollars in millions, except per share data)

	For the Year Ended 30 November 2002
Pro Forma Combined Statement of Operations Data: -----	
Revenues	6,891.2
Costs and expenses	
Operating	(3,892.7)
Selling and administrative	(972.8)

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Depreciation and amortisation	(551.5)
Impairment charge	(20.0)

	(5,437.0)

Operating income	1,454.2
Nonoperating (expense) income	
Net interest expense	(157.4)
Other expense	(3.0)

	(160.4)
Income before income taxes	1,293.8
Income tax benefit	39.5

Net income	1,333.3
	=====
Earnings per share	
Basic earnings per share (U.S.\$)	1.67
Diluted earnings per share (U.S.\$)	1.67

Pro Forma Combined Balance Sheet Data:

	At 30 November 2002
Assets	
Current assets	-----
Cash and cash equivalents	828.8
Short-term investments	39.0
Accounts receivable, net	237.6
Inventories	178.7
Prepaid expenses and other	320.1
Fair value of derivative contracts	7.3
Fair value of hedged firm commitments	78.4

Total current assets	1,689.9
Property and Equipment, Net	15,733.9
Goodwill and Intangible Assets, Net	3,605.5
Other Assets	294.3
Fair Value of Hedged Firm Commitments	109.1
Fair value of derivative contracts	54.6

	21,487.3
	=====
Liabilities and Shareholders' Equity	
Current Liabilities	
Current portion of long-term debt	275.6
Accounts payable	452.9
Accrued liabilities	543.8
Customer deposits	1,253.3
Dividends payable	61.6
Fair value of derivative contracts	125.4

Total current liabilities	2,712.6
Long-Term Debt	5,576.7
Deferred Income and Other Long-Term Liabilities	283.9
Fair Value of Derivative Contracts	115.4
Shareholders' Equity	12,798.7

 21,487.3
 =====

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Section H. Comparative per share data and stock prices

The following table sets forth selected historical and pro forma per share data for Carnival and historical and pro forma equivalent per share data for P&O Princess prepared in accordance with U.S. GAAP. The unaudited pro forma net income and book value data give effect to the transaction as if it was completed on 30 November 2002 for balance sheet purposes and 1 December 2001 for statement of operations purposes and are based on the unaudited combined pro forma financial information of Carnival and P&O Princess prepared in accordance with U.S. GAAP included in Part A of Section B of Part III this document. The unaudited pro forma per share data should be read in conjunction with the historical audited and unaudited consolidated financial statements and related notes of Carnival incorporated by reference in this document and the historical audited and unaudited consolidated financial statements and related notes of P&O Princess incorporated by reference in this document. The P&O Princess pro forma equivalent per share data were calculated by multiplying the Carnival pro forma per share data by an exchange ratio of 0.3004.

The unaudited pro forma combined per share data may not be indicative of the operating results or financial position that would have occurred if the DLC transaction had been completed at the beginning of the period indicated, and may not be indicative of future operating results or financial position.

Statement of Operations Data:

	For the Year Ended 30 November 2002 ----- (in U.S. dollars)
CARNIVAL--HISTORICAL	
Net income per share:	
Basic	1.73
Diluted	1.73
Cash dividends per share	0.42
CARNIVAL--PRO FORMA	
Net income per share:	
Basic	1.67
Diluted	1.67
Cash dividends per share	0.42

For the
Year Ended 31
December 2002

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(in U.S.
dollars)

P&O PRINCESS--HISTORICAL
Net income per share/(1)/:
Basic 0.307
Diluted 0.306
Cash dividends per share 0.12

For the
Year Ended 30
November 2002

(in U.S. dollars)

P&O PRINCESS--PRO FORMA
EQUIVALENT
Net income per share:
Basic 0.50
Diluted 0.50
Cash dividends per share 0.126

Balance Sheet Data:

At 30 November
2002

Pro
Historical Forma

(in U.S. dollars)

CARNIVAL
Book value per share 12.64 16.01

Pro Forma
Historical at Equivalent at
31 December 30 November
2002 2002

(in U.S. dollars)

P&O PRINCESS
Book value per share 3.93 4.81

/(1)/The historical net income per share includes \$0.15 per share under U.S.
GAAP related to \$105.1 million of P&O Princess transaction costs and break
up fees related to the Royal Caribbean terminated transaction and the
Carnival DLC transaction.

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The following table sets out (i) the closing middle-market quotations for P&O Princess shares as derived from the London Stock Exchange Daily Official List, (ii) the closing price per P&O Princess ADSs as reported on the NYSE Composite Transactions Tape, (iii) the closing stock price of Carnival shares as reported on the NYSE Composite Transactions Tape, (iv) the "equivalent per ordinary share price" (as defined below) of P&O Princess shares and (v) the "equivalent per ADS price" (as defined below) of P&O Princess ADSs on:

- .. 19 November 2001 (the last business day prior to the date of the announcement that P&O Princess and Royal Caribbean announced that they had entered into an agreement to implement a dual-listed company structure);
- .. 23 October 2002 (the last business day prior to the public announcement of Carnival's pre-conditional proposal for the DLC transaction and the Partial Share Offer); and
- .. 12 March 2003 (the latest practicable date prior to the posting of this document).

The "equivalent per ordinary share price" of the P&O Princess shares and the "equivalent per ADS price" of P&O Princess ADSs represents the value that would have been received by a P&O Princess shareholder accepting the Partial Share Offer for each P&O Princess share or P&O Princess ADS at these prices of Carnival shares, calculated by multiplying the applicable middle-market quotation for Carnival shares by 0.3004 and 1.2016, respectively, which is the fraction of a Carnival share being offered in exchange for each of the issued P&O Princess shares and P&O Princess ADSs, respectively, in the Partial Share Offer.

	P&O Princess ordinary shares (in pence)	P&O Princess ADSs (in U.S. dollars)	Carnival common shares (in U.S. dollars)	P&O Princess equivalent share price (in pence)	P&O Princess equivalent per ADS price (in U.S. dollars)
19 November 2001	317.00	18.10	26.11	554.5	31.37
23 October 2002	455.00	29.35	26.00	504.3	31.24
12 March 2003	343.25	22.68	20.75	386.5	24.93

Since the announcement of Carnival's pre-conditional offer on 16 December 2001 to date, Carnival's share price has traded at prices ranging from approximately \$20 to \$35. The following table illustrates the implied value of a P&O Princess share over that range under the terms of the DLC transaction and the Partial Share Offer (using an exchange rate of \$1.62 =(Pounds)1.00).

CCL share price (\$)	20.00	21.00	22.00	23.00	24.00	25.00	26.00	27.00	28.00	29.00	30.00	31.00
Implied POC share price (p)	371	389	408	426	445	464	482	501	519	538	556	575

The foregoing table illustrates certain historical data with respect to the Carnival shares. Following completion of the DLC transaction, however, P&O Princess shares may not trade in accordance with the original equalisation ratio as expressed above or in line with Carnival shares. Please see the "Risk Factors" in Part II of this document.

PART II

RISK FACTORS

In addition to the other information contained or incorporated by reference in this document (including the risk factors contained in Carnival's Annual Report on Form 10-K for the year ended 30 November 2002 and P&O Princess' Annual Report on Form 20-F for the year ended 31 December 2001), P&O Princess shareholders should consider the following risk factors before deciding whether to accept the Partial Share Offer or how to vote on the DLC transaction.

Risks relating to the DLC transaction

Benefits from the DLC structure may not be achieved to the extent or within the time period currently expected, which could eliminate, reduce and/or delay the improvements in cost savings and operational efficiencies expected to be generated by the DLC structure

Following completion of the DLC transaction, P&O Princess and Carnival will be managed as if they were a single economic enterprise. Carnival and P&O Princess expect the combination under the DLC structure to enable them to achieve cost savings through synergies as well as enhanced operational efficiencies. However, the companies may encounter substantial difficulties during this process that could eliminate, reduce and/or delay the realisation of the cost savings and synergies that they currently expect. Among other things, these difficulties could include:

- .. loss of key employees;
- .. inconsistent and/or incompatible business practices, operating procedures, information systems, financial controls and procedures, cultures and compensation structures between Carnival and P&O Princess;
- .. unexpected integration issues and higher than expected integration costs; and
- .. the diversion of management's attention from day-to-day business as a result of the need to deal with integration issues.

As a result of these difficulties, the actual cost savings and synergies generated by the DLC structure may be less, and may take longer to realise, than the companies currently expect.

The structure of the DLC transaction involves risks not associated with the more common ways of combining the operations of two companies and these risks may have an adverse effect on the economic performance of the companies and/or their respective share prices

The DLC structure is a relatively uncommon way of combining the operations and management of two companies and it involves different issues and risks than those associated with the other more common ways of effecting such a combination. In the DLC transaction, the combination will be effected primarily by means of contracts between the two companies and not by operation of a statute or court order. The legal effect of these contractual rights may be different than the legal effect of a merger or amalgamation under statute or court order and there may be difficulties in enforcing these contractual rights. In addition, the contracts will be enforceable only by the companies

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and not directly by their shareholders. Nevertheless, shareholders of either company might challenge the validity of the contracts or their lack of standing to enforce rights under these contracts, and courts may interpret or enforce these contracts in a manner inconsistent with the express provisions and intentions of Carnival and P&O Princess expressed in such contracts. In addition, shareholders of other companies might successfully challenge other dual listed company structures and establish legal precedents that could increase the risk of a successful challenge to the DLC transaction. The Combined Group will maintain two separate public companies and comply with both Panamanian corporate law and English company and securities laws and different regulatory and stock exchange requirements in the UK and the U.S. This is likely to require more administrative time and cost than is currently the case for each company, which may have an adverse effect on the Combined Group's operating efficiency.

The shares of Carnival and P&O Princess may not trade in line with the equalisation ratio

The economic interests of the shares of Carnival and P&O Princess will be contractually aligned in accordance with the equalisation ratio. However, because 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, the relative market

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prices of the shares of P&O Princess and Carnival may not exactly reflect the equalisation ratio. P&O Princess shares could trade at a discount to the Carnival shares because P&O Princess shares will represent between 21 and 26 per cent. of the equity of the Combined Group.

Courts may interpret or enforce the contracts and other instruments that effect the DLC structure in a manner inconsistent with the express provisions and intentions of Carnival and P&O Princess

Various provisions of the Equalization and Governance Agreement, the companies' articles and the cross guarantees are intended to ensure that, as far as practicable, the shareholders of the Combined Group are treated equitably in the event of insolvency of either or both companies and in accordance with the equalisation ratio, regardless of where the assets of the Combined Group reside. Courts may interpret or enforce these contracts in a manner inconsistent with the express provisions and intentions of Carnival and P&O Princess expressed in such contracts. For instance, a bankruptcy court may not choose to follow the companies' contractual way of allocating liabilities and assets. Therefore, were assets transferred between the two companies, a court, faced with the liquidation or dissolution of either company, may not adhere to the equalisation ratio and the rights of shareholders of the company from which assets were transferred may be adversely affected.

Economic returns on shares of Carnival and P&O Princess will be dependent upon the economic performance of the Combined Group and the inability of one company to pay dividends may limit or prevent the payment of dividends by the other

Upon implementation of the DLC structure, the dividends paid on shares of Carnival and P&O Princess will depend primarily on the economic performance of the assets of both companies of the Combined Group. Therefore, the past performance of P&O Princess shares and Carnival shares may not reflect the future performance of these shares. Additionally, if one company is unable to pay dividends on its shares, the other company must make such payments to the

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other and/or scale back its dividend in order to equalise the distributions in accordance with the equalisation ratio. After taking into consideration the actions necessary to equalise such distributions, both companies may be limited in their ability, or unable, to pay dividends.

The liquidity and market value of P&O Princess shares could decrease following the DLC transaction and the Partial Share Offer, and this could affect the inclusion of P&O Princess shares in the FTSE series of indices or their full weighting

As a result of the DLC transaction, P&O Princess shares will account for approximately 26 per cent. of the total outstanding equity of the Combined Group. To the extent P&O Princess shares are exchanged for Carnival shares under the Partial Share Offer this percentage would be further reduced to not less than 21 per cent. of the total outstanding equity of the Combined Group. Any such exchange would reduce the liquidity of the market for P&O Princess shares below its level immediately prior to the DLC transaction. In addition, the liquidity of the market for P&O Princess shares would also be further reduced by any future repurchases or buy-back of P&O Princess shares by Carnival or P&O Princess. Reductions in liquidity could adversely affect the market value of the P&O Princess shares.

The liquidity of the market for the P&O Princess shares would also be adversely affected if they became no longer eligible for inclusion in the FTSE series of indices, including the FTSE 100 index. Based on the thresholds currently required to remain in the FTSE 100, this could occur if the aggregate market value of the outstanding P&O Princess shares falls significantly compared to other constituents of the index. In addition, in order to maintain its full weighting in the FTSE indices, including the FTSE 100, a minimum percentage of P&O Princess shares must qualify as free float as determined by FTSE International. Purchases of P&O Princess shares by Carnival, for example, would reduce the free float. Failure to be included and/or to receive full weighting in the FTSE indices could significantly reduce the demand for, and therefore the liquidity of, P&O Princess shares and lead to significant sales of P&O Princess shares. These could adversely affect the market value of P&O Princess shares.

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Changes under the Internal Revenue Code, the applicable U.S. income tax treaties, and the uncertainty of the DLC structure under the Internal Revenue Code may adversely affect the U.S. federal income taxation of the U.S. source shipping income of the Combined Group

Carnival and P&O Princess believe that substantially all of the U.S. source shipping income of each respective company and its subsidiaries qualifies for exemption from U.S. federal income tax, either under:

- .. Section 883 of the Internal Revenue Code;
- .. as appropriate in the case of P&O Princess and its UK resident subsidiaries, under the UK-U.S. Income Tax Treaty; or
- .. other applicable U.S. income tax treaties,

and should continue to so qualify after completion of DLC transaction. There is, however, no existing U.S. federal income tax authority that directly addresses the tax consequences of implementation of a dual listed company structure such as the DLC structure for purposes of Section 883 or any other provision of the Internal Revenue Code or any income tax treaty and,

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consequently, the matters discussed above are not free from doubt. See paragraph 11 of Section A of Part III under the heading "U.S. taxation".

To date no final U.S. Treasury regulations or other definitive interpretations of the relevant portions of Section 883 have been promulgated, although regulations have been proposed. Any such final regulations or official interpretations could differ materially from Carnival's and P&O Princess' interpretation of this Internal Revenue Code provision and, even in the absence of differing regulations or official interpretations, the Internal Revenue Service might successfully challenge either or both Carnival's and P&O Princess' interpretation. In addition, the provisions of Section 883 are subject to change at any time by legislation. Moreover, changes could occur in the future with respect to the trading volume or trading frequency of Carnival shares and/or P&O Princess shares on their respective exchanges or with respect to the identity, residence, or holdings of Carnival's and/or P&O Princess' direct or indirect shareholders that could affect the eligibility of Carnival and its subsidiaries and/or certain members of the P&O Princess group otherwise eligible for the benefits of Section 883 to qualify for the benefits of the Section 883 exemption. Accordingly, it is possible that Carnival and its shipowning or operating subsidiaries and/or the members of the P&O Princess group whose tax exemption is based on Section 883 may lose this exemption. If any such corporation were not entitled to the benefit of Section 883, it would be subject to U.S. federal income taxation on a portion of its income, which would reduce the net income of such corporation.

As noted above, P&O Princess believes that substantially all of the U.S. source shipping income of P&O Princess and its UK resident subsidiaries qualifies for exemption from U.S. federal income tax under the UK-U.S. Income Tax Treaty. The UK-U.S. Income Tax Treaty has been renegotiated and signed but is pending ratification by the U.S. P&O Princess believes that substantially all of the U.S. source shipping income of the companies referred to above should qualify for exemption from U.S. federal income tax under such treaty if, and as of when, the pending treaty comes into force. In addition, certain companies of the Combined Group may rely on other U.S. income tax treaties for similar exemptions from U.S. taxation on U.S. source shipping income. Neither Carnival nor P&O Princess believe that the DLC transaction will affect the ability of these corporations to continue to qualify for such treaty benefits. There is, however, no authority that directly addresses the effect, if any, of DLC arrangements on the availability of benefits under any applicable U.S. income tax treaty and, consequently, the matter is not free from doubt.

These treaties may be abrogated by either applicable country, replaced or modified with new agreements that treat shipping income differently than under the agreements currently in force. If any of the corporations discussed in the paragraph above that currently qualify for exemption from U.S. source shipping income under any applicable U.S. income tax treaty do not qualify for benefits under the existing treaties or the existing treaties are abrogated, replaced or materially modified in a manner adverse to the interests of any such corporation and, with respect to U.S. federal income tax only, such corporation does not qualify for Section 883 exemption, such corporation may be subject to U.S. federal income taxation on a portion of its income, which would reduce the net income of any such corporation.

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After the DLC transaction is completed, P&O Princess shares could be subject to a mandatory exchange into Carnival shares and this would adversely affect holders to the extent they are required, or prefer, to hold UK shares

In certain limited circumstances following implementation of the DLC structure,

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P&O Princess shares, other than those held by Carnival, may be subject to a mandatory exchange for Carnival shares at the then prevailing equalisation ratio. These circumstances include:

- .. a change in tax law that has a material adverse impact on the DLC structure which cannot be avoided by other commercially reasonable means; and
- .. the illegality or unenforceability of all or a substantial part of the DLC documents.

In both cases, board action is required and in the case of a change in tax law, shareholder approval is also required. 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 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. The exchange by UK P&O Princess shareholders of P&O Princess shares for Carnival shares following mandatory exchange should not constitute a taxable disposal for the purposes of UK taxation on chargeable gains. However, the exchange would adversely affect the holders to the extent they are required, or prefer to hold shares in a UK company with its primary listing on the London Stock Exchange. Additionally, for UK resident or ordinarily resident shareholders dividends paid on Carnival shares are taxed differently than dividends paid on P&O Princess shares and this difference in tax treatment may adversely affect certain P&O Princess shareholders subject to a mandatory exchange.

Under current law, depending on the facts or circumstances at the particular time, the mandatory exchange offer may or may not be a taxable transaction for U.S. federal income tax purposes for U.S. P&O Princess shareholders.

A small group of shareholders will collectively own approximately 35 per cent. of the total combined voting power of the outstanding shares of the Combined Group and may be able to effectively control the outcome of shareholder voting

A group of shareholders, comprising certain members of the Arison family, including Micky Arison, and trusts established for their benefit, that currently beneficially owns approximately 47 per cent. of the voting power of Carnival, will own shares entitled to constitute a quorum at shareholder meetings and to cast approximately 35 per cent. of the total combined voting power of the outstanding shares of the Combined Group. Depending upon the nature and extent of the shareholder vote, this group of shareholders may have the power to effectively control, or at least to influence substantially, the outcome of shareholder votes and, therefore, the corporate actions requiring such votes.

Following completion of the DLC transaction, fewer shares of P&O Princess will be required to approve resolutions at P&O Princess shareholder meetings than would otherwise be the case because:

- .. P&O Princess shares acquired by Carnival in the Partial Share Offer (potentially up to 20 per cent. of its shares in issue) or otherwise generally will not have voting rights; and
- .. votes at P&O Princess shareholder meetings generally will be carried out based on the percentage of shares voting, rather than based on the number of shares in issue.

Provisions in the Carnival and P&O Princess constitutional documents may prevent or discourage takeovers and business combinations that shareholders in the Combined Group might consider in their best interests

Carnival's articles and by-laws and P&O Princess' articles contain provisions

that may delay, defer, prevent or render more difficult a takeover attempt that shareholders in the Combined Group might consider to be in their best interests. For instance, these provisions may prevent shareholders in the Combined Group from receiving a premium to the market price of Carnival shares and/or P&O Princess shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of Carnival shares or P&O Princess shares if they are viewed as discouraging takeover attempts in the future.

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Specifically, Carnival's articles of incorporation contain provisions that prevent third parties, other than the Arison family and trusts for their benefit, from acquiring beneficial ownership of more than 4.9 per cent. of the outstanding Carnival shares without the consent of the Carnival board of directors and provide for the lapse of rights, and sale, of any shares acquired in excess of that limit. In addition, the Carnival and P&O Princess constitutional documents contain provisions that would apply some of the anti-takeover protections provided by the Takeover Code to both companies. No third party, other than the Arison family and related entities, may acquire additional shares or voting control over shares in either company, if such person would then be able to cast 30 per cent. or more of the votes which could be cast on a joint electorate action without making an equivalent offer for the other company. The combined effect of these provisions may preclude third parties from seeking to acquire a controlling interest in either company in transactions that shareholders might consider to be in their best interests and may prevent them from receiving a premium above market price for their shares. These provisions may only be amended by both sets of shareholders, voting separately as a class, in a class rights action.

Risks relating to the Combined Group's businesses

The Combined Group may lose business to competitors throughout the vacation