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P&O PRINCESS CRUISES PLC
Form S-4/A
March 14, 2003

As filed with the Securities and Exchange Commission on March 14, 2003
Registration No. 333-102442

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2 to
Form S-4/F-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CARNIVAL CORPORATION
P&O PRINCESS CRUISES PLC
(Exact name of Registrant as specified in its charter)

Republic of Panama	4600	59-156976
England and Wales	4600	None
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Carnival Corporation	P&O Princess Cruises plc
3655 N.W. 87th Avenue	77 New Oxford Street
Miami, Florida 33178-2428	London, England WC1A 1PP
(305) 599-2600	+44 20 7805 1200

(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

Arnaldo Perez, Esq.	Mona Ehrenreich, Esq.
General Counsel	c/o Princess Cruise
Carnival Corporation	Lines, Ltd.
3655 N.W. 87th Avenue	24305 Town Center Drive
Miami, Florida 33178-2428	Santa Clarita, California
(305) 599-2600	91355
	(661) 753-0000

(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Mark S. Bergman, Esq.	Duncan C. McCurrach, Esq.
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London EC2V 7JU	
+44 20 7367 1600	

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 Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

 CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed offering share
Carnival Corporation, common stock, par value \$0.01	586,773,138 (1) 199,591 (2)	\$0.7 \$0.7
P&O Princess Cruises plc, special voting share	1 (5)	N/A
Trust shares of beneficial interest in P&O Princess Special Voting Trust	586,972,729 (7)	N/A

Title of each class of securities to be registered	Amount of registration fee
Carnival Corporation, common stock, par value \$0.01	\$41,028.00 (4) \$13.00 (6)
P&O Princess Cruises plc, special voting share	N/A
Trust shares of beneficial interest in P&O Princess Special Voting Trust	N/A

(1) Represents the number of shares of Carnival Corporation common stock, par value \$0.01 per share, outstanding as of January 9, 2003.

(2) Represents the difference between the shares of Carnival common stock, par value \$0.01 per share, outstanding as of March 11, 2003 and such shares outstanding as of January 9, 2003.

(3) Based on the additional value deemed accruing to the holders Carnival common

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stock by reason of the implementation of the dual listed company structure. This is calculated using the "look through" value per share of P&O Princess, based on the closing price of \$26.00 per share of Carnival common stock on October 23, 2002, the last business day before announcement of the dual listed company transaction, of \$7.81 per P&O Princess share (calculated using the exchange ratio of 0.3004 Carnival shares per P&O Princess share), yielding a premium of \$0.76 to the closing middle-market price of \$7.05 (the dollar equivalent of 455 pence per share using the exchange rate of (Pounds)1.00=\$1.5499 in effect on such day) per P&O Princess share on October 23, 2002.

- (4) Computed in accordance with Rule 457(f) under the Securities Act to be \$41,028, which is equal to the product of the maximum aggregate offering price and 0.000092. This fee was previously paid.
- (5) Represents one special voting share of P&O Princess Cruises plc to be issued to a special voting trust, beneficial interests in which in the form of trust shares are to be distributed by way of a dividend to shareholders of Carnival and paired with shares of Carnival common stock.
- (6) Equal to the product of the proposed maximum aggregate offering price and 0.0000809.
- (7) Represents the trust shares to be distributed by way of dividend to shareholders of Carnival and paired with shares of Carnival common stock.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This registration statement comprises (i) Carnival's proxy statement with respect to the special meeting of Carnival shareholders to be held to approve the dual listed company structure with P&O Princess Cruises plc, (ii) Carnival's registration statement with respect to shares of Carnival common stock required to be registered as a result of the implementation of the dual listed company structure, (iii) P&O Princess Cruises plc's registration statement with respect to its special voting share that will be created as part of the dual listed company structure and (iv) both registrants' registration statement with respect to the trust shares of beneficial interest in the P&O Princess Special Voting Trust.

The information in this proxy statement/prospectus is not complete and may be changed. Nether registrant may sell the shares registered under the registration statement of which this proxy statement/prospectus is a part until the registration statement filed with the SEC is declared effective. This document is not an offer to sell securities, and it is not soliciting an offer to buy securities, in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated March 14, 2003

[LOGO] CARNIVAL
CORPORATION

MICKY ARISON

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Chairman of the Board
Chief Executive Officer

March 17, 2003

Dear Shareholder:

As you may be aware, Carnival Corporation and P&O Princess Cruises plc have agreed to combine their businesses strategically under a dual listed company structure, which we refer to as the Combined Group in the attached proxy statement/prospectus. The Combined Group will be the largest cruise vacation group in the world, based on revenues, passengers carried and available capacity. The Combined Group will operate a combined fleet of 65 cruise ships and will sail to all major cruise destinations outside the Far East. This is a significant transaction for Carnival and an important step in our history.

Under the DLC structure, the businesses of Carnival and P&O Princess will be combined principally through a series of contracts. Each company will continue to retain its separate legal identity, but the two companies will share a single senior executive management team, will have identical boards of directors and will be run as if they were a single economic enterprise. The two companies will pursue a common set of business objectives established by the identical boards and single management team, who will evaluate these strategies and other operational decisions from the perspective of all the shareholders.

Following completion of the transactions necessary to complete the DLC structure, you will continue to own the Carnival shares you currently own, but these shares will effectively reflect your economic interest in the Combined Group as a whole. On most matters that affect all of the shareholders of the Combined Group, you will vote together with the shareholders of P&O Princess on a combined basis. Carnival shares held by you and other current Carnival shareholders will represent at least 74% of the total equity and voting power of the Combined Group. Carnival shares are listed, and will continue to be listed, on the New York Stock Exchange under the symbol "CCL."

Information about the DLC transaction and proposed amendments to Carnival's articles of incorporation and by-laws in connection with the DLC structure is included in the accompanying proxy statement/prospectus. I urge you to read this material carefully and fully. You should also carefully consider the risk factors beginning on page 31.

Carnival's management believes that there will be significant benefits in sharing the best practices of the management teams of Carnival and P&O Princess across the Combined Group. The DLC transaction will allow the Combined Group to offer a wider range of vacation choices for its passengers and will enhance its ability to attract more passengers from land-based vacations. Carnival's board of directors is asking you to approve the Offer and Implementation Agreement and related transactions required to effect the DLC transaction, including necessary amendments to Carnival's articles of incorporation and by-laws, and the additional proposed amendments to Carnival's articles of incorporation and by-laws, as described in more detail in the accompanying proxy statement/prospectus.

We cannot complete the DLC transaction unless you and your fellow shareholders approve it by a vote of a majority of all outstanding Carnival shares. The board of directors of Carnival has unanimously approved the DLC transaction and recommends that you vote FOR the resolutions set out in the notice of the special meeting.

The board of directors has fixed the close of business on March 11, 2003 as the record date for the determination of shareholders entitled to vote at the meeting or any adjournment of the meeting.

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Thank you for your ongoing support and continued interest in Carnival Corporation.

Sincerely,

/s/
Chairman of the Board and
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of the disclosures in this proxy statement/prospectus. Any representation to the contrary is a criminal offence. This document is not an offer to sell securities, and it is not soliciting an offer to buy securities, in any jurisdiction where the offer or sale is not permitted.

This proxy statement/prospectus is dated March 14, 2003 and is first being mailed to the shareholders of Carnival on or about March 17, 2003.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Carnival and P&O Princess 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 proxy statement/prospectus. You can obtain documents incorporated by reference, other than certain exhibits to those documents, by requesting them in writing or by telephone from us or P&O Princess at the following addresses:

Carnival Corporation
3655 N.W. 87th Avenue
Miami, Florida 33178-2428
Attention: Corporate Secretary
Telephone: (305) 599-2600, Ext. 18018;

P&O Princess Cruises plc
77 New Oxford Street
London WC1A 1PP, England.
Attention: Company Secretary
Telephone: +44 20 7805-1200.

You will not be charged for any of these documents that your request. In order to ensure timely delivery of the documents, any request should be made by April 7, 2003. See "Where You Can Find More Information."

[LOGO] CARNIVAL
CORPORATION

3655 N.W. 87TH AVENUE
MIAMI, FLORIDA 33178-2428

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

DATE April 14, 2003

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TIME 10:00 a.m.

PLACE Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019

ITEMS OF BUSINESS

1. To consider and approve the Offer and Implementation Agreement, dated January 8, 2003, between Carnival Corporation and P&O Princess Cruises plc and the transactions contemplated by that agreement, as more fully described in the attached proxy statement/prospectus;
2. To consider and approve proposed amendments to the articles of incorporation and by-laws of Carnival Corporation in connection with the transactions contemplated by the Offer and Implementation Agreement, as more fully described in the attached proxy statement/prospectus (as reflected in our proposed Third Amended and Restated Articles of Incorporation and Amended and Restated By-laws, other than amendments covered by Proposals 3, 4, 5 and 6), including the issuance of a certificate of amendment as required by Panamanian law,;
3. To consider and approve a proposed amendment to the articles of incorporation of Carnival Corporation to increase the number of shares of common stock that Carnival Corporation has the authority to issue by 999,999,998 shares, including the issuance of a certificate of amendment as required by Panamanian law;
4. To consider and approve a proposed amendment to the articles of incorporation of Carnival Corporation to reduce the quorum requirement for meetings of the board of directors of Carnival Corporation from a majority, to one-third, of the total number of directors, including the issuance of a certificate of amendment as required by Panamanian law;
5. To consider and approve a proposed amendment to the by-laws of Carnival Corporation to reduce the quorum requirement for meetings of the shareholders of Carnival Corporation from a majority, to one-third, of the total number of shares entitled to be cast at such meeting;
6. To consider and approve a proposed amendment to the by-laws of Carnival Corporation to eliminate the ability of shareholders to act by written consent; and
7. To transact such other business as may

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properly come before the meeting.

The transactions contemplated by the Offer and Implementation Agreement will not be completed and the necessary amendments to Carnival's articles of incorporation and by-laws will not be effected unless the resolutions in respect of Items 1 and 2 are approved by our shareholders and the DLC transaction is approved by the shareholders of P&O Princess Cruises plc.

The resolutions in respect of Items 3, 4, 5 and 6 are conditioned upon passage of the resolutions in respect of Items 1 and 2. If the Offer and Implementation Agreement and related amendments to Carnival's articles of incorporation and by-laws are not approved by Carnival's shareholders, and the DLC transaction is not approved by the shareholders of P&O Princess Cruises plc, Carnival's authorized common stock will not be increased, the quorum requirement for director and shareholder meetings will not be reduced and shareholders will continue to have the ability to act by written consent.

RECORD DATE

You are entitled to vote if you were a shareholder at the close of business on March 11, 2003.

MEETING ADMISSION

Attendance at the meeting is limited to shareholders and one guest each. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport. Shareholders holding shares in brokerage accounts (under a "street name") will need to bring a copy of a brokerage statement reflecting share ownership as of the record date. The meeting will begin promptly at 10:00 a.m.

VOTING BY PROXY

Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. For specific instructions, please refer to the Questions and Answers beginning on page 1 of this proxy statement/prospectus and the instructions on the proxy card.

On behalf of the Board of Directors

/s/ ARNALDO PEREZ

ARNALDO PEREZ
Senior Vice President,
General Counsel and Secretary

IMPORTANT

A proxy statement/prospectus and proxy card are enclosed. All shareholders are urged to follow the instructions attached to the proxy card and complete, sign, date and mail the proxy card promptly. The enclosed envelope for return

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of the proxy card requires no postage. Any shareholder attending the meeting may personally vote on all matters that are considered, in which event the signed proxy will be revoked.

IT IS IMPORTANT THAT YOUR SHARES BE VOTED

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ANNEXES

Annex A-1 Offer and Implementation Agreement
Annex A-2 Form of Equalization and Governance Agreement
Annex A-3 Form of SVE Special Voting Deed
Annex A-4 Form of Carnival Third Amended and Restated Articles of Incorporation
Annex A-5 Form of Carnival Amended and Restated By-Laws
Annex A-6 Form of Carnival Deed of Guarantee
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Annex A-8 Form of Carnival Deed
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- Annex B Form of Pairing Agreement
- Annex C Form of Voting Trust Deed
- Annex D Extract: Advice of P&O Princess' Financial Adviser to P&O Princess

QUESTIONS AND ANSWERS

This question-and-answer section highlights important information in this proxy statement/prospectus but does not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the other documents we refer you to for a more complete understanding of the matters being considered at the special meeting.

Unless the context otherwise requires, references in this proxy statement/prospectus to "Carnival", "the Company", "we" or "us" are to Carnival Corporation and its subsidiaries, references to "P&O Princess" are to P&O Princess Cruises plc and its subsidiaries, and references to "the Combined Group" are references to the new enterprise resulting from the DLC transaction between us and P&O Princess.

About the DLC Transaction

Q: Why am I receiving these materials?

A: Our board of directors is providing these materials to you in connection with our special meeting and the DLC transaction referred to below. As a shareholder, you are invited to attend the meeting and are requested to vote on the proposals described in this proxy statement/prospectus.

Q: What am I being asked to vote on?

A: You are being asked to consider and vote upon proposals to implement a dual listed company, or "DLC", structure with P&O Princess, which we refer to in this document as the "DLC transaction". These proposals include approval of an Offer and Implementation Agreement and amendments to our articles of incorporation and by-laws. You are also being asked to approve amendments to our articles of incorporation and by-laws which, although consistent with the amendments relating to the DLC transaction, are not directly related to the DLC transaction.

Q: What is the DLC transaction?

A: The DLC transaction is a means of enabling us and P&O Princess to combine our management and operations as if we were a single economic enterprise, while retaining our separate legal identities. This will be accomplished through contractual arrangements and amendments to each company's governing documents. In addition, the governing documents of the two companies will be harmonized, to the extent practicable and permitted by law, to ensure our and P&O Princess' corporate procedures are substantially similar. As part of the DLC transaction, P&O Princess intends to change its name to Carnival plc at the extraordinary general meeting of P&O Princess shareholders. You will be voting on the changes to our governing documents (our articles of incorporation and by-laws) to give effect to these arrangements, as well as other amendments to our articles of incorporation and by-laws which, although consistent with the amendments relating to the DLC transaction, are not directly related to the DLC transaction.

Q: What votes are required to approve the DLC transaction?

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A: The DLC transaction must be approved by our shareholders and P&O Princess shareholders. Our shareholders must approve the proposals at the special meeting by the affirmative vote of a majority of all outstanding Carnival shares entitled to vote at the special meeting. P&O Princess shareholders must approve the DLC transaction by not less than three-quarters of the votes cast at the P&O Princess extraordinary general meeting. Micky Arison, our Chairman and Chief Executive Officer, other members of the Arison family and trusts for their benefit have entered into undertakings under which they will be

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required to cause shares beneficially owned by them representing approximately 47% of the voting power of Carnival to vote in favor of the resolutions required to implement the DLC structure at the special meeting. These undertakings are irrevocable except in circumstances where the DLC transaction is withdrawn or lapses.

Q: What is P&O Princess?

A: P&O Princess is a global cruise vacation company providing cruises to Alaska, the Caribbean, Europe, the Mediterranean, the Panama Canal and other exotic locations. P&O Princess also has a land-based tour operation division in Alaska. P&O Princess ordinary shares are listed on the London Stock Exchange, which we refer to in this document as the "LSE", and its American Depositary Shares are listed on the New York Stock Exchange, which we refer to in this document as the "NYSE". Both P&O Princess shares and P&O Princess ADSs trade under the symbol "POC" on their respective exchanges. You can learn more about P&O Princess by reading the documents P&O Princess has filed with the SEC. See "Where You Can Find More Information."

Q: Why does Carnival want to implement the DLC transaction?

A: Our board of directors 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.

Q: What is the Combined Group?

A: 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 revenue, 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. As of January 31, 2003, Carnival and P&O Princess, together, would have had 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. The Combined Group 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.

Q: Will P&O Princess become a subsidiary of Carnival?

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

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

A: No. The implementation of the DLC structure will not involve any transfer of assets between us and P&O Princess. 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

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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 equalization ratio or the relative economic interests of Carnival shareholders and P&O Princess shareholders in the Combined Group.

Q: What will happen to my Carnival shares?

A: Upon completion of the DLC transaction, you will continue to own your Carnival shares and will keep your existing certificates, if you have any. Carnival shares will continue to be listed on the NYSE. In connection with the DLC transaction, Carnival shareholders will receive trust shares of beneficial interests in a special voting entity in the form of a trust that we are creating. Following completion of the DLC transaction, Carnival shares will trade together with the trust shares of beneficial interest in this special voting trust, which we refer to in this proxy statement/prospectus as the "P&O Princess Special Voting Trust". Separate stock certificates will not be issued to represent these trust shares of beneficial interest; instead, certificates representing your Carnival shares will also evidence these trust shares of beneficial interest. You should not turn in your Carnival stock certificates.

Q: What are the trust shares of beneficial interest?

A: The trust shares of beneficial interest will represent an interest in the P&O Princess Special Voting Trust. The trustee of the P&O Princess Special Voting Trust will hold the P&O Princess special voting share. This special voting share is the mechanism by which your votes at Carnival shareholders meetings will be given effect at the P&O Princess shareholders meetings for purposes of the joint electorate actions and class rights actions described below. The trust shares of beneficial interest will entitle you to receive any distributions made by the trust. However, as the sole purpose of the trust relates to the holding of the special voting share, it is not expected to make any distributions.

Q: Will I be voting on the issuance of the trust shares?

A: No. The trust shares will be distributed by way of a dividend declared by our board of directors.

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Q: What will happen to my future dividends?

A: After completion of the DLC transaction, dividends declared by us will continue to be paid by us to our shareholders and dividends declared by P&O Princess will continue to be paid by P&O Princess to its shareholders. However, we will not be able to declare or pay a dividend without an equivalent dividend (before taxes and other deductions) being declared or paid by P&O Princess and vice versa. Dividends on both our shares and P&O Princess shares declared after completion of the DLC transaction will be paid at about the same time and in equalized amounts. Our payment of dividends in the future will depend on business conditions, our financial condition and earnings and the financial condition and earnings of the Combined Group, the ability of P&O Princess 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.

Q: Will my voting rights change?

A: Yes. On most matters that affect all of the shareholders of the Combined Group, shareholders of Carnival and P&O Princess will effectively vote together as a single decision-making body on matters requiring the approval of shareholders of either

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company. These matters will be specified in the governing documents of each company as "joint electorate actions". Combined voting will be accomplished through a special voting share, one to be issued by Carnival and held by a special voting entity set up by P&O Princess, and one to be issued by P&O Princess that will be held by the special voting entity in the form of a trust formed by Carnival. Certain matters where the interests of the two shareholder bodies may diverge will be specified in the governing documents of each company as "class rights actions". These class rights actions will be voted on separately by the shareholders of each company. If either group of shareholders does not approve a class rights action, that action generally cannot be taken by either company.

Q: Will I be asked to vote at P&O Princess meetings?

A: No. Your vote at Carnival shareholder meetings, for purposes of determining the outcome of combined voting, will automatically be reflected as appropriate at any parallel P&O Princess shareholders meeting through the mechanism of the special voting share.

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

A: We and P&O Princess will be managed and operated as if we were a single economic enterprise. Although we and P&O Princess will continue to exist as separate companies 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 Carnival and P&O Princess following implementation of the DLC structure are listed under "Directors and Executive Officers of the Combined Group". 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

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shareholders. Micky Arison, our Chairman and Chief Executive Officer, will be the Chairman and Chief Executive Officer of both Carnival and P&O Princess, Howard S. Frank, our Vice-Chairman and Chief Operating Officer, will be the Vice-Chairman and Chief Operating Officer of both Carnival and P&O Princess and Gerald R. Cahill, our Chief Financial Officer and Chief Accounting Officer, 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, Florida with a corporate office in London.

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

A: 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.

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

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

Q: What is the Partial Share Offer?

A: In connection with the DLC transaction, we are making a tender offer for up to 20% of P&O Princess' outstanding shares, which we refer to in this proxy statement/prospectus as the "Partial Share Offer." The Partial Share Offer is not being made to you and will not influence whether or not the DLC transaction will proceed. Any P&O Princess shares that we acquire in the

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Partial Share Offer will not give us, or you, additional control over P&O Princess as those shares, under the terms of the agreements implementing the DLC transaction, will not have voting rights.

Q: What percentage of the Combined Group will be controlled by existing Carnival shareholders?

A: If the DLC transaction is approved, existing Carnival shareholders will hold approximately 74% of the equity of the Combined Group following its implementation. However, to the extent that P&O Princess shares are exchanged for Carnival shares under the Partial Share Offer, the percentage of the equity of the Combined Group represented by Carnival shares will increase. If the Partial Share Offer is taken up in full, approximately 79% of the equity of the Combined Group will be held through Carnival shares with the balance of the equity held through P&O Princess shares.

Q: What are the most significant conditions to the DLC transaction?

A: Completion of the DLC transaction is subject to certain conditions being satisfied or waived on or before September 30, 2003. The most important of these include:

- . approval of the shareholders of each of Carnival and P&O Princess;
- . the absence of action, or threatened action, by any governmental

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authority that restrains, enjoins or otherwise prohibits the completion or performance of, or materially adversely affects, the DLC transaction and the other transactions contemplated by the Offer and Implementation Agreement;

- . effectiveness of the revised governing documents;
- . all relevant regulatory consents or approvals having been obtained;
- . the Partial Share Offer becoming unconditional (other than the condition regarding closing of the DLC transaction); and
- . approval by the NYSE of the listing of either the trust shares of beneficial interest or the P&O Princess special voting share, subject in either case only to official notice of issuance.

Q: When do you expect to complete the DLC transaction?

A: We are working to complete the DLC transaction as soon as possible. We hope to complete the DLC transaction as soon as we can following our special meeting and the extraordinary general meeting of P&O Princess shareholders, if the required shareholder approvals are obtained at those meetings. In addition to shareholder approvals, we must satisfy all of the other closing conditions specified in the Offer and Implementation Agreement. Subject to these conditions, we expect completion of the DLC transaction to take place early in the second quarter of 2003.

Q: What are the tax consequences of the DLC transaction?

A: Although there is no U.S. federal income tax authority addressing the tax consequences of a DLC transaction, we believe that the DLC transaction should not give rise to taxable income or gain for Carnival shareholders that are U.S. holders (as we use this term in this proxy statement/prospectus) for U.S. federal income tax purposes. However, the Internal Revenue Service may assert that Carnival shareholders received taxable income as a result of the various voting and equalization provisions necessary to implement the DLC structure, including the trust shares. We believe that such voting and other rights, if any, received by shareholders are expected to have only nominal value and, therefore,

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the receipt of such rights by Carnival shareholders would only result in a nominal amount of income. It is possible, however, that the IRS may disagree with this conclusion.

Holders of Carnival shares should consult their independent professional advisers in the light of their particular circumstances as to the U.S. federal income tax consequences of the DLC transaction, as well as to the effect of any state, local or applicable foreign tax law.

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

A: We expect that under U.S. GAAP the DLC transaction will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations". In accordance with the purchase method of accounting, the P&O Princess U.S. GAAP accounting policies will be conformed to our accounting policies upon

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completion of the DLC transaction.

Following completion of the DLC transaction, P&O Princess will change its fiscal year end from December 31 to November 30 so that it will be the same as our 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. We expect that these combined financial statements will be included in a combined annual report. P&O Princess expects to include summary balance sheet information and summary income statement information prepared in accordance with UK GAAP, without notes, in the annual report.

In addition, we 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.

Q: What corporate governance requirements will apply to the Combined Group?

A: We and P&O Princess comply with, and the Combined Group will comply with, the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002 and the NYSE. P&O Princess will also continue to comply with the rules of the UK Listing Authority and the LSE.

Q: Should I vote?

A: Yes. The proposed DLC transaction is an important step in our history and your vote is critical to this process. Your board of directors unanimously believes the DLC transaction is in the best interests of Carnival's shareholders. Because the proposals contained in this proxy statement/prospectus require the approval of a majority of all outstanding shares entitled to vote at the special meeting, and not merely of those shares voted at the special meeting, your vote is all the more important. Please complete and send in the proxy card attached to this proxy statement/prospectus.

Q: Does the Carnival board recommend the DLC transaction?

A: Yes. Our board of directors unanimously recommends that you vote your shares FOR the proposals necessary to effect the DLC transaction. As of March 11, 2003, our directors and executive officers and their affiliates beneficially own an aggregate of 234,661,927 Carnival shares, which represents 39.8% of Carnival's outstanding shares. Our directors and executive officers intend to vote their Carnival shares FOR the proposals at the special meeting.

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Q: Does the P&O Princess board recommend the DLC transaction?

A: Yes. The board of directors of P&O Princess has recommended that P&O Princess shareholders vote in favor of the DLC transaction. The directors and executive officers of P&O Princess beneficially own approximately 0.2% of P&O Princess' outstanding shares. The P&O Princess directors and executive officers intend to vote their shares in favor of the resolution to approve, among other matters, the DLC transaction at the P&O Princess extraordinary general meeting.

About the Special Meeting

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Q: When and where is the special meeting?

A: The special meeting is scheduled to be held as follows:

Date: April 14, 2003

Time: 10:00 a.m.

Place: Paul, Weiss, Rifkind, Wharton
& Garrison LLP
1285 Avenue of the Americas
New York, NY 10019

Q: Who can attend the meeting?

A: All shareholders of record as of March 11, 2003, or their duly appointed proxies, may attend the meeting, and each may be accompanied by one guest. Seating, however, is limited. Admission to the meeting will be on a first come, first served basis. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport.

If you hold your shares through a stockbroker or other nominee, you will need to provide proof of ownership by bringing either a copy of the voting instruction card provided by your broker or a copy of a brokerage statement showing your share ownership as of March 11, 2003 together with proof of identification. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Q: What vote will be required to approve the proposals?

A: Approval of the Offer and Implementation Agreement and the amendments to our articles of incorporation and by-laws will require the vote of the holders of a majority of our outstanding shares of common stock entitled to vote on these proposals.

Q: What class of shares are entitled to be voted?

A: We have only one class of common stock outstanding. Each share of our common stock outstanding as of the close of business on March 11, 2003, the Record Date, is entitled to one vote at the special meeting. On the Record Date, we had approximately 586,972,729 shares of common stock issued and outstanding.

Q: What is the quorum requirement for the meeting?

A: The quorum requirement for holding the meeting and transacting business is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the meeting. Abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote such shares.

Q: What shares owned by me can be voted?

A: All shares owned by you as of March 11, 2003, the Record Date, may be voted by

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you. These shares include those (1) held directly in your name as the shareholder of record, including shares purchased through our Dividend Reinvestment Plan and our Employee Stock Purchase Plan and (2) held for you as the beneficial owner through a stockbroker, bank or other nominee.

At the close of business on that day, 586,972,729 shares of our common stock were outstanding.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: Most of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Shareholder of Record

If your shares are registered directly in your name with our transfer agent, SunTrust Bank, you are considered, with respect to those shares, the shareholder of record, and this proxy statement/prospectus is being sent directly to you by us. As the shareholder of record, you have the right to grant your voting proxy directly to the persons named in the proxy or to vote in person at the meeting. We have enclosed a proxy card for you to use.

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the meeting. Your broker or nominee has enclosed a voting instruction card for you to use.

Q: How can I vote my shares in person at the meeting?

A: Shares held directly in your name as the shareholder of record may be voted in person at the special meeting. If you choose to do so, please bring the enclosed proxy card and proof of identification.

Even if you plan to attend the special meeting, we recommend that you also submit your proxy as described below so that your vote will be counted if you later decide not to attend the meeting. Shares held in street name may be voted in person by you only if you obtain a signed proxy from the record holder giving you the right to vote the shares. Please refer to the voting instruction card included by your broker or nominee.

Q: How can I vote my shares without attending the meeting?

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, you may direct your vote without attending the meeting. You may vote by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. For shareholders of record, you may do this by signing your proxy card and mailing it in the enclosed envelope. If you provided specific voting instructions, your shares will be voted as you instruct. If you sign but do

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not provide instructions, your shares will be voted as described below in "How are votes counted?".

In most instances, where your shares are held in street name, you will be able to do this over the Internet at www.carnivalcorp.com, by telephone or by mail. Please refer to the voting instruction card included by your broker or nominee.

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Q: Can I change my vote?

A: You may change your proxy instruction at any time prior to the vote at the special meeting. For shares held directly in your name, you may accomplish this by granting a new proxy bearing a later date (which automatically revokes the earlier proxy) or by attending the special meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares owned beneficially by you, you may accomplish this by submitting new voting instructions to your broker or nominee.

Q: What happens if I do not vote?

A: Your vote is important. We cannot complete the DLC transaction unless the holders of a majority of the outstanding shares of Carnival common stock vote 'FOR' the proposals.

Q: Do I have any appraisal rights if I oppose the proposals?

A: No. Shareholders do not have the right to an appraisal of the value of their shares in connection with the proposals.

Q: How are votes counted?

A: You may vote "FOR", "AGAINST" or "ABSTAIN" from voting on the proposals set out in the notice of meeting. If you "ABSTAIN", it has the same effect as a vote "AGAINST". If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted "FOR" the proposals set out in the notice of meeting.

Q: What does it mean if I receive more than one proxy or voting instruction card?

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting cards you receive.

Q: Where can I find the voting results of the meeting?

A: We will announce preliminary voting results at the meeting and publish final results via press release.

Q: What happens if additional proposals are presented at the meeting?

A: Other than the proposals described in this proxy statement/prospectus, we do not expect any matters to be presented for a vote at the special meeting. If you grant a proxy, the persons named as proxy holders, Micky Arison, our Chairman of the Board and Chief Executive Officer, and Arnaldo Perez, our Senior Vice President, General Counsel and Secretary, will have the

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discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

Q: Who will count the vote?

A: A representative of SunTrust Bank, our transfer agent, will tabulate the votes and act as the inspector of elections.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Carnival or to third parties except (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, or (3) to facilitate a successful proxy solicitation by our board of directors. Occasionally, shareholders provide written comments on their proxy card which are then forwarded to management.

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Q: Who will bear the cost of soliciting votes for the meeting?

A: We will pay the entire cost of preparing, assembling, printing, mailing and distributing this proxy statement/prospectus and soliciting votes for the meeting. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to shareholders.

Q: What do I need to do now?

A: You should thoroughly read this proxy statement/prospectus and indicate on your proxy card how you want to vote your shares of common stock. You should sign and mail your proxy card in the enclosed envelope as soon as possible so that your shares of common stock may be represented at the special meeting on April 14, 2003. If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be counted as a vote "FOR" the proposals. If you abstain, your failure to vote will have the effect of a vote against the proposals.

On behalf of the Board of Directors

Arnaldo Perez
Senior Vice President,
General Counsel and Secretary

Dated: March 17, 2003

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SUMMARY TERM SHEET FOR THE DLC TRANSACTION

This summary contains selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the DLC transaction fully and to obtain a more complete description

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of its terms, you should carefully read this entire document, including the Annexes, and the documents to which we refer you. See "Where You Can Find More Information".

The DLC transaction is a means of enabling us and P&O Princess to combine our management and operations as if we were a single economic enterprise, while retaining our separate legal identities. This will be accomplished through contractual arrangements (addressed in Proposal 1) and amendments to each company's governing documents. In addition, the governing documents of the two companies will be harmonized, to the extent practicable and permitted by law, to ensure our and P&O Princess' corporate procedures are substantially similar. You will be voting on the changes to our governing documents (our articles of incorporation and by-laws) to give effect to these arrangements (addressed in Proposal 2) as well as other amendments to our articles of incorporation and by-laws which, although consistent with the amendments relating to the DLC transaction are not directly related to the DLC transaction (Proposals 3, 4, 5 and 6).

Proposals To Be Voted On

Proposal 1--Approval of the Offer and Implementation Agreement (Page 104)

You are being asked to approve the Offer and Implementation Agreement, which is attached as Annex A-1, and related transactions required to effect the DLC transaction. The affirmative vote of the holders of a majority of all outstanding Carnival shares entitled to vote at the special meeting is required to approve the Offer and Implementation Agreement.

The Offer and Implementation Agreement sets forth the conditions which must be satisfied or waived by us and P&O Princess prior to completion of the DLC transaction and outlines the transactions to be effected at the closing of the DLC transaction. These include:

- .. amendments to our governing documents and the governing documents of P&O Princess;
- .. entry into the Equalization and Governance Agreement between us and P&O Princess, which will govern the future relationship of Carnival and P&O Princess under a dual listed company structure;
- .. issuance by each of us and P&O Princess of special voting shares; and
- .. election of the same individuals as members of the board of directors of each of Carnival and P&O Princess.

Our board of directors unanimously recommends a vote FOR the approval of the Offer and Implementation Agreement and related transactions.

Proposal 2--Approval of Amendments to Carnival's Articles of Incorporation and By-laws (Page 119)

You are also being asked to approve proposed amendments to our articles of association and by-laws (as reflected in our proposed Third Amended and Restated Articles of Incorporation and Amended and Restated By-laws, other than the amendments covered by Proposals 3, 4, 5 and 6). Our proposed Third Amended and Restated Articles of Incorporation and Amended and By-laws are attached as Annexes A-4 and A-5 to this proxy statement/prospectus. The affirmative vote of the holders of a majority of all outstanding shares of our common stock entitled to vote at the special meeting is required to approve the amendments to our articles of incorporation and by-laws.

Amendments to certain provisions of our existing articles of incorporation and

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by-laws are necessary in order to harmonize the governing documents of Carnival and P&O Princess. Upon completion of the

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DLC transaction, equivalent changes will be made to the governing documents of P&O Princess. These proposed amendments depart from our existing articles of incorporation and by-laws in areas such as the election and removal of directors, calling of shareholders' meetings and the vote required to approve certain matters. We are also eliminating the requirement that our annual meeting be held in March or April of each year so that we may hold our annual meeting at the same time P&O Princess holds its annual meeting.

We are proposing to increase our authorized capital stock to 2,000,000,000 shares, of which 1,959,999,998 are shares of common stock and 40,000,000 are shares of preferred stock. In connection with the DLC transaction, we will also have one share of special voting stock, which we refer to in this proxy statement/prospectus as a special voting share, and one share of special stock, which we refer to in this proxy statement/prospectus as the equalization share. You are being asked to vote separately on the proposal to increase in the number of shares of common stock that we have the authority to issue (Proposal 3), other than the increase of two shares (the special voting share and the equalization share), which are covered by Proposal 2 as they are directly related to the DLC transaction.

If approved, our Third Amended and Restated Articles of Incorporation would become effective when filed with the Public Registry Office of the Republic of Panama, which is planned to occur upon completion of the DLC transaction. The Amended and Restated By-laws would become effective at the same time. Approval of this proposal is a condition to the parties' obligation to complete the DLC transaction.

Our board of directors unanimously recommends a vote FOR the amendments to our articles of incorporation and by-laws.

The transactions contemplated by the Offer and Implementation Agreement will not be completed and the amendments to our articles of incorporation and by-laws in connection with the DLC transaction will not be effected unless Proposal 1 and Proposal 2 are approved by our shareholders and the DLC transaction is approved by the shareholders of P&O Princess.

Proposal 3 - Approval of Amendment to Carnival's Articles of Incorporation to Increase the Number of Shares of Common Stock Authorized for Issuance (Page 125) You are also being asked to approve an amendment to our articles of incorporation to increase the number of shares of common stock that we have the authority to issue by 999,999,998 shares. The affirmative vote of the holders of a majority of all outstanding shares of our common stock is required to approve this amendment to our articles of incorporation.

Our board of directors unanimously recommends a vote FOR the amendment to our articles of incorporation to increase the number of shares of common stock that we have the authority to issue by 999,999,998 shares.

Proposal 4 - Approval of Amendment to Carnival's Articles of Incorporation to Reduce the Quorum Requirement for Board Meetings (Page 125)

You are also being asked to approve an amendment to our articles of incorporation to add a provision to reduce the quorum requirement for meetings of the board of directors from a majority, to one-third, of the total number of directors. The affirmative vote of the holders of a majority of all outstanding shares of our common stock is required to approve this amendment to our articles of incorporation.

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Our board of directors unanimously recommends a vote FOR the amendment to our articles of incorporation to reduce the quorum requirement for meetings of the board of directors from a majority, to one-third, of the total number of directors.

Proposal 5--Approval of Amendment to Carnival's By-Laws to Reduce the Quorum Requirement for Shareholder Meetings (Page 126)

You are also being asked to approve an amendment to our by-laws to reduce the quorum requirement for meetings of our shareholders from a majority, to one-third, of the total number of shares entitled to be cast at such meeting. The affirmative vote of the holders of a majority of all outstanding shares of our common stock entitled to vote at the special meeting is required to approve this amendment to our by-laws.

Proposal 6--Approval of Amendment to Carnival's By-Laws to Remove the Ability of Shareholders to Act by Written Consent (Page 126)

You are also being asked to approve an amendment to our by-laws to remove the ability of shareholders to act by written consent. The affirmative vote of the holders of a majority of all outstanding shares of our common stock entitled to vote at the special meeting is required to approve this amendment to our by-laws.

Proposals 3, 4, 5 and 6 are conditioned upon the approval of Proposals 1 and 2 by our shareholders. If the Offer and Implementation Agreement and related amendments to our articles of incorporation and by-laws are not approved by our shareholders, and the DLC transaction is not approved by the shareholders of P&O Princess, our authorized common stock will not be increased, the quorum requirement for director and shareholder meetings will not be reduced and shareholders will continue to have the ability to act by written consent. If any or all of Proposal 3, Proposal 4, Proposal 5 or Proposal 6 are not approved, such disapproval will have no effect on the DLC transaction.

Parties to the DLC Transaction

Carnival (Page 58)

We are a global cruise vacation and leisure travel company. We offer 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. Our various brands operate 45 cruise ships, offering a total of 67,282 lower berths, in Alaska, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Hawaiian Islands, the Mediterranean, the Mexican Riviera, New England, the Panama Canal, South America and other exotic destinations worldwide. We have 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 our cruise operations, we operate 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 day boats and a fleet of over 300 motorcoaches and 13 railcars. Our business strategy is to use this wide, diverse range of vacation options to attract passengers from other land-based vacation choices.

We were incorporated under the laws of the Republic of Panama in November 1974. Our common stock is listed on the NYSE under the symbol "CCL". Our principal executive offices are located at Carnival Place, 3655 N.W. 87th Avenue, Miami, Florida 33178-2428. The telephone number of our principal executive offices is (305) 599-2600.

P&O Princess (Page 59)

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. As of January 31, 2003, P&O Princess had a fleet of 20 ocean cruise ships and two river boats offering a total of 33,100 lower berths, 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. P&O Princess ordinary shares are listed on the LSE and P&O Princess ADSs are listed on the NYSE. Both P&O Princess shares and P&O Princess ADSs trade under the symbol "POC" on their respective exchanges. P&O Princess' principal executive offices are located at 11-12 Charles II Street, London SW1Y 4QU, England. The telephone number of P&O Princess' principal executive offices is +44 20 7805-1200.

Reasons for the DLC Transaction (Page 48)

We and P&O Princess have agreed to enter into the DLC transaction in order to create the Combined Group, which will reflect the businesses of Carnival and P&O Princess that will be managed and operated as if they were a single economic enterprise. The Combined Group will be the largest cruise vacation group in the world, based on revenue, passengers carried and available capacity. The DLC transaction will allow the Combined Group to offer a wider range of vacation choices for its passengers and will enhance its ability to attract more passengers from land-based vacations. As of January 31, 2003, Carnival, together with P&O Princess, would have had a combined fleet of 65 cruise ships offering 99,982 lower berths. The Combined Group will be a leading provider of cruises to all major destinations outside the Far East.

The DLC Structure (Page 50)

After giving effect to the DLC transaction, we and P&O Princess each will remain as a separate publicly quoted company, although we and P&O Princess will be managed and operated as if we were a single economic enterprise. Our board and the P&O Princess board will be identical and the Combined Group will be managed by a single senior executive management team. The two companies will pursue a common set of business objectives established by the identical boards and single management team, who will evaluate these strategies and other operational decisions from the perspective of all the shareholders. Some key features of the DLC structure are listed below.

- .. Our shares and, for the foreseeable future, P&O Princess American Depositary Shares, or ADSs, will continue to be listed on the NYSE and P&O Princess shares will continue to have their primary listing on the LSE.
- .. The implementation of the DLC structure will not involve any transfer of assets between us and P&O Princess. 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

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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 equalization ratio or the relative economic interests of Carnival shareholders and P&O Princess shareholders in the Combined Group.

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- .. Carnival shareholders will continue to hold their Carnival shares and P&O Princess shareholders will continue to hold their P&O Princess shares, unless P&O Princess shareholders elect to exchange their P&O Princess shares (up to a maximum of 20% of the outstanding shares of P&O Princess) for Carnival shares in the Partial Share Offer. If the full 20% is tendered in the Partial Share Offer, approximately 79% of the equity of the Combined Group will be held through Carnival shares and the balance will be held through P&O Princess shares.
- .. The economic and voting interests represented by an individual share in each company will be equalized based on a ratio, which we refer to in this proxy statement/prospectus as the "equalization ratio." The equalization ratio will initially be 0.3004 Carnival shares for each P&O Princess share and P&O Princess ADS. Upon completion of the DLC transaction, P&O Princess will reorganize and consolidate its share capital so that the equalization ratio will be one Carnival share for each P&O Princess share.
- .. The equalization ratio is subject to adjustment in a limited number of circumstances, as described in the section of this proxy statement/prospectus entitled "The Equalization and Governance Agreement--Equalization Ratio."
- .. As a result of the 1:1 equalization ratio, one Carnival share will have the same rights to distributions of income and capital and voting rights as one P&O Princess share. Carnival and P&O Princess shareholders initially will receive equal quarterly dividends. If the equalization ratio is adjusted to a value other than 1:1, Carnival and P&O Princess shares will no longer have equivalent rights, as described in the section of this proxy statement/prospectus entitled "The Equalization and Governance Agreement--Equalization Ratio."
- .. On most matters that affect all shareholders of the Combined Group, Carnival and P&O Princess shareholders will vote together as a single body. These matters are called joint electorate actions.
- .. On specified matters where the interests of Carnival shareholders may differ from the interests of P&O Princess shareholders, each shareholder body will vote separately as a class. These matters are called class rights actions and include, among others:
 - . transactions primarily designed to amend or unwind the DLC structure;
 - . adjustments to the equalization ratio not in accordance with the Equalization and Governance Agreement; and
 - . amendments to tax related provisions in Carnival's articles of incorporation.

No class rights action generally may be implemented unless approved by both shareholder bodies, which means that each shareholder body generally has a veto with respect to class rights actions.

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- .. We and P&O Princess each will continue to have separate boards of directors, but the boards and senior executive management of both companies will be identical. 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.
- .. We and P&O Princess will execute cross-guarantees regarding all debt incurred after implementation of the DLC structure by either company as if we and P&O Princess were a single economic enterprise.
- .. Takeover restrictions will be in place so that, generally, no person will be able to obtain control over the Combined Group without making an offer to the shareholders of both companies on equivalent terms.
- .. Neither Carnival nor P&O Princess will be able to issue any shares carrying voting rights to the other, except on a pre-emptive basis to all shareholders, for two years following the date on which

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the DLC structure is implemented. After expiration of the initial two-year period, for each of the subsequent three years neither Carnival nor P&O Princess may issue shares carrying voting rights to the other company, except on a pre-emptive basis to all shareholders, in excess of 5% per year of the issued or outstanding shares (calculated as at the first day in such annual period). Thereafter, there will be no restriction on the issuance of shares carrying voting rights to the other company or any of that company's subsidiaries. These restrictions may be varied by a class rights action.

- .. Shares held by one company in the other will not have voting rights unless such company holds 90% or more of the outstanding shares of the other.

Highlights of the Combined Group (Page 60)

The Combined Group will be the leading global cruise vacation operator with brands appealing to the widest target audience, focused on sourcing passengers from developed vacation markets where cruising is one of the largest and fastest growing vacation alternatives. We expect to market certain of the Combined Group's brands to enter into and expand developing vacation markets. In pursuit of this strategy, the companies of the Combined Group will seek to:

- .. Build on brand strengths

The Combined Group will have some of the most widely recognized cruise brands in North America, Europe, South America (primarily Brazil and Argentina) and Australia and will be a leading provider of cruise vacations to all of the key cruise destinations outside the Far East. We expect the Combined Group to continue to grow its brands and broaden and develop the range of its destinations, itineraries, tours and vacation alternatives.

- .. Increase global presence

The Combined Group will be one of the leading cruise vacation companies in the UK, Germany and southern Europe, which are three of the largest vacation markets outside of North America. We believe that the brand offering and diversified fleet of the Combined Group will enable it to accelerate the entry of cruising into existing and new geographical vacation markets.

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- .. Maximize growth through strategic deployment of its brands and fleet

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

- .. Realize cost savings

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

Conditions to the DLC Transaction (Page 105)

Completion of the DLC transaction is subject to certain conditions being satisfied or waived on or before September 30, 2003. The most important of these include:

- .. approval of the shareholders of each of Carnival and P&O Princess;
- .. the absence of action, or threatened action, by any governmental authority that restrains, enjoins or otherwise prohibits the completion or performance of, or materially adversely affects, the DLC transaction and the other transactions contemplated by the Offer and Implementation Agreement;

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- .. effectiveness of the revised governing documents of each of Carnival and P&O Princess;
- .. clearance of the DLC transaction under the European Commission merger regulation and all other relevant regulatory consents or approvals having been obtained;
- .. the Partial Share Offer becoming unconditional (other than the condition regarding completion of the Offer and Implementation Agreement); and
- .. approval by the NYSE of the listing of either the trust shares of beneficial interest or the P&O Princess special voting share, subject in either case only to official notice of issuance.

Termination of the Offer and Implementation Agreement (Page 108)

The Offer and Implementation Agreement may be terminated, and the DLC transaction abandoned, before the DLC transaction is scheduled to be completed if the P&O Princess board and Carnival board mutually agree to do so. In addition, the Offer and Implementation Agreement may be terminated, and the DLC transaction abandoned by action of either the Carnival board or the P&O Princess board, as applicable, if:

- .. the DLC transaction is not completed by September 30, 2003;

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- .. any governmental authority of competent jurisdiction has issued a final, non-appealable order permanently restraining, enjoining or otherwise prohibiting completion of the DLC transaction or materially adversely affecting the DLC transaction;
- .. the shareholders of either party fail to approve the DLC transaction at the relevant shareholders' meeting called for the purpose of considering and voting upon the DLC transaction and other transactions necessary to complete the DLC transaction;
- .. the board of directors of the other party, at any time prior to the relevant shareholders' meeting, withdraws or adversely modifies its approval or recommendation of the DLC transaction or has resolved to take such action, or has failed to reconfirm such approval or recommendation at the request of the other party;
- .. the board of directors of the other party has recommended a superior acquisition proposal to its shareholders; or
- .. the other party materially breaches any representation, warranty, covenant or agreement contained in the Offer and Implementation Agreement that causes the failure of certain conditions to closing and such breach cannot be or has not been cured prior to termination.

Neither party may terminate the Offer and Implementation Agreement if that party has breached in any material respect its obligations under the Offer and Implementation Agreement and such breach contributed to the failure of the DLC transaction to be completed.

Termination Fee

In certain circumstances, if the Offer and Implementation Agreement is terminated, a termination fee of \$49.4 million, representing 1% of P&O Princess' market capitalization at the close of business on January 7, 2003, will be required to be paid by Carnival or P&O Princess.

No Consideration Payable

There is no consideration payable to us or you in connection with the DLC transaction. The consideration exchanged between us and P&O Princess will be the execution and delivery by each company of the agreements required to implement the DLC structure, including certain cross-guarantees regarding future debt of either company.

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Required Vote

Approval of the Offer and Implementation Agreement (Proposal 1) and related transactions required to effect the DLC transaction, including the necessary amendments to our articles of incorporation and by-laws (Proposal 2) and the additional proposed amendments to our articles of incorporation and by-laws (Proposals 3, 4, 5 and 6) requires the affirmative vote of a majority of all outstanding Carnival shares entitled to vote at the special meeting.

Changes in Rights of Carnival Shareholders (Page 86)

In order to harmonize the governing documents of Carnival and P&O Princess and give effect to the DLC structure, it is necessary to amend certain provisions

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of our existing articles of incorporation and by-laws. You are being asked to approve these amendments at the special meeting. The most important of these changes include:

- .. equalizing the economic and voting rights of shareholders of both companies based on the equalization ratio;
- .. providing that Carnival and P&O Princess shareholders vote together as a single body on most matters, except where the interests of the Carnival shareholders diverge from the interests of the P&O Princess shareholders or where the matter is procedural or technical;
- .. authorizing a special voting share as a means to implement the new voting arrangements;
- .. requiring any resolutions, other than resolutions relating to procedural or technical matters, to be voted on by the shareholders of both Carnival and P&O Princess;
- .. authorizing the Carnival board to consider the interests of both Carnival and P&O Princess and their shareholders; and
- .. adding additional takeover provisions so that, generally, no person will be able to obtain control over the Combined Group without making an offer to the shareholders of both companies on equivalent terms. These new takeover provisions are in addition to existing provisions in our articles of incorporation that prevent any person(s) (other than the Arison family and its permitted transferees) from acquiring more than 4.9% of the beneficial ownership of our shares. While both the mandatory offer protection and 4.9% ownership threshold remain in place, no third party other than the Arison family and trusts for their benefit will be able to acquire control of the Combined Group.

Special Voting Entities; Special Voting Shares (Page 52)

As a mechanism to effect the new voting arrangements resulting from the DLC structure, two new special voting entities will be formed:

- .. The Carnival Special Voting Entity (which will hold the special voting share to be voted at Carnival shareholders meetings, in order to give effect to the outcome of votes at a parallel P&O shareholders meeting for purposes of joint electorate actions and class rights actions) is a company whose shares will be held legally and beneficially owned by The Law Debenture Trust Corporation p.l.c., an independent trustee company incorporated in England and Wales.
- .. The P&O Princess Special Voting Trust (the trustee of which will hold the special voting share to be voted at the P&O Princess shareholders meetings, in order to give effect to the outcome of votes at a parallel Carnival shareholders meeting for purposes of joint electorate actions and class rights actions) will be a trust established under the laws of the Cayman Islands.

On completion of the DLC transaction, Carnival will issue the Carnival special voting share to the Carnival Special Voting Entity, and the P&O Princess special voting share will be transferred to the trustee of the P&O Princess Special Voting Trust.

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Trust Shares of Beneficial Interest (Page 53)

Trust shares of beneficial interest in the P&O Princess Special Voting Trust will be transferred to Carnival. Immediately following this transfer, Carnival will distribute the trust shares of beneficial interest in the P&O Princess Special Voting Trust by way of a dividend to Carnival shareholders of record at the close of business on April 17, 2003. Separate certificates will not be issued to represent these trust shares of beneficial interest in the P&O Princess Special Voting Trust; instead, the trust shares of beneficial interest will be paired with, and evidenced by, certificates representing Carnival shares pursuant to a pairing agreement to be entered into between Carnival and the P&O Princess Special Voting Trust at closing of the DLC transaction.

Following completion of the DLC transaction, Carnival shares will trade in units consisting of one Carnival share and one trust share of beneficial interest in the P&O Princess Special Voting Trust. The trust shares of beneficial interest in the P&O Princess Special Voting Trust will entitle Carnival shareholders to receive any distributions made by the P&O Princess Special Voting Trust. As the sole purpose of the P&O Princess Special Voting Trust relates to the holding of the P&O Princess special voting share, it is not expected to make any distributions.

The P&O Princess special voting share will be voted based upon the outcome of voting at the relevant parallel meeting of Carnival shareholders, based on the votes cast by Carnival shareholders voting their Carnival shares.

Accounting Treatment (Page 55)

We expect to account for the DLC transaction as a purchase by Carnival of P&O Princess. We also expect that under U.S. GAAP the DLC transaction will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations". In accordance with the purchase method of accounting, the P&O Princess U.S. GAAP accounting policies will be conformed to our accounting policies upon completion of the DLC transaction.

United States Federal Income Tax Consequences (Page 55)

Although there is no U.S. federal income tax authority addressing the tax consequences of a DLC transaction, we believe that the DLC transaction should not give rise to taxable income or gain for U.S. Carnival shareholders that are U.S. holders for U.S. federal income tax purposes. However, the IRS may assert that U.S. Carnival shareholders received taxable income as a result of the various voting and equalization provisions necessary to implement the DLC structure, including the trust shares. We believe that 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. Carnival shareholders would only result in a nominal amount of income. It is possible, however, that the IRS may disagree with this conclusion.

Holders of Carnival shares should consult their independent professional advisers in the light of their particular circumstances as to the U.S. federal income tax consequences of the DLC transaction, as well as to the effect of any state, local or applicable foreign tax law.

Regulatory Approvals (Page 55)

The DLC transaction is conditioned upon the receipt of certain regulatory approvals and consents. We have received clearance from the U.S. Federal Trade Commission and the European Commission for the DLC transaction, and therefore no further regulatory approvals are required.

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No Appraisal Rights (Page 55)

You have no right to an appraisal of the value of your shares in connection with the DLC transaction.

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Mandatory Exchange (Page 110)

In certain limited circumstances following implementation of the DLC structure, P&O Princess shares, other than those held by us, may be subject to a mandatory exchange for Carnival shares at the then prevailing equalization ratio. A mandatory exchange can occur if there is a change in applicable tax laws, rules or regulations that the board of directors of P&O Princess reasonably determines is reasonably likely to have a material adverse effect on the Combined Group and the exchange is approved by 66 2/3% of the shareholders of P&O Princess and Carnival voting on a joint electorate action. A mandatory exchange can also be triggered if there is a change in the applicable non-tax laws, rules or regulations, as a result of which the board of directors of P&O Princess reasonably determines that it is reasonably likely that all or a substantial portion of the agreements that give effect to the DLC structure are unlawful, illegal or unenforceable. Were either of these changes to occur, we would issue additional shares to deliver to P&O Princess shareholders in accordance with the then prevailing equalization ratio and we would own 100% of P&O Princess. Your Carnival shares will not be subject to any mandatory exchange for P&O Princess shares.

Partial Share Offer

In connection with the DLC transaction, we are making a Partial Share 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% of P&O Princess' outstanding shares. The Partial Share Offer is not being made to you. 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. The Partial Share offer is designed to allow those P&O Princess shareholders who would prefer to hold their interests 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. To the extent P&O Princess shares are exchanged in the Partial Share Offer, the aggregate equity interests in the Combined Group held through Carnival shares immediately after completion of the DLC transaction will increase from approximately 74% to a maximum of approximately 79%. In no event will the take up of the Partial Share Offer affect the equalization ratio.

Arison Family and Associates

Micky Arison (our Chairman and Chief Executive Officer, who will also become the Chairman and Chief Executive Officer of P&O Princess following completion of the DLC transaction), other members of the Arison family and trusts for their benefit have entered into undertakings under which they will be required to cause shares beneficially owned by them representing approximately 47% of the voting rights in Carnival to vote in favor of the proposals at the special meeting. These undertakings are irrevocable except in circumstances where the DLC proposal is withdrawn or lapses.

Following completion of the DLC transaction, Micky Arison, other members of the Arison family and trusts for their benefit will beneficially own shares representing approximately 35% of the combined voting power of the outstanding shares of the Combined Group. There are certain restrictions on their ability

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to increase their aggregate holdings beyond 40% of the voting power of the Combined Group, unless they acquire additional shares or voting power by making comparable offers to acquire all the equity of the Combined Group.

We are, and following implementation of the DLC structure the Combined Group will be, capable of carrying on its operations independently of this group of controlling shareholders. Carnival has a policy to ensure that all transactions and relationships between it and its affiliated entities (which would include the controlling shareholders and entities controlled by them) are on an arm's-length basis and also on a normal commercial basis (i.e., it may not engage in business transactions with any affiliate on

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terms and conditions less favourable to Carnival than the terms and conditions available at the time for comparable transactions with unaffiliated persons). On completion of the DLC transaction, P&O Princess will adopt a similar policy on transactions with this group of controlling shareholders so that, following implementation of the DLC structure, any business transactions between the Combined Group and this group of controlling shareholders will be at arm's length and on a normal commercial basis.

Cautionary Note Concerning Factors That May Affect Future Results (Page 40)

Certain statements contained in this proxy statement/prospectus are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us and P&O Princess and therefore, the Combined Group, including certain statements concerning the transactions described in this proxy statement/prospectus, 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," "forecasts," "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 proxy statement/prospectus not to occur and/or each of our, P&O Princess' and the Combined Group's actual results, performance or achievements to differ materially from those expressed or implied in this proxy statement/prospectus. These factors include, but are not limited to, regulatory and 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 a DLC structure and liquidity and index inclusion as a result of the implementation of the DLC structure, including a possible mandatory exchange.

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SELECTED HISTORICAL FINANCIAL AND OPERATING DATA OF CARNIVAL

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 proxy statement/prospectus by reference to Carnival's Annual Report on Form 10-K/A for the year ended November 30, 2002. Carnival's consolidated financial statements have been prepared in accordance with U.S. GAAP, using Carnival's accounting policies.

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See "Where You Can Find More Information About Carnival ".

	Years Ended November 30,			
	2002	2001	2000	1999
	(U.S. dollars in thousands, except per share and other data)			
Statement of operations data/(a)/:				
Revenues	4,368,269	4,535,751	3,778,542	3,497,470
Operating income	1,042,059	891,731	982,958	1,019,699
Net income/(b)/	1,015,941/(c)/	926,200/(c)/	965,458	1,027,240
Earnings per share/(b)/:				
Basic	1.73	1.58	1.61	1.68
Diluted	1.73	1.58	1.60	1.66
Dividends declared per share	.420	.420	.420	.375
Cash from operations	1,469,032	1,238,936	1,279,535	1,329,724
Capital expenditures	1,986,482	826,568	1,003,348	872,984
Other operating data:				
Available lower berth days/(e)/	21,436	20,685	15,888	14,336
Passengers carried	3,549	3,385	2,669	2,366
Occupancy percentage/(f)/	105.2%	104.7%	105.4%	104.3%
	As of November 30,			
	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 September 28, 2000, Carnival owned 50% of Costa Cruises. On September 29, 2000, Carnival completed the acquisition of the remaining 50% interest in Costa. Carnival accounted for this transaction using the purchase accounting method. Prior to the fiscal 2000 acquisition, Carnival accounted for its 50% 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 November 30, 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 proxy statement/prospectus.

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(b) Effective December 1, 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 December 1, 2001, Carnival no longer amortises its goodwill. If goodwill had not been recorded for periods prior to December 1, 2001, Carnival's adjusted net income and

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adjusted basic and diluted earnings per share would have been as follows (U.S. dollars in thousands, except per share data):

	Years Ended November 30,			
	2001	2000	1999	1998
-				
Net income	926,200	965,458	1,027,240	835,885
Goodwill amortization	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

- (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 June 12, 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.
- (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% indicate that more than two passengers occupied some cabins.
- (g) Effective December 1, 2000, Carnival adopted SFAS No. 133, which requires that all derivative instruments be recorded on Carnival's balance sheet. Total assets at November 30, 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.

SELECTED HISTORICAL FINANCIAL DATA OF P&O PRINCESS

The selected financial data of P&O Princess presented below for fiscal 1998 through 2002 and as of the end of each such fiscal 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

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those accounts incorporated by reference in this proxy statement/prospectus.

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 audited consolidated financial statements for the year ended December 31, 2002, which are incorporated by reference in this proxy statement/prospectus, provide 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.

	Years ended December 31, (res		
	2002	2001	2000
	(U.S. dollars in millions, except per information)		
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

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	Years ended December 31, (restated) / (c) /			
	2002	2001	2000	1999 / (a) / 1998 / (a) /
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	30.2	55.4/(f)/	38.1	41.7	32.8
Diluted earnings per share (cents)/(g)/	30.0	55.2/(f)/	38.1	41.7	32.8
Basic earnings per ADS (cents)/(g)/	120.8	221.6	152.4	166.8	131.2
Diluted earnings per ADS (cents)	120.0	220.8	152.4	166.8	131.2
Fixed charge cover/(d)/	2.9	3.8	4.8	8.7	6.6
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	267.7	222.4
Basic earnings per share (cents) (g)	30.7	61.5	37.1	39.3	32.6
Diluted earnings per share (cents) (g)	30.6	61.2	37.1	39.3	32.6
Basic earnings per ADS (cents)	122.8	246.0	148.4	157.1	130.5
Diluted earnings per ADS (cents)	122.4	244.8	148.4	157.1	130.5

- (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 fiscal years 1998 and 1999 has been extracted from KPMG Audit Plc's accountants' report on P&O Princess contained in the listing particulars dated September 26, 2000 which were prepared for the de-merger.
- (b) In fiscal 2002, net operating costs under UK GAAP included U.S.\$117.0 million of transaction costs.
- (c) At January 1, 2002, P&O Princess adopted FRS 19. The 2001 balance sheet was restated to reflect full provision for deferred tax, an increase in deferred tax liabilities of \$108.1 million. The tax credit for the year to December 31, 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 December 31, 2000 have also been restated for the adoption of Financial Reporting Standard 19: Deferred Tax.
- (d) Defined as profit before fixed charges (excluding capitalized interest) and taxation divided by fixed charges. Fixed charges consist of the net interest expense in the profit and loss account, interest capitalized in respect of ships and other fixed assets and an estimate of the interest implicit in operating lease rentals.
- (e) At January 1, 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 fiscal 2001. The basic and diluted earnings per share for fiscal 2001 is after the cumulative effect of the change in this accounting principle.
- (f) Under UK GAAP the year ended December 31, 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 December 31, 2001 is for the release of deferred taxes.
- (g) Effective January 1, 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 January 1, 2002 P&O Princess no longer amortizes its goodwill. If goodwill had not been recorded for periods prior to January 1, 2002 P&O Princess' adjusted net income and adjusted basic and diluted earnings per share would have been as follows:

Year Ended December 31,			

2001	2000	1999	1998

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	-----	-----	-----	-----
	(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

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	At December 31, (restated)/(c)/				
	2002	2001	2000	1999	1998
	(U.S. dollars in millions)				
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
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' funds	2,724.9	2,551.8	2,296.3	2,006.8	1,622.0

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SELECTED UNAUDITED PRO FORMA FINANCIAL DATA

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 included in this proxy statement/prospectus. We have prepared the unaudited pro forma financial information 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 we

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have incorporated by reference in this proxy statement/prospectus.

We have prepared the unaudited pro forma financial data in accordance with U.S. GAAP and 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 audited consolidated financial statements for the year ended December 31, 2002, which are incorporated by reference in this proxy statement/prospectus, describe the principal differences between U.S. GAAP and UK GAAP as they relate to P&O Princess.

Selected Unaudited Pro Forma Financial Data For The Combined Group in U.S. GAAP
(U.S. Dollars In Millions, Except Per Share Data)

Pro Forma Combined Statement of Operations Data:

	For the Year Ended November 30, 2002 -----
Revenues	6,891.2
Costs and expenses	
Operating	(3,892.7)
Selling and administrative	(972.8)
Depreciation and amortization	(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 (U.S.\$)	1.67
Diluted (U.S.\$)	1.67

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Pro Forma Combined Balance Sheet Data:

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November 30,
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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COMPARATIVE PER SHARE DATA

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 November 30, 2002 for balance sheet purposes and December 1, 2001 for statement of operations purposes and are based on the unaudited pro forma combined financial information of Carnival and P&O Princess prepared in accordance with U.S. GAAP included in this proxy statement/prospectus. 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 included in "Selected Historical Financial and Operating Data

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of Carnival" and the historical audited and unaudited consolidated financial statements and related notes of P&O Princess included in "Selected Historical Financial Data of P&O Princess". 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 November 30, 2002		For the Year Ended December 31, 2002
	----- (U.S. dollars)		----- (U.S. dollars)
CARNIVAL--HISTORICAL		P&O PRINCESS--HISTORICAL	
Net income per share		Net income per share/(1)/	
Basic	1.73	Basic	0.307
Diluted	1.73	Diluted	0.306
Cash dividends per share	0.42	Cash dividends per share	0.12
 CARNIVAL--PRO FORMA		 P&O PRINCESS--PRO FORMA EQUIVALENT	
Net income per share		Net income per share	
Basic	1.67	Basic	0.50
Diluted	1.67	Diluted	0.50
Cash dividends per share	0.42	Cash dividends per share	0.126

Balance Sheet Data:

At November 30, 2002			
	-----		-----
	Historical	Pro Forma	December 31, 2002
	-----	-----	----- Pro Forma Equivalent at November 30, 2002
	(U.S. dollars)		(U.S. dollars)
CARNIVAL			P&O PRINCESS
Book value per share	12.64	16.01	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:

- .. November 19, 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);
- .. October 23, 2002 (the last business day prior to the public announcement of pre-conditional proposal for the DLC transaction and the Partial Share Offer); and
- .. March 12, 2003 (the latest practicable date prior to the mailing 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 per ordinary share price (in pence)	P&O Princess equivalent per ADS price (in U.S. dollars)
November 19, 2001	317.00	18.10	26.11	554.5	31.37
October 23, 2002	455.00	29.35	26.00	504.3	31.24
March 12, 2003	343.25	22.68	20.75	386.5	24.93

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy/prospectus (including the risk factors contained in Carnival's Annual Report on Form 10-K for the year ended November 30, 2002 and P&O Princess' Annual Report on Form 20-F for the year ended December 31, 2002), you should consider the following risk factors before deciding 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

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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, we and P&O Princess will be managed as if we were a single economic enterprise. We expect the combination of Carnival and P&O Princess under the DLC structure to enable us to achieve cost savings through synergies as well as enhanced operational efficiencies. However, we may encounter substantial difficulties during this process that could eliminate, reduce and/or delay the realization of the cost savings and synergies that we 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 us 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 realize, than we 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 management and operations of two companies and it involves different issues and risks than those associated with the other more common ways of effecting such a combination, such as a merger or exchange offer to create a wholly owned subsidiary. In the DLC transaction, the combination will be effected primarily by means of contracts between us and P&O Princess 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 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.

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

The economic interests of the shares of Carnival and P&O Princess will be contractually aligned in accordance with the equalization 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 prices of the shares of Carnival and P&O Princess may not exactly reflect the equalization 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% 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 equalization 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 our 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 equalization 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 other and/or scale back its dividend in order to equalize the distributions in accordance with the equalization ratio. After taking into consideration the actions necessary to equalize such distributions, both companies may be limited in their ability, or unable, to pay dividends.

Changes under the Internal Revenue Code, 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.

We and P&O Princess believe that substantially all of the U.S. source shipping income of each of Carnival and P&O Princess 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 U.S.-UK Income Tax Treaty; or
- . other applicable U.S. income tax treaties,

and should continue to so qualify after completion of the 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, consequently, the matters discussed above are not free from doubt. See "The Combined Group--Taxation of the Combined Group--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 our 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 ship-owning or operating subsidiaries and/or certain 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 benefits 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 used in this proxy statement/prospectus, "P&O Princess Group" means P&O Princess, its subsidiaries and its subsidiary undertakings.

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 U.S.-UK Income Tax Treaty. The U.S.-UK 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. We and P&O Princess do not 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 or the availability of benefits under the treaties 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 if 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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A small group of shareholders will collectively own approximately 35% 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, which currently beneficially owns approximately 47% of the voting power of Carnival, will own shares entitled to constitute a quorum at shareholder meetings and to cast approximately 35% 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% of its outstanding shares) 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 outstanding.

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

Our articles of incorporation and by-laws and P&O Princess' articles will 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. These additional takeover restrictions provide, generally, that no person will be able to obtain control of the Combined Group without making an offer to the shareholders of both companies on equivalent terms. 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.

Specifically, our 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% of the outstanding Carnival shares without the consent of our board of directors and provide for the lapse of rights, and sale, of any shares acquired in excess of that limit. In addition, our and P&O Princess' governing documents will contain provisions that would apply some of the anti-takeover protections provided by the UK Takeover Code to both companies. No third party, other than the Arison family and trusts for their benefit, may acquire additional shares or voting control over shares in either company, if such person would then be able to cast 30% or more of the votes which could be cast on a joint electorate action, without making an equivalent offer for the other company. Our articles and by-laws will provide that Carnival shareholders cannot act by written consent. The combined

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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 market.

The Combined Group will operate in the vacation market, and cruising is one of many alternatives for people choosing a vacation. The Combined Group will therefore risk losing business not only to other

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cruise lines, but also to other vacation operators that provide other leisure options, including hotels, resorts and package holidays and tours.

The Combined Group will face significant competition from other cruise lines, both on the basis of cruise pricing and also in terms of the nature of ships and services it will offer to cruise passengers. The Combined Group's principal competitors within the cruise vacation industry will include:

- .. Royal Caribbean Cruises Ltd., which owns Royal Caribbean International and Celebrity Cruises;
- .. Norwegian Cruise Line and Orient Lines;
- .. Disney Cruise Line;
- .. MyTravel's Sun Cruises, Thomson, Saga and Fred Olsen in the UK;
- .. Festival Cruises, Hapag-Lloyd, Peter Deilmann and Phoenix Reisen in Germany;
- .. Festival Crusies, Mediterranean Shipping Cruises, Royal Olympia Cruises and Louis Cruise Line in southern Europe;
- .. Crystal Cruises;
- .. Radisson Seven Seas Cruise Line; and
- .. Silversea Cruises.

The Combined Group will also compete with land-based vacation alternatives throughout the world, including, among others, resorts and hotels located in Las Vegas, Nevada, Orlando, Florida, various Caribbean, Mexican, Bahamian and Hawaiian Island destination resorts and numerous vacation destinations throughout Europe and the rest of the world.

In the event that the Combined Group does not compete effectively with other vacation alternatives and cruise companies, its market share could decrease and its results of operations and financial condition could be adversely affected.

Overcapacity within the cruise and competing land-based vacation industry could have a negative impact on net revenue yields, increase operating costs, result in ship asset impairments and could adversely affect profitability.

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Cruising capacity has grown in recent years and we and P&O Princess expect it to continue to increase over the next three and a half years as all of the major cruise vacation companies are expected to introduce new ships. In order to utilize new capacity, the cruise vacation industry will need to increase its share of the overall vacation market. The overall vacation market is also facing increases in land-based vacation capacity, which also will impact the Combined Group. Failure of the cruise vacation industry to increase its share of the overall vacation market could have a negative impact on the Combined Group's net revenue yields. Should net revenue yields be negatively impacted, the Combined Group's results of operations and financial condition could be adversely affected, including the impairment of the value of its ship assets. In addition, increased cruise capacity could impact the Combined Group's ability to retain and attract qualified crew at competitive costs and, therefore, increase the Combined Group's shipboard employee costs.

The international political and economic climate and other world events affecting safety and security could adversely affect the demand for cruises and could harm the Combined Group's future sales and profitability.

Demand for cruises and other vacation options has been, and is expected to continue to be, affected by the public's attitude towards the safety of travel, the international political climate and the political climate of destination countries. Events such as the terrorist attacks in the U.S. on September 11, 2001

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and the threat of additional attacks, the outbreak of hostilities or war or concerns that hostilities or war might break out, including the possibility of military action against Iraq, and national government travel advisories, together with the resulting political instability and concerns over safety and security aspects of traveling, have had a significant adverse impact on demand and pricing in the travel and vacation industry and may continue to do so in the future. Demand for cruises is also likely to be increasingly dependent on the underlying economic strength of the countries from which cruise companies source their passengers. Economic or political changes that reduce disposable income or consumer confidence in the countries from which the Combined Group will source its passengers may affect demand for vacations, including cruise vacations, which are a discretionary purchase. Decreases in demand could lead to price discounting which, in turn, could reduce the profitability of its business.

The debt rating of the Combined Group may be downgraded from our current rating, and for this or other reasons the Combined Group may not be able to obtain financing on terms that are favorable or consistent with its expectations.

Access to financing for the Combined Group will depend on, among other things, the maintenance of strong long-term credit ratings. Our debt is currently rated "A" by Standard & Poor's, "A2" by Moody's Investor Services and "A" by FitchRatings. P&O Princess' debt is currently rated "BBB" by Standard & Poor's, "Baa3" by Moody's and "BBB+" by FitchRatings. As a result of the DLC transaction, the debt rating of the Combined Group may be downgraded from our current ratings although it is expected to remain a strong investment grade rating.

We believe our current external sources of liquidity, including committed financings, and cash on hand, together with forecasted cash flows from future operations, will be sufficient to fund most or all of the capital projects, debt service requirements, dividend payments and working capital needs of the

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Combined Group.

The forecasted cash flow from future operations for the Combined Group, as well as the credit ratings of each of us and P&O Princess, may be adversely affected by various factors, including, but not limited to, declines in customer demand, increased competition, overcapacity, the deterioration in general economic and business conditions, terrorist attacks, ship incidents, adverse publicity and increases in fuel prices, as well as other factors noted under these risk factors and the "Cautionary Note Concerning Factors That May Effect Future Results" section below. To the extent that the Combined Group is required, or chooses, to fund future cash requirements, including future shipbuilding commitments, from sources other than cash flow from operations, cash on hand and current external sources of liquidity, the Combined Group will have to secure such financing from banks or through the offering of debt and/or equity securities in the public or private markets.

The future operating cash flow of the Combined Group may not be sufficient to fund future obligations, and the Combined Group may not be able to obtain additional financing, if necessary, at a cost that meets its expectations. Accordingly, the financial results of the Combined Group could be adversely affected.

If P&O Princess loses eligibility for inclusion in the FTSE 100 or Carnival is removed from the S&P 500, it may become more difficult for either company to access the equity capital markets.

Our shares will remain listed on the NYSE and are expected to continue to be included in the S&P 500. P&O Princess' shares will remain listed on the LSE and are expected to remain eligible for inclusion in the FTSE series of indices and are expected to continue to be included with full weighting in the FTSE 100. If P&O Princess loses eligibility for inclusion in the FTSE 100 or Carnival is removed from the S&P 500, it may become more difficult for either company to access the equity capital markets.

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Conducting business internationally can result in increased costs.

The Combined Group will operate the businesses of Carnival and P&O Princess internationally and plans to continue to develop its international presence. Operating internationally exposes the Combined Group to a number of risks, including:

- .. currency fluctuations;
- .. interest rate movements;
- .. the imposition of trade barriers and restrictions on repatriation of earnings;
- .. political risks;
- .. risk of increases in duties, taxes and governmental royalties; and
- .. changes in laws and policies affecting cruising, vacation or maritime businesses or the governing operations of foreign-based companies.

If the Combined Group is unable to address these risks adequately, its results of operations and financial condition could be adversely affected.

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Accidents and other incidents at sea or adverse publicity concerning the cruise industry or the Combined Group could affect the Combined Group's reputation and harm its future sales and profitability.

The operation of cruise ships involves the risk of accidents, illnesses, mechanical failures and other incidents at sea, which may bring into question passenger safety, health, security and vacation satisfaction and thereby adversely affect future industry performance. Incidents involving passenger cruise ships could occur and could adversely affect future sales and profitability. In addition, adverse publicity concerning the vacation industry in general or the cruise industry or the Combined Group in particular could impact demand and, consequently, have an adverse impact on the Combined Group's profitability.

Operating, financing and tax costs are subject to many economic and political factors that are beyond the Combined Group's control, which could result in increases in operating and financing costs.

Some of the Combined Group's operating costs, including fuel, food, insurance and security costs, are subject to increases because of market forces and economic or political instability beyond the Combined Group's control. In addition, interest rates and the Combined Group's ability to secure debt or equity financing, including in order to finance the purchase of new ships, are dependent on many economic and political factors. Actions by U.S. and non-U.S. taxing jurisdictions could also cause an increase in the Combined Group's costs. Increases in operating, financing and tax costs could adversely affect the Combined Group's results because the Combined Group may not be able to recover these increased costs through price increases of its cruise vacations.

Environmental legislation and regulations could affect operations and increase operating costs.

Some environmental groups have lobbied for more stringent regulation of cruise ships. Some groups also have generated negative publicity about the cruise industry and its environmental impact. The U.S. Environmental Protection Agency is considering new laws and rules to manage cruise ship waste.

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Alaskan authorities are currently investigating an incident that occurred in August 2002 on board Holland America's Ryndam involving a wastewater discharge from the ship. As a result of this incident, various Ryndam ship officers have received grand jury subpoenas from the U.S. Attorney's office in Alaska. If the investigation results in charges being brought, sanctions could include a prohibition of operations in Alaska's Glacier Bay National Park and Preserve for a period of time.

In addition, pursuant to a settlement with the U.S. government in April 2002, we pled guilty to certain environmental violations. We were sentenced under a plea agreement pursuant to which we paid fines in fiscal 2002 totalling \$18 million to the U.S. government and other parties. We accrued for these fines in fiscal 2001. We were also placed on probation for a term of five years. Under the terms of the probation, any future violation of environmental laws by us may be deemed a violation of probation. In addition, we were required as a special term of probation to develop, implement and enforce a worldwide environmental compliance program. We are in the process of implementing the environmental compliance program and expect to incur approximately \$10 million in additional annual environmental compliance costs in 2003 and yearly thereafter as a result of the program. If the DLC transaction is approved, the terms of the environmental compliance program will become applicable to P&O

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Princess, resulting in higher environmental compliance costs for P&O Princess.

The Combined Group's costs of complying with current and future environmental laws and regulations, or liabilities arising from past or future releases of, or exposure to, hazardous substances or to vessel discharges, could increase the cost of compliance or otherwise materially adversely affect the Combined Group's business, results of operations or financial condition.

New regulation of health, safety and security issues could increase operating costs and adversely affect net income.

The Combined Group is subject to various international, national, state and local health, safety and security laws, regulations and treaties. The International Maritime Organization, sometimes referred to as the IMO, which operates under the United Nations, has adopted safety standards as part of the Safety of Life at Sea, sometimes referred to as SOLAS, which is applicable to all of our ships. Generally SOLAS establishes vessel design, structural features, materials, construction and life saving equipment requirements to improve passenger safety and security.

In addition, ships that call on U.S. ports are subject to inspection by the U.S. Coast Guard for compliance with the SOLAS Convention and by the U.S. Public Health Service for sanitary standards. Carnival's and P&O Princess' ships are also subject to similar inspections pursuant to the laws and regulations of various other countries such ships visit. Finally, the U.S. Congress recently enacted the Maritime Transportation Security Act of 2002 which implements a number of security measures at U.S. ports, including measures that relate to foreign flagged vessels calling at U.S. ports.

Carnival and P&O Princess believe that health, safety and security issues will continue to be areas of focus by relevant government authorities both in the U.S. and abroad. Resulting legislation or regulations, or changes in existing legislation or regulations, could impact the operations of the Combined Group and would likely subject the Combined Group to increasing compliance costs in the future.

Delays in ship construction and problems encountered at shipyards could reduce the Combined Group's profitability.

The construction of cruise ships is a complex process and involves risks similar to those encountered in other sophisticated construction projects, including delays in completion and delivery. In addition, industrial actions and insolvency or financial problems of the shipyards building the Combined Group's

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ships could also delay or prevent the delivery of its ships under construction. These events could adversely affect the Combined Group's profitability. However, the impact from a delay in delivery could be mitigated by contractual provisions and refund guarantees obtained by the Combined Group.

In addition, we and P&O Princess have entered into forward foreign currency contracts to fix the cost in U.S. dollars of certain of our and P&O Princess' foreign currency denominated shipbuilding contracts. If any of the shipyards are unable to perform under the related contract, the foreign currency forward contracts related to that shipyard's shipbuilding contracts would still have to be honored. This might require us or P&O Princess to realize a loss on an existing contract without having the ability to have an offsetting gain on its foreign currency denominated shipbuilding contract, thus adversely affecting

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the financial results of the Combined Group.

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CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain statements contained in this proxy statement/prospectus are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us and P&O Princess and our respective subsidiaries and therefore, the Combined Group, including certain statements concerning the transactions described in this proxy statement/prospectus, future results, plans and goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. 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 proxy statement/prospectus not to occur and/or each of our, P&O Princess' and the Combined Group's actual results, performance or achievements to differ materially from those expressed or implied in this proxy statement/prospectus. 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 alternatives;
- .. 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 programs and brand strategies and to continue to expand their businesses worldwide;

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- .. the ability of Carnival, P&O Princess and the Combined Group to attract and retain shipboard crew;
- .. the ability to obtain financing on terms that are favorable or consistent with Carnival's, P&O Princess' and the Combined Group's expectations;
- .. the impact of changes in operating and financing costs, including changes in foreign currency and interest rates and security, fuel, food and insurance costs;
- .. changes in the tax, environmental and other regulatory regimes under which each company operates; and
- .. the ability of a small group of shareholders effectively to control the outcome of shareholder voting.

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These risks and other risks are detailed in the section entitled "Risk Factors" and in our and P&O Princess' SEC reports. That section and those reports contain important cautionary statements and a discussion of many of the factors that could materially affect the accuracy of each company's forward-looking statements and/or adversely affect their respective businesses, results of operations and financial positions, which statements and factors are incorporated in this proxy statement/prospectus 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, we and P&O Princess expressly disclaim any obligation to disseminate, after the date of this proxy statement/prospectus, 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.

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THE SPECIAL MEETING

The Proposals

This proxy statement/prospectus is being furnished to you in connection with the solicitation of proxies by our board of directors for use at a special meeting to be held on April 14, 2003, at 10:00 a.m., New York City time, at Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019. The purpose of the special meeting is for you to consider and vote upon proposals to approve:

- .. the Offer and Implementation Agreement, dated as of January 8, 2003, by and between Carnival and P&O Princess;
- .. amendments to our articles of incorporation and by-laws in connection with the transactions contemplated by the Offer and Implementation Agreement (as reflected in our proposed Third Amended and Restated Articles of Incorporation and Amended and Restated By-laws, other than amendments described in the following four items);
- .. an amendment to our articles of incorporation to increase the number of

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shares of common stock that we have the authority to issue by 999,999,998 shares;

- .. an amendment to our articles of incorporation to reduce the quorum requirement for meetings of our board of directors from a majority, to one-third, of the total number of directors;
- .. an amendment to our by-laws to reduce the quorum requirement for meetings of our shareholders from a majority, to one-third, of the total number of shares entitled to be cast at such meeting; and
- .. an amendment to our by-laws to remove the ability of shareholders to act by written consent.

This proxy statement/prospectus and the enclosed form of proxy are first being mailed to you on or about March 17, 2003.

Record Date and Voting

The holders of record of Carnival common stock as of the close of business on the record date, which was March 11, 2003, are entitled to receive notice of, and to vote at, the special meeting. On the record date, there were 586,972,729 shares of Carnival common stock outstanding.

The holders of a majority of the shares of Carnival common stock outstanding on March 11, 2003, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting.

You may vote your shares of Carnival common stock in any of two ways:

- .. by completing, signing, dating and returning the enclosed proxy card by mail; or
- .. by appearing and voting in person by ballot at the special meeting.

Required Vote

Each share of Carnival common stock which is outstanding on the record date entitles its holder to one vote at the special meeting. Completion of the DLC transaction requires the adoption of the first two proposals at the special meeting by the affirmative vote of the holders of a majority of the outstanding shares of Carnival common stock. Proposals 3, 4, 5 and 6 will not be given effect if the proposals relating to the DLC transaction are not approved.

Because the vote is based on the number of shares of Carnival common stock outstanding rather than on the number of votes cast, failure to vote your shares is effectively a vote against the DLC transaction and the other amendments to our articles of incorporation. In addition, although treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists, abstentions and "broker non-votes" will have the same effect as votes against adoption of the proposals.

Proxies; Revocation

If you vote your shares of Carnival common stock by signing a proxy, your shares will be voted at the special meeting as you indicate on your proxy card. If no instructions are indicated on your signed proxy card, your shares of Carnival common stock will be voted "FOR" the adoption of the proposals.

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You may revoke your proxy at any time before the proxy is voted at the special meeting. A proxy may be revoked prior to the vote at the special meeting in any of three ways:

- .. by submitting a written revocation dated after the date of the proxy that is being revoked to the Secretary of Carnival at 3655 N.W. 87th Avenue, Miami, Florida 33178-2428;
- .. by submitting a later--dated proxy relating to the same shares to the Secretary of Carnival by mail; or
- .. by appearing and voting in person by ballot at the special meeting.

Attendance at the special meeting will not, in itself, constitute revocation of a previously granted proxy. If you do not hold your shares of Carnival common stock in your own name, you may revoke or change a previously given proxy by following the instructions provided by the bank, broker or other party that is the registered owner of the shares.

We will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes for the meeting. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to shareholders.

Confidential Voting

It is our policy that all proxies, ballots and tabulations that identify the vote of individual shareholders are kept confidential. Your vote will not be disclosed within Carnival or to third parties, except as necessary to meet legal requirements, allow for tabulation and certification of votes, facilitate a successful proxy solicitation by our board of directors or where shareholders submit comments with their proxy.

Other Matters

Our board of directors is not aware of any business to be acted upon at the special meeting other than the proposals relating to the DLC transaction and the other amendments to our articles of incorporation and by-laws. If other matters are duly brought before the special meeting, or any adjournments or postponements of the special meeting, the persons appointed as proxies will have discretion to vote or act on these matters according to their best judgment.

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THE DLC TRANSACTION

Background to the DLC Transaction

In the past, both P&O Princess and Carnival have sought to identify, explore and, where appropriate, implement strategies to develop and broaden their cruise product offerings. The senior management of each company has regularly reviewed with its board of directors the strategic objectives of its company and the possible means of achieving those objectives. Both management teams have regularly updated their boards on the changing structure and dynamics of the cruise industry and the overall vacation market.

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In the summer of 2001, Mr. Peter Ratcliffe, Chief Executive Officer of P&O Princess, met with Mr. Richard Fain, Chairman and Chief Executive Officer of Royal Caribbean. During these meetings, the possibility of a business combination between P&O Princess and Royal Caribbean was discussed. In subsequent meetings, senior executives of the two companies discussed the changes and developments in their respective companies, and in the cruise industry generally, particularly in light of the events of September 11, 2001 and their effect on the global vacation market, and continued to explore a business combination of the two companies.

On September 24, 2001, during the early stages of the discussions between P&O Princess and Royal Caribbean, Mr. Howard Frank, Vice Chairman and Chief Operating Officer of Carnival, made a telephone call to Mr. Ratcliffe in which he inquired whether P&O Princess would be interested in pursuing discussions towards a business combination with Carnival. Given that P&O Princess' share price was at or near its all time low at the time of the call, P&O Princess did not follow up on this call.

On November 20, 2001, P&O Princess and Royal Caribbean announced that they had entered into agreements to implement a dual listed company transaction. Those agreements, which were not publicly available at that time, included non-solicitation provisions restricting P&O Princess and Royal Caribbean from entering into discussions with third parties except in specified circumstances involving a third party's offer determined by the relevant board to be a Superior Proposal as explained below. The dual listed company transaction provided for a combination of equals in which P&O Princess shareholders would have held approximately 50.7% of the equity in a dual listed company structure that was substantially similar to the DLC transaction.

On December 13, 2001, following the announcement of the Royal Caribbean transaction, Carnival submitted a detailed private proposal to the P&O Princess board regarding an offer to acquire P&O Princess. The offer was for 200 pence in cash and 0.1361 Carnival shares per P&O Princess share. Based on the prior business day's closing price for Carnival shares of \$26.55 per share and an exchange rate of \$1.00=(Pounds)0.692, the Carnival shares were valued at 250 pence, valuing the offer at 450 pence per P&O Princess share. In preparation for its decision to launch a counterbid for P&O Princess, Carnival had performed financial analyses to identify the maximum amount it would be willing to pay to acquire P&O Princess. These analyses were based on public information and Carnival's own internal estimates, and included discounted cash flow analyses and assessments of the financial effects of the transaction. However, this offer and each of Carnival's subsequent offers were ultimately based on an assessment of what price would be acceptable to the P&O Princess board and the P&O Princess shareholders.

Carnival also proposed as part of this proposal the possibility of effecting a combination via alternative structures, including a dual listed company structure. The P&O Princess board carefully considered Carnival's proposal with Sullivan & Cromwell LLP and Freshfields Bruckhaus Deringer, its legal advisors, and Schroder Salomon Smith Barney, its financial advisor, and, at its meeting on December 15, 2001, the P&O Princess board determined that Carnival's proposal was not more favorable from a financial point of view to P&O Princess' shareholders than the transaction with Royal Caribbean and was not reasonably likely to be consummated (that is, it was not a "Superior Proposal" as defined under P&O Princess' agreement with Royal Caribbean). In particular, the P&O Princess board believed

that Carnival's proposal would result in P&O Princess shareholders receiving

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shares that would not be included in the FTSE indices, and consequently a significant portion of P&O Princess shareholders, particularly UK institutional shareholders, would be unable or unwilling to hold such shares. As a result of this, the board believed that the proposed Carnival transaction would deprive such P&O Princess shareholders of the ability to retain an investment in the cruise industry and to share in the potential benefits of combining with Carnival, making it less financially favorable than the Royal Caribbean transaction in which all P&O Princess shareholders were expected to be able to share in the upside potential expected to be generated by that transaction. Further, the board believed that Carnival's proposal did not represent an irrevocable commitment to make and maintain an offer because it was subject to a number of pre-conditions, including financing and regulatory approvals. The board also believed that Carnival's proposal faced greater regulatory risk in the U.S. and Europe.

On December 16, 2001, P&O Princess announced that its board had concluded that the Royal Caribbean transaction was the more attractive alternative for P&O Princess shareholders, because it believed that Carnival's pre-conditional cash and share proposal was less favorable financially to P&O Princess shareholders and would face greater execution risk than the Royal Caribbean transaction. In response to P&O Princess' rejection of its proposal, Carnival publicly announced a pre-conditional offer for all of the issued share capital of P&O Princess on the same terms as its December 13 proposal.

On December 19, 2001, P&O Princess announced that, in light of Carnival's offer and in order to give its shareholders time to consider fully their alternatives, it would hold an extraordinary general meeting to vote on the Royal Caribbean transaction on February 14, 2002.

Carnival announced on December 24, 2001 that it had made the necessary U.S. antitrust filings in relation to its offer for P&O Princess.

On December 27, 2001, P&O Princess mailed its circular to its shareholders with respect to the Royal Caribbean transaction and made its implementation agreement and Joint Venture Agreement with Royal Caribbean publicly available, including the non-solicitation provisions described above.

On January 6, 2002, Carnival sent a letter to the P&O Princess board requesting a meeting with P&O Princess to discuss Carnival's offer and seeking clarity on a number of issues in connection with the Royal Caribbean transaction, including further details regarding termination of the Joint Venture Agreement. P&O Princess responded by letter on January 8, 2002. In its response, P&O Princess referred Carnival to the publicly available agreements between P&O Princess and Royal Caribbean and informed Carnival that those agreements prevented P&O Princess from discussing any acquisition proposal with Carnival that was not a Superior Proposal and that its board continued to believe that Carnival's proposal was neither financially superior to the Royal Caribbean transaction nor deliverable. Consequently, P&O Princess declined Carnival's request for a meeting.

Mr. Ratcliffe publicly clarified on January 10, 2002 that P&O Princess could unilaterally terminate the Joint Venture Agreement with Royal Caribbean in January 2003 at no cost as long as no change of control of P&O Princess had been completed prior to the termination date. On January 10, 2002, Carnival sent another letter to the P&O Princess board asking it for further clarification of this statement.

On January 17, 2002, Carnival indicated in a letter to P&O Princess that Carnival would, subject to certain conditions, be willing to increase its pre-conditional offer to a 250 pence in cash and 0.1380 Carnival shares for each P&O Princess share. Based on the prior business day's closing price for Carnival shares of \$26.06 per share and an exchange rate of $\$1.00 = (\text{Pounds})0.695$, the Carnival shares were valued at 250 pence, valuing the

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offer at 500 pence per P&O Princess share. After reviewing Carnival's new proposal in detail with its advisors, the P&O Princess board reaffirmed its view that Carnival's revised proposal was not a Superior Proposal and that, accordingly, P&O Princess continued to be unable to meet with Carnival to discuss its proposal without breaching its contractual obligations to Royal Caribbean.

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On January 30, 2002, Carnival announced a revised pre-conditional offer of 0.2684 Carnival shares for each P&O Princess share, valuing each P&O Princess share at 515 pence (based on the prior business day's closing price for Carnival shares of \$27.05 per share and an exchange rate of \$1.00=(Pounds)0.709). The revised offer included a partial cash alternative of 250 pence for each P&O Princess share, pre-conditional on financing being arranged on terms satisfactory to Carnival by no later than the date of posting of the offer document.

On January 31, 2002, Carnival wrote to P&O Princess shareholders urging them to vote to adjourn the extraordinary general meeting scheduled for February 14, 2002. Carnival suggested this adjournment in order to postpone the vote on the Royal Caribbean transaction until the various antitrust authorities could rule on both transactions.

The P&O Princess board carefully reviewed Carnival's revised offer with its legal and financial advisers and, at its meeting on February 3, 2002, determined that Carnival's revised offer, as revised, was not a Superior Proposal on both value and deliverability grounds. P&O Princess publicly announced its board's conclusions on February 4, 2002 and, under its contractual obligations to Royal Caribbean, remained unable to meet with Carnival. Carnival responded by restating its commitment to proceed with its revised offer and to obtain the necessary regulatory approvals in the U.S. and Europe.

On February 7, 2002, Carnival announced the terms of a further increased offer of 0.3004 Carnival shares for each P&O Princess share, valuing each P&O Princess share at 550 pence (based on the prior business day's closing price for Carnival shares of \$25.86 per share and an exchange rate of \$1.00=(Pounds)0.708), and again raised the possibility of alternative structures, including a dual listed company structure. Carnival's increased offer was pre-conditional only on the receipt of regulatory approval. The increased offer included a partial cash alternative of 250 pence for each P&O Princess share, pre-conditional on the availability of financing on terms satisfactory to Carnival.

The P&O Princess board carefully reviewed the increased offer with its legal and financial advisers and, at its meeting on February 8, 2002, the P&O Princess board determined that it was not a Superior Proposal. On February 8, 2002, P&O Princess announced that it continued to recommend that its shareholders approve the dual listed company transaction with Royal Caribbean. While the P&O Princess board acknowledged the improvement of Carnival's increased offer in terms of value, it noted that it remained concerned about the structure and deliverability of the Carnival transaction.

P&O Princess convened its extraordinary general meeting with respect to the Royal Caribbean transaction on February 14, 2002. Before resolutions to approve the Royal Caribbean transaction were voted upon, P&O Princess shareholders proposed and passed a resolution to adjourn the meeting. The Chairman of P&O Princess then announced that the meeting would be adjourned for an indefinite period.

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On February 27, 2002, Carnival announced that it had formally notified its proposed combination with P&O Princess to the European Commission for review under the EC Merger Regulation. The European Commission cleared the proposed combination on July 24, 2002.

On September 24, 2002, prior to the U.S. Federal Trade Commission closing its investigation into both transactions, the P&O Princess board met to consider the relative merits of the Royal Caribbean transaction and Carnival's proposal in light of currently available information. At that meeting, representatives of Schroder Salomon Smith Barney, P&O Princess' financial advisor, advised the board that it believed that, based on the valuation and share price analyses discussed with the board at that meeting, Carnival's prior proposal to enter into a dual listed company transaction with P&O Princess on the same financial terms as Carnival's latest share exchange proposal was more favorable to P&O Princess' shareholders from a financial point of view than the transaction with Royal Caribbean. The advice of P&O Princess' financial advisor, as extracted from the prospectus being provided to P&O Princess shareholders in connection with the DLC transaction and the Partial Share Offer, is set forth on Annex D.

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On October 4, 2002, the U.S. Federal Trade Commission voted not to oppose Carnival's acquisition of P&O Princess or the Royal Caribbean transaction. As a result, the only pre-condition to Carnival's increased offer was satisfied.

Following the Federal Trade Commission announcement, P&O Princess re-examined Carnival's increased offer, including Carnival's prior proposal to enter into a dual listed company transaction with P&O Princess as an alternative to the share exchange offer. After consulting with its financial and legal advisers and considering the analyses discussed with its financial advisor on September 24, 2002 at its meeting on October 4, 2002 the P&O Princess board determined that Carnival's dual listed company proposal was more favorable from a financial point of view to P&O Princess' shareholders than the transaction with Royal Caribbean and was reasonably likely to be consummated given that all regulatory clearances had been obtained. On October 4, 2002, P&O Princess announced that its board had determined Carnival's dual listed company proposal to be a Superior Proposal and that it was willing and able under its agreement with Royal Caribbean to enter into talks with Carnival to discuss this proposal.

On October 11, 2002, executives of Carnival and P&O Princess met together with their respective advisers to discuss a combination of their companies through a dual listed company structure. Discussions also focused on a partial share offer to be launched in conjunction with seeking shareholder approval for the dual listed company structure that would permit P&O Princess shareholders who wished to exchange some of their P&O Princess shares for Carnival shares to do so. On the same date, Carnival and P&O Princess entered into a confidentiality agreement that contemplated the exchange of confidential information between them.

Executives of Carnival and P&O Princess and their respective advisers continued to meet throughout the weeks of October 14, and October 21, 2002. During this time, the boards of directors of Carnival and P&O Princess each held meetings, at which their respective management teams and advisers provided updates on the discussions to date and on the strategic implications and possible benefits and risks of the dual listed company transaction involving the two companies.

On October 24, 2002, Carnival issued a press release announcing its pre-conditional offer to enter into the DLC transaction based on the form of agreements and instruments that it had negotiated with P&O Princess. In order

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for P&O Princess to be able to accept this offer, its board had to withdraw its recommendation of the Royal Caribbean transaction within 48 hours of Carnival's announcement and not subsequently reinstate such recommendation, the Royal Caribbean transaction had to be voted down by P&O Princess shareholders or otherwise abandoned, the Joint Venture Agreement had to terminate at no cost (other than the break fee under its implementation agreement with Royal Caribbean), the P&O Princess board of directors had to approve and recommend the DLC transaction by January 10, 2003, and P&O Princess had to enter into the negotiated form of the offer and implementation agreement by January 10, 2003. The DLC proposal included the Partial Share Offer for up to, in aggregate, a maximum of 20% of the issued share capital of P&O Princess. The making of the Partial Share Offer, including the establishment of the 20% limit, was the subject of negotiation between the parties, and was designed to allow those P&O Princess shareholders who would prefer to participate in the Combined Group through holding Carnival shares an opportunity to do so, while at the same time maintaining the liquidity and market value of the P&O Princess shares.

On October 25, 2002, the P&O Princess board held a meeting to consider the announcement of the DLC proposal and decided to withdraw its recommendation of the Royal Caribbean dual listed company transaction. Subsequent to that meeting, P&O Princess announced that its board welcomed Carnival's announcement of its dual listed company proposal and had determined that the DLC proposal would be financially superior for P&O Princess shareholders compared with the Royal Caribbean dual listed company transaction. It also announced that its board had withdrawn its recommendation of the Royal Caribbean dual listed company transaction.

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P&O Princess also entered into an agreement with Royal Caribbean on October 25, 2002 which terminated the implementation agreement with Royal Caribbean immediately, terminated the Joint Venture Agreement on January 1, 2003 as long as no change of control of P&O Princess occurred prior to this date, and provided mutual releases from liabilities arising under the two agreements. Pursuant to the agreement, P&O Princess paid Royal Caribbean \$62.5 million as a break fee under its implementation agreement with Royal Caribbean. The P&O Princess board announced that it would formally consider satisfaction of the remaining pre-conditions to the DLC proposal, including entry into an offer and implementation agreement with Carnival, in early January 2003.

On October 29, 2002, Lord Sterling of Plaistow, Chairman of P&O Princess, sent a letter to P&O Princess shareholders informing them of the announcement of the DLC proposal, the withdrawal of the P&O Princess board's recommendation of the Royal Caribbean transaction and the subsequent arrangements with Royal Caribbean for, among other things, the termination of existing agreements between them. Lord Sterling also informed P&O Princess shareholders that he no longer intended to reconvene the adjourned extraordinary general meeting convened on February 14, 2002 to approve the dual listed company combination with Royal Caribbean.

On January 2, 2003, P&O Princess announced that the Joint Venture Agreement had been terminated, and Carnival issued a press release acknowledging and welcoming the termination of the Joint Venture Agreement.

On January 7, 2003, the P&O Princess board approved the DLC transaction and agreed to recommend to the P&O Princess shareholders that they vote in favor of the resolution to implement the DLC structure. Later that day, the senior executive management teams of P&O Princess and Carnival and their respective advisors finalized the agreements and documentation to implement the DLC

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structure. The advice of P&O Princess' financial advisor considered by the P&O Princess board, as extracted from the prospectus being provided to P&O Princess shareholders in connection with the DLC transaction and the Partial Share Offer, is set forth on Annex D. In the early morning of January 8, 2003, Carnival and P&O Princess signed the Offer and Implementation Agreement. P&O Princess then issued a press release announcing that its board had agreed and recommended the DLC transaction and that P&O Princess had signed the Offer and Implementation Agreement. Carnival issued a press release announcing the execution of the Offer and Implementation Agreement, acknowledging P&O Princess' announcement of its board's recommendation and setting forth its offer to enter into the DLC transaction based on the Offer and Implementation Agreement and related agreements and instruments and the terms of the Partial Share Offer.

Reasons for the DLC Transaction

We and P&O Princess have agreed to enter into the DLC transaction in order to create the Combined Group. We and P&O Princess believe the principal benefits of the creation of the Combined Group by means of the DLC structure are as set forth below and that the DLC structure is the optimal structure to seek to achieve all of these benefits:

Complementary well-known brands operating globally

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

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

Benefits of sharing best practices and generating cost savings

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

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

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be approximately \$30 million.

Financial flexibility and access to capital markets

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

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

High quality combined fleet to enhance growth within the cruise industry

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

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

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

Following the implementation of the DLC structure, P&O Princess is expected to remain included in the FSTE 100. This will allow P&O Princess shareholders who are required, or wish, to hold shares in a UK-listed company included in the FTSE indices to continue to do so, and, as a result, to continue to participate as a shareholder in the global cruise industry through P&O Princess. A share acquisition or exchange offer or other more common means of combining the businesses of Carnival and P&O Princess in which all P&O Princess shareholders would receive Carnival shares, which are not eligible for inclusion in the FTSE series of indices, and/or a partial cash alternative would not have afforded all P&O Princess shareholders this opportunity. Additionally, the Partial Share Offer for up to 20% of P&O Princess' outstanding shares allows those P&O Princess shareholders who would prefer to participate in the Combined Group by holding shares in a U.S. listed company the opportunity to do so for at least some of their holdings.

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Other Considerations of Carnival and P&O Princess in respect of the DLC Transaction

In addition to the factors described above that supported our and P&O Princess' decisions to approve the Offer and Implementation Agreement and to recommend that shareholders vote to approve the DLC transaction, our board and the P&O Princess board each also considered potential factors that weighed against

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proceeding with the transaction, in general, and against using a DLC structure, in particular. These included:

- .. the risk that the benefits and synergies anticipated from the DLC transaction might not be achieved to the extent or within the time period expected;
- .. risks associated with the structure of the DLC transaction that are not associated with the more common ways of combining operations of two companies;
- .. the risk that the London-listed shares of P&O Princess may trade at a discount to the New York-listed shares of Carnival;
- .. the possibility that each company's shareholders might achieve more value over the long-term from continued operation of such company as an independent company or by combining with a different company;
- .. risks concerning the uncertainty of the DLC structure under the Internal Revenue Code; and
- .. the fact that a small group of shareholders would collectively own approximately 35% of the total combined voting power of the Combined Group and may be able to effectively control the outcome of shareholder voting.

A number of these factors are described in more detail under the caption "Risk Factors--Risks relating to the DLC transaction".

Our board and the P&O Princess board did not assign particular weight or ranking to any of the factors that they considered. Also, in making their determination, individual directors may have assigned a different level of importance to each factor.

Recommendation of Carnival and P&O Princess Boards of Directors

Our board and P&O Princess' board each weighed both the potential advantages of the DLC transaction and the potential factors against the DLC transaction and determined that the potential advantages of the DLC transaction outweighed the potential factors against the DLC transaction. Consequently, it was the judgment of our board and the P&O Princess board that the DLC transaction is in the best interests of Carnival and its shareholders and P&O Princess and its shareholders. Both our board and the P&O Princess board recommend that our respective shareholders vote in favor of the DLC transaction.

The DLC Structure

After giving effect to the DLC transaction, we and P&O Princess each will remain as separate listed companies, although we and P&O Princess will be operated as if we were a single economic enterprise. Our board and the P&O Princess board will be identical and the Combined Group will be managed by a single senior executive management team. The two companies will pursue a common set of business objectives established by the identical boards and single management team, who will evaluate these strategies and other operational decisions from the perspective of all the shareholders. Some key features of the DLC structure are listed below.

- .. Our shares and, for the foreseeable future, P&O Princess ADSs will continue to be listed on the NYSE and P&O Princess shares will continue to have their primary listing on the LSE.
- .. The implementation of the DLC structure will not involve any transfer of assets between us and P&O Princess. Following completion of the DLC

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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

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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 equalization ratio or the relative economic interests of Carnival shareholders and P&O Princess shareholders in the Combined Group.

- .. Carnival shareholders will continue to hold their Carnival shares and P&O Princess shareholders will continue to hold their P&O Princess shares, unless P&O Princess shareholders elect to exchange their P&O Princess shares (up to a maximum of 20% of the outstanding shares of P&O Princess) for Carnival shares in the Partial Share Offer. If the full 20% is tendered in the Partial Share Offer, approximately 79% of the equity of the Combined Group will be held through Carnival shares and the balance will be held through P&O Princess shares.
- .. The economic and voting interests represented by an individual share in each company will be equalized based on a ratio, which we refer to in this proxy statement/prospectus as the "equalization ratio." The equalization ratio will initially be 0.3004 Carnival shares for each P&O Princess share. Upon completion of the DLC transaction, P&O Princess will reorganize and consolidate its share capital so that the equalization ratio will be one Carnival share for each P&O Princess share.
- .. The equalization ratio is subject to adjustment in a limited number of circumstances, as described in the section of this proxy statement/prospectus entitled "Equalization and Governance Agreement--Equalization Ratio".
- .. As a result of the 1:1 equalization ratio, one Carnival share will have the same rights to distributions of income and capital and voting rights as one P&O Princess share. Carnival and P&O Princess shareholders initially will receive equal quarterly dividends. If the equalization ratio is adjusted to a value other than 1:1, Carnival and P&O Princess shares will no longer have equivalent rights as described in the section of this proxy statement/prospectus entitled "Equalization and Governance Agreement--Equalization Ratio".
- .. On most matters that affect all shareholders of the Combined Group, Carnival and P&O Princess shareholders will vote together as a single body. These matters are called joint electorate actions.
- .. On specified matters where the interests of Carnival shareholders may differ from the interests of P&O Princess shareholders, each shareholder body will vote separately as a class. These matters are called class rights actions and include, among others:
 - . transactions primarily designed to amend or unwind the DLC structure;
 - . adjustments to the equalization ratio not in accordance with the Equalization and Governance Agreement; and

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- . amendments to tax related provisions in Carnival's articles of incorporation.

No class rights action generally may be implemented unless approved by both shareholder bodies, which means that each shareholder body generally has a veto with respect to class rights actions.

- .. We and P&O Princess each will continue to have separate boards of directors, but the boards and senior executive management of both companies will be identical. 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.
- .. We and P&O Princess will execute cross-guarantees regarding all debts incurred after implementation of the DLC structure owed by either company as if we and P&O Princess were a single economic enterprise.
- .. Takeover restrictions will be in place so that, generally, no person will be able to obtain control over the Combined Group without making an offer to the shareholders of both companies on equivalent terms.

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- .. Neither Carnival nor P&O Princess will be able to issue any shares carrying voting rights to the other, except on a pre-emptive basis to all shareholders, for two years following the date on which the DLC structure is implemented. After expiration of the initial two-year period, for each of the subsequent three years neither Carnival nor P&O Princess may issue shares carrying voting rights to the other company or any of that company's subsidiaries, except on a pre-emptive basis to all shareholders, in excess of 5% per year of the issued or outstanding shares (calculated as at the first day in such annual period). Thereafter, there will be no restriction on the issuance of shares carrying voting rights to the other company or any of that company's subsidiaries. These restrictions may be varied by a class rights action.
- .. Shares held by one company in the other will not have voting rights unless such company holds 90% or more of the outstanding shares in the other.

Special Voting Entities; Special Voting Shares

As a mechanism to effect the new voting arrangements resulting from the DLC structure, two new special voting entities will be formed. The Carnival Special Voting Entity (which will hold the Carnival special voting share to be voted at Carnival shareholders meetings, in order to give effect to the outcome of votes at a parallel P&O Princess shareholders meeting for purposes of joint electorate actions and class rights actions) will be a company whose shares will be held legally and beneficially owned by The Law Debenture Trust Corporation p.l.c., an independent trustee company incorporated in England and Wales. The P&O Princess Special Voting Trust (the trustee of which will hold the P&O Princess special voting share to be voted at P&O Princess shareholders meetings, in order to give effect to the outcome of votes at a parallel Carnival shareholders meeting for purposes of joint electorate actions and class rights actions) will be a trust established under the laws of the Cayman Islands.

The Carnival Special Voting Entity will be present by a corporate

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representative or by proxy at any Carnival shareholder meeting at which a resolution relating to a joint electorate action and/or class rights action is to be considered. The trustee of the P&O Princess Special Voting Trust will be present by a representative or by proxy at any P&O Princess shareholder meeting at which a resolution relating to a joint electorate action and/or a class rights action is to be considered.

For joint electorate actions, the Carnival special voting share will represent the number of votes cast at the parallel meeting of P&O Princess shareholders (as adjusted by the equalization ratio and rounded up to the nearest whole percentage) and the P&O Princess special voting share will represent the number of votes cast at the parallel meeting of Carnival shareholders (as adjusted by the equalization ratio).

For class rights actions, the Carnival Special Voting Entity and the trustee of the P&O Princess Special Voting Trust, as holders of the special voting shares will only vote if the proposed action has not been approved at the parallel meeting of the shareholders of the other company. In that event, the special voting shares will represent that number of votes equal to the largest whole percentage that is less than the percentage of the number of votes (or, in the case of a special resolution of P&O Princess shareholders, such percentage less one vote) necessary to defeat the resolution at the meeting of shareholders of the other company, if the total number of votes capable of being cast by all outstanding shares (and any other shares able to vote) were cast in favour of the resolution. In most cases, this will be 49% (for a majority vote, 49% is the largest whole percentage that is less than the 50% needed to defeat the resolution). The special voting shares will not represent any votes on matters of a procedural or technical nature. The special voting shares will have the right to return at par on liquidation ranking behind the common shares. See "Changes in Rights of Carnival Shareholders--Special Voting Shares."

The SVE Special Voting Deed, which Carnival, P&O Princess, the Carnival Special Voting Entity, the trustee of the P&O Princess Special Voting Trust and the legal and beneficial owner of the Carnival Special Voting Entity will enter into as part of the DLC transaction, which is attached to this proxy

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statement/prospectus as Annex A-3, will regulate the manner in which the Carnival Special Voting Entity and the trustee of the P&O Princess Special Voting Trust will exercise the votes attaching to the Carnival special voting share and the P&O Princess special voting share.

Other than in respect of a transfer of the Carnival special voting share described below, the Carnival Special Voting Entity will be prohibited from dealing with the Carnival special voting share, or with any interest in or right attaching to the Carnival special voting share, unless such dealing has been approved by each of the Carnival board and P&O Princess board in its sole and absolute discretion and the transferee has agreed to be bound by the SVE Special Voting Deed. The trustee of the P&O Princess Special Voting Trust will be prohibited from dealing with the P&O Princess special voting share, except to the extent expressly permitted in its trust agreements agreed with Carnival. The Carnival board and P&O Princess board can require the Carnival Special Voting Entity and the trustee of the P&O Princess Special Voting Trust to transfer the special voting shares to a new person nominated by the boards if the Equalization and Governance Agreement or the SVE Special Voting Deed terminates. In addition, Carnival can require the trustee of the P&O Princess Special Voting Trust to resign or, failing such resignation, remove the trustee of the P&O Princess Special Voting Trust.

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It has been agreed that P&O Princess will pay the Carnival Special Voting Entity fees and expenses incurred in the performance of its obligations under the DLC structure and that Carnival will pay the trustee of the P&O Princess Special Voting Trust fees and expenses incurred in the performance of its obligations under the DLC structure.

Trust Shares of Beneficial Interest

Generally

On completion of the DLC transaction, Carnival will issue the Carnival special voting share to the Carnival Special Voting Entity and the P&O Princess special voting share will be transferred to the trustee of the P&O Princess Special Voting Trust. Trust shares of beneficial interest in the P&O Princess Special Voting Trust will be transferred to Carnival. Immediately following this transfer, Carnival will distribute the trust shares of beneficial interest by way of dividend to Carnival shareholders of record at the close of business on April 17, 2003. Separate certificates will not be issued to represent these trust shares of beneficial interest; instead, the trust shares of beneficial interest will be paired with and evidenced by certificates representing Carnival shares pursuant to a pairing agreement to be entered into between Carnival and the trustee of the P&O Princess Special Voting Trust at closing of the DLC transaction.

Following completion of the DLC transaction, Carnival shares will trade together with trust shares of beneficial interest in the P&O Princess Special Voting Trust. The trust shares of beneficial interest in the P&O Princess Special Voting Trust will entitle Carnival shareholders to receive any distributions made by the P&O Princess Special Voting Trust. As the sole purpose of the P&O Princess Special Voting Trust relates to the holding of the P&O Princess special voting share, it is not expected to make any distributions. See "The DLC Transaction--Changes in Rights of Carnival Shareholders--Special Voting Shares" for a discussion of the rights of the special voting shares.

The P&O Princess special voting share will be voted based upon the outcome of voting at the relevant parallel meeting of Carnival shareholders, based on the number of votes cast by Carnival shareholders voting their Carnival shares.

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Pairing Agreement

At the closing of the DLC transaction, we will enter into a pairing agreement with the trustee of the P&O Princess Special Voting Trust and a transfer agent. The pairing agreement is attached as Annex B to this proxy statement/prospectus. Pursuant to the pairing agreement:

- .. trust shares and Carnival shares will not be transferable unless the transferee acquires the same number of trust shares and Carnival shares;
- .. Carnival and the trustee of P&O Princess Special Voting Trust will not agree to any transfer of Carnival shares without the corresponding trust shares;
- .. trust shares and Carnival shares will not be represented by separate certificates, but by one certificate of Carnival common stock, which will represent an equal number of Carnival shares and trust shares; and
- .. upon each issuance of additional Carnival shares, including pursuant to the

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exercise of any existing option or convertible security, the P&O Princess Special Voting Trust will issue an equal number of additional trust shares.

After the effective date of the pairing agreement:

- .. if Carnival declares or pays any distribution consisting in whole or in part of Carnival shares, or subdivides or combines Carnival shares, then the P&O Princess Special Voting Trust will effect corresponding adjustments to maintain the pairing relationship of one Carnival share to each trust share;
- .. if Carnival otherwise reclassifies the Carnival shares, then the P&O Princess Special Voting Trust will effect such transactions as are necessary to maintain the pairing relationship of the securities into which one Carnival share was so reclassified to each trust share; and
- .. if Carnival cancels or retires any Carnival shares, the trustee of the P&O Princess Trust will cancel or retire the corresponding trust shares.

Voting Trust Deed

The voting trust deed of the P&O Princess Special Voting Trust will reflect the terms of the pairing agreement. The voting trust deed is attached as Annex C to this proxy statement/prospectus. The trust property will consist of the P&O Princess special voting share, all payments or collections in respect of the P&O Princess special voting share and all other property from time to time deposited in the trust. The voting trust deed will provide that at every meeting of P&O Princess shareholders at which a resolution relating to a joint electorate action or a class rights action is to be considered, the trustee of the P&O Princess Special Voting Trust will be present by corporate representative or by proxy. The trustee will not have any discretion as to how the P&O Princess special voting share is to be voted at any P&O Princess shareholders meeting. The trustee will cause the trust to vote the P&O Princess special voting share at any P&O Princess shareholders meeting in accordance with the requirements of the P&O Princess articles, the SVE Special Voting Deed and the DLC equalization principles (in effect, to reflect the outcome of votes at parallel Carnival shareholders meetings for purposes of joint electorate actions and class rights actions).

The P&O Princess Special Voting Trust will have a single class of trust shares of beneficial interest. Each trust share will represent an equal, absolute, identical, undivided interest in the trust property. The trust will be authorized to issue an unlimited amount of trust shares.

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No Consideration Payable

There is no consideration payable to Carnival or Carnival shareholders in connection with the DLC transaction. The consideration exchanged between Carnival and P&O Princess is the execution and delivery by each company of the agreements required to implement the DLC structure, including the Deeds of Guarantee described in "Proposal 1--The Offer and Implementation Agreement--Deeds of Guarantee".

Required Vote

Approval of the Offer and Implementation Agreement (Proposal 1) and related transactions required to effect the DLC transaction, including the necessary amendments to the articles of incorporation and by-laws of Carnival (Proposal 2) and the additional proposed amendments to our articles of incorporation and

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by-laws (Proposals 3, 4, 5 and 6), requires the affirmative vote of a majority of all outstanding shares Carnival shares entitled to vote at the special meeting.

Accounting Treatment

We expect to account for the DLC transaction as a purchase by Carnival of P&O Princess. We also expect that under U.S. GAAP the DLC transaction will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations". In accordance with the purchase method of accounting, the P&O Princess U.S. GAAP accounting policies will be conformed to our accounting policies upon completion of the DLC transaction.

United States Federal Income Tax Consequences

Although there is no U.S. federal income tax authority addressing the tax consequences of a DLC transaction, we believe that the DLC transaction should not give rise to taxable income or gain for U.S. Carnival shareholders that are U.S. holders for U.S. federal income tax purposes. However, the IRS may assert that U.S. Carnival shareholders received taxable income as a result of the various voting and equalization provisions necessary to implement the DLC transaction, including the trust shares. We believe that 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. Carnival shareholders would only result in a nominal amount of income. It is possible, however, that the IRS may disagree with this conclusion. For general information on the application of current U.S. tax laws applicable to Carnival shareholders that are U.S. holders in respect of the DLC transaction, see "The Combined Group--Taxation of the Combined Group--U.S. Taxation."

Holders of Carnival shares should consult their independent professional advisers in the light of their particular circumstances as to the U.S. federal income tax consequences of the DLC transaction, as well as to the effect of any state, local or applicable foreign tax law.

Regulatory Approvals

The DLC transaction is conditioned upon the receipt of certain regulatory approvals and consents. We have received clearance from the U.S. Federal Trade Commission and the European Commission for the DLC transaction, and therefore no further regulatory approvals are required.

No Appraisal Rights

The holders of Carnival common stock have no right to an appraisal of the value of their shares in connection with the DLC transaction.

Takeover Regulation of the Combined Group

Following completion of the DLC transaction, Carnival and P&O Princess will remain separately listed companies and will remain subject to any takeover laws and rules applicable in their jurisdiction of

organization, subject to provisions in the Carnival articles and the P&O Princess articles, which are intended to have the effect of:

.. recognizing the substantive effect of the DLC transaction, which is that

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the two companies should be regarded as a combined enterprise that will be managed by a single senior executive management team, have aligned economic interests and pursue common objectives; and

.. respecting the acquisition limits under the UK Takeover Code.

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

Provisions will be included in the governing documents of Carnival and P&O Princess in order to replicate certain of the protections provided by the UK Takeover Code for companies listed on the LSE.

Control threshold

Under the P&O Princess articles and the Carnival articles, there will be a limit that effectively prevents a person (together with any concert parties) from (a) acquiring, or acquiring voting control over, 30% or more of the combined votes which could be cast on a joint electorate action or (b) if such person(s) already holds not less than 30%, but not more than 50%, of the combined votes which would be cast on a joint electorate action, acquiring, or acquiring voting control over, any shares which increase the percentage of votes which such person(s) could cast on a joint electorate action, except as described below.

Equivalent opportunities

If a person (together with any concert parties) exceeds either of the limits described above then, under the Carnival articles and the P&O Princess articles, that person will lose all rights attached to such shares as described below unless that person makes, or announces a binding intention to make, equivalent offers for both companies of the Combined Group within 10 days of exceeding either limit and such offers are made to both Carnival shareholders and P&O Princess shareholders within 28 days of making such an announcement. In summary, the equivalent offers (and any increase or extension thereof) must:

- .. be made to all holders of Carnival shares and P&O Princess shares at or about the same time;
- .. comply with all applicable laws and rules which would govern an offer for the Carnival shares and which would govern an offer for the P&O Princess shares; and
- .. be determined by the P&O Princess board and Carnival board to be equivalent with respect to consideration (including taking into account any existing share price disparity), terms and conditions of offer, information with respect to such offer and time to consider the offer for both the Carnival shareholders and the P&O Princess shareholders, both in relation to an initial offer and any increase or extensions.

Due to the variety of takeover procedures and structuring mechanisms for such a transaction and the different takeover regimes applicable to both companies the concept of equivalence has not been defined in the Carnival or P&O Princess articles. It is expected that the boards of Carnival and P&O Princess, considering applicable rules and regulations promulgated under the Exchange Act and, where relevant, in consultation with the UK Takeover Panel, will determine whether the offers are equivalent. In any event, such determination would be made on a case-by-case basis.

Each group of shareholders will be provided equivalent treatment and opportunities and therefore will be entitled to make its own decision as to whether the relevant offer is accepted. The completion of such transaction would require both offers to become unconditional.

Breach of limits

Under the Carnival articles and the P&O Princess articles, if a person exceeds either limit described above without making an equivalent offer for all Carnival shares and P&O Princess shares, then, under the Carnival articles and the P&O Princess articles, such excess shares will be transferred to a trustee to be held in trust for a charitable organization. Such transfer may be effected by the relevant board of the company concerned. The person who originally beneficially owned those shares in breach of the prescribed ownership limit will lose rights to income and any voting rights on those shares. The trustee may then be required by the relevant board to transfer such shares to another person, including (subject to applicable law and regulation) the relevant company.

Exclusions to the ownership threshold

The provisions and restrictions described above will not apply to:

- .. any buy-back;
- .. any acquisition of shares if the restrictions are prohibited by applicable law and regulations;
- .. any acquisition by members of the Arison family and trusts for their benefit provided their holdings do not increase by more than 1% of the voting power of the Combined Group in any period of twelve consecutive months, subject to their combined shareholdings not exceeding 40% of the voting power of the Combined Group. Any transfers of shares among members of the Arison family and trusts for their benefit are also not subject to the provisions and restrictions described above; and
- .. any acquisition pursuant to a mandatory exchange.

Existing 4.9% Ownership Limit

In order for Carnival to qualify as a publicly-traded corporation under Section 883, the Carnival articles also 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% 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. The combined effect of these provisions precludes a third party from acquiring control of a controlling interest in either company or the Combined Group. These provisions may only be amended by both sets of shareholders, voting separately as a class, in a class rights action.

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Carnival

We are a global cruise vacation and leisure travel company. We offer 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. Our various brands operate 45 cruise ships, offering a total of 67,282 lower berths, in Alaska, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Hawaiian Islands, the Mediterranean, the Mexican Riviera, New England, the Panama Canal, South America and other exotic destinations worldwide. We have 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 our cruise operations, we operate a tour business through Holland America Tours, which markets sightseeing tours both separately and as a part of its cruise/tour packages.

Additional summary information about our cruise brands is as follows:

CRUISE BRAND	NUMBER OF SHIPS	PASSENGER CAPACITY/(1)/	PRIMARY LOCATION OF PASSENGERS
-----	-----	-----	-----
Carnival Cruise Lines	18	38,348	North America
Holland America	11	14,494	North America
Costa	8	10,754	Europe
Cunard	2	2,458	Europe
Seabourn	3	624	North America
Windstar	3	604	North America
	-----	-----	
	45	67,282	

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

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

FISCAL YEAR	CRUISE PASSENGERS	PASSENGER CAPACITY	OCCUPANCY/(1)
-----	-----	-----	-----
2002	3,549,000	67,282/(2)/	105.2%
2001	3,385,000	58,346	104.7%
2000	2,669,000	48,196	105.4%
1999	2,366,000	43,810	104.3%
1998	2,045,000	39,466	106.3%

 (1) Information presented is as of the end of our fiscal year for passenger capacity. Costa's passengers, capacity and occupancy are only included in 2001 and 2002.

(2) Excludes Windstar Cruises' 148 passenger capacity ship, Wind Song, which was removed from service in December 2002.

(3) In accordance with cruise industry practice, occupancy is determined based on double occupancy per cabin even though some cabins can accommodate three or more passengers. Accordingly, the percentages in excess of 100% indicate that more than two passengers occupied some cabins.

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We were incorporated under the laws of the Republic of Panama in November 1974. Our common stock is listed on the NYSE under the symbol "CCL". Our principal executive offices are located at Carnival Place, 3655 N.W. 87th Avenue, Miami, Florida 33178-2428. The telephone number of our principal executive offices is (305) 599-2600.

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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. As of January 31, 2003, P&O Princess has a fleet of 20 ocean cruise ships and two river boats offering a total of 33,100 lower berths, 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 also owns P&O Travel, a business to business travel agency, which is responsible for the purchasing of part of P&O Princess' air travel requirements.

Additional summary information as of January 31, 2003 about P&O Princess' cruise brands is as follows:

CRUISE BRAND/(1)/ -----	NUMBER OF SHIPS -----	PASSENGER CAPACITY/(2)/ -----	PRIMARY LOCAT PASSENGER -----
Princess Cruises	11	19,920	North Amer
P&O Cruises (UK)	4	7,170	United King
Swan Hellenic	1	360	United King
AIDA	2	2,460	Germany
A'ROSA	1	1,590	Germany
A'ROSA (river cruises)	2	400	Germany
P&O Cruises (Australia)	1	1,200	Australi
	-----	-----	
	22	33,100	

(1) Ocean Village, a new UK cruise brand, is expected to commence passenger service in May 2003.

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

P&O Princess' cruise operations had worldwide cruise passengers, passenger capacity and occupancy as follows:

FISCAL YEAR -----	CRUISE PASSENGERS -----	PASSENGER CAPACITY -----	OCCUPANCY -----
2002	1,178,000	10,670	100.0%

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2001	1,028,000	9,465	100.0%
2000	930,000	8,731	99.3%
1999	758,000	7,133	100.0%
1998	634,000	6,307	98.3%
1997	/(1)/	5,781	98.8%

 (1) Not available.

P&O Princess was incorporated and registered in England and Wales in July 2000. P&O Princess ordinary shares are listed on the LSE and P&O Princess ADSs are listed on the NYSE. Both P&O Princess shares and P&O Princess ADSs trade under the symbol "POC" on their respective exchanges. P&O Princess' principal executive offices are located at 11-12 Charles II Street, London SW1Y 4QU, England. The telephone number of P&O Princess' principal executive offices is +44 20 7805 1200.

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THE COMBINED GROUP

The description of the Combined Group assumes completion of the DLC transaction. The DLC transaction is conditioned on certain events, including approval by the shareholders of both Carnival and P&O Princess.

The implementation of the DLC structure will involve a strategic combination of the businesses of Carnival and P&O Princess. The two companies will have a single senior executive management team and identical boards of directors, and will be operated as if they were a single economic enterprise.

The Combined Group will be the largest cruise vacation group in the world, based on revenues, passengers carried and available capacity. It will have a wide portfolio of complementary brands, both by geography and product offering, and will include some of the best known cruise brands globally. We believe that the combination will allow the Combined Group to offer a wider range of vacation choices for its passengers and will enhance its ability to attract passengers from land-based vacations to cruise vacations.

As of January 31, 2003, Carnival and P&O Princess together had a combined fleet of 65 cruise ships offering 99,982 lower berths, with 18 additional cruise ships having 42,260 lower berths scheduled to be added over the next three and a half years. In addition, the Combined Group will be a leading provider of cruises to all major cruise destinations outside the Far East. The Combined Group will have one of the youngest and most modern fleets in the cruise industry, with an average vessel age (weighted by lower berths) of 7.5 years as of January 31, 2003. The Combined Group will also operate two private destination ports of call in the Caribbean for the exclusive use of its passengers and two river boats in Germany (with a further two on order at January 31, 2003), and will offer land-based tour packages as part of its vacation product alternatives. Carnival and P&O Princess together carried approximately 4.7 million passengers in fiscal 2002.

On a pro forma basis in accordance with U.S. GAAP, the Combined Group would have reported revenues of \$6.9 billion and net income of \$1.3 billion for the fiscal year ended November 30, 2002. On the same basis, the Combined Group would have reported shareholders' equity of \$12.8 billion as at November 30, 2002.

Brands

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The Combined Group will offer thirteen complementary brands with leading positions in North America, the UK, Germany, Italy, France, Spain, Brazil, Argentina and Australia. These brands operate itineraries in the following regions: Alaska, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Hawaiian Islands, the Mediterranean, the Mexican Riviera, New England, the Panama Canal, South America and other exotic destinations worldwide.

The Combined Group's principal brands will include:

Carnival Cruise Lines	-- primarily marketed in North America
Princess Cruises	
Holland America Line	
Cunard Line	
Windstar Cruises	
Seabourn Cruise Line	
P&O Cruises (UK)	--primarily marketed in the United Kingdom
Swan Hellenic	
Ocean Village	
AIDA	--primarily marketed in Germany
A'ROSA	

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Costa Cruises	--primarily marketed in southern Europe and Germany
P&O Cruises (Australia)	--primarily marketed in Australia

Both Carnival and P&O Princess have historically managed their brands on a decentralized basis. The Combined Group intends to take a similar approach while integrating certain back office activities and taking other steps to achieve economies of scale and cost synergies.

Fleet

As of January 31, 2003, Carnival and P&O Princess together operated a fleet of 65 cruise ships with an aggregate capacity of 99,982 lower berths. As of that date, Carnival and P&O Princess together had an additional 18 cruise ships on order, with an aggregate capacity of 42,260 lower berths, scheduled for delivery during the next three and a half years. In addition, the Combined Group will operate two river boats on the Danube and as of January 31, 2003 had two new river boats on order representing a further 400 lower berths.

As of January 31, 2003, the fleet of the Combined Group (excluding river boats) would have had an average vessel age (weighted by lower berths) of 7.5 years and an average vessel size of approximately 1,540 lower berths. Based on the existing fleet and announced additions and withdrawals, and excluding river boats, the average vessel age (weighted by lower berths) of the Combined Group's fleet will be 8.7 years at November 30, 2006 and its average vessel size will have increased to approximately 1,720 lower berths.

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The table below summarizes the Combined Group's fleet capacity measured in lower berths by brand as of January 31, 2003 and the projected fleet capacity at November 30, 2006, taking into account existing cruise ships on order and announced transfers and withdrawals. In accordance with industry practice, capacity is based on two passengers occupying the lower berths in each cabin, even though some cabins can accommodate more than two passengers.

Lower Berths

Brands	Capacity at January 31, 2003	Vessel additions	Announced withdrawals/(4)/	Announced transfers	Projected capacity at Nov 30, 2006
Carnival Cruise Lines	38,348	11,046	--	--	49,394
Princess Cruises	19,920	10,410	--	(3,600)	26,730
Holland America Line	14,494	7,392	--	--	21,886
Cunard Line	2,458	4,588	--	--	7,046
Windstar Cruises	604	--	--	--	604
Seabourn Cruise Line	624	--	--	--	624
P&O Cruises (UK)	7,170	--	--	560 / (3) /	7,730
Swan Hellenic/(1)/	360	676	(360)	--	676
Ocean Village/(2)/	--	160	--	1,450	1,610
Costa Cruises	10,754	7,554	--	--	18,308
AIDA	2,460	1,270	--	--	3,730
A'ROSA	1,590	--	--	1,590	3,180
P&O Cruises (Australia)	1,200	--	--	--	1,200
A'ROSA (River Cruises)	400	400	--	--	800
Total	100,382	43,496	(360)	--	143,518

(1) The charter for the 360-berth Minerva ends in April 2003. The ship will be replaced by a new chartered ship, Minerva II, which was built in 2001 and has 676 lower berths.

(2) Arcadia, which is currently sailing in the P&O Cruises (UK) fleet, is due to be transferred to Ocean Village in the second quarter of 2003. Her refit will result in the creation of an additional 160 lower berths.

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(3) This figure reflects the net result of the transfer of Adonia, with 2,010 lower berths, from the Princess fleet to the P&O Cruises (UK) fleet in the second quarter of 2003 and the redeployment of Arcadia, with 1,450 lower berths, to the Ocean Village fleet in the second quarter of 2003.

(4) The Combined Group is expected to withdraw additional capacity from service through 2006.

Strategy

Carnival and P&O Princess operate multi-brand strategies that are intended to differentiate themselves from their competitors and provide products and services appealing to the widest possible target audience across all major segments of the vacation industry.

Having established the contemporary Carnival Cruise Lines brand in 1972, Carnival entered the premium/luxury segment with the acquisition of Holland America Line/Windstar Cruises in 1989. Carnival has continued to acquire and build brands and expand its geographic reach, through the further acquisition

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of the ultra luxury Seabourn brand, the contemporary European brand Costa Cruises and the premium/luxury British brand Cunard. These six brands are managed by four distinct management groups which operate on a decentralized basis. Carnival has found this decentralized management approach to be highly successful and expects the Combined Group to be managed in a similar fashion.

Similarly, P&O Princess has established a multi-brand strategy targeting a wide customer base. From established positions in the UK and Australian cruise industries, P&O Princess improved its position in the North American cruise industry in the 1970s and 1980s through the acquisitions of Princess Cruises and Sitmar Cruises and in Germany through the acquisition in 1999 of a majority stake in AIDA Cruises, one of the best known cruise brands in Germany. P&O Princess acquired the remainder of AIDA Cruises in 2000 and commenced the operation of a new German brand, A'ROSA, in 2002. In the UK, P&O Princess has recently launched Ocean Village, a new brand for the contemporary segment.

The Combined Group's will seek to be the leading global cruise vacation operator with brands appealing to the widest target audience, focused on sourcing passengers from developed vacation markets where cruising is one of the fastest growing vacation alternatives. Carnival and P&O Princess also expect to market certain of the Combined Group's brands to enter into and expand developing vacation markets. In pursuit of this strategy, the companies of the Combined Group will seek to:

Build on brand strengths

The Combined Group will have some of the most widely recognized cruise brands in North America, Europe, South America (primarily Brazil and Argentina) and Australia and will be a leading provider of cruise vacations to all of the key cruise destinations outside the Far East, including Alaska, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Hawaiian Islands, the Mediterranean, Mexican Riviera, New England, the Panama Canal, South America and other exotic destinations worldwide. Carnival and P&O Princess intend to continue to grow the Combined Group's brands and broaden and develop the range of destinations, itineraries, tours and vacation alternatives offered by the Combined Group. The Combined Group intends to provide greater choice and options for its passengers among these well-recognized brands in order to continue to attract passengers from the wider vacation market.

Increase global presence

It is expected that the brand offerings and diversified fleet of the Combined Group will enable it to accelerate the entry of cruising into existing and new geographical vacation markets.

We believe that there is a significant opportunity to continue to build the Combined Group's presence in the relatively underdeveloped cruise vacation industry within continental Europe. The Combined Group will be one of the leading cruise vacation companies in the UK, Germany and southern Europe,

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which are three of the largest vacation markets outside of North America. In the UK, P&O Cruises and Cunard are two of the most recognized brands. AIDA is one of the best known cruise brands in Germany, and Costa is one of the most widely recognized cruise brands in Europe.

Maximize growth through strategic deployment of its brands and fleet

The Combined Group expects to strategically deploy its diversified fleet in

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order to increase its global reach and enter new and developing markets. Such strategic deployment is expected to allow the Combined Group to appeal to the largest target audience with brands, products and itineraries with the widest appeal in a particular geographic region.

Carnival and P&O Princess have traditionally constructed purpose-built ships for each of their brands, consistent with the passenger demographics and product features of the particular brand. In addition, in order to take advantage of the rapidly expanding demand in Europe for cruises, several vessels have been transferred within the Carnival and P&O Princess groups over the last several years. For example, Carnival's Tropicale was transferred to Costa and now operates as the Costa Tropicale and Holland America's Westerdam was transferred to Costa and now operates as the Costa Europa. P&O Princess has successfully deployed vessels in order to build its brands in the UK and Australia and to launch a new brand in Germany. For instance, in 2002 P&O Princess transferred the Ocean Princess and the Crown Princess to the P&O Cruises (UK) and A'ROSA brands in the UK and Germany, respectively, and intends to transfer the Sea Princess to the P&O Cruises (UK) fleet in 2003. In 2000, Princess Cruises' Sky Princess was redeployed to P&O Cruises (Australia) and now operates as the Pacific Sky.

We expect the Combined Group to continue to explore opportunities to utilize its vessels in such a manner consistent with providing the overall best return for the Combined Group.

Realize cost savings.

Carnival has consistently been one of the most efficient cruise operators in the cruise vacation industry. Carnival believes it has been able to achieve these efficiencies through its decentralized management approach, economies of scale, highly experienced management team and the ability to disseminate best practices across its operating companies. Since its demerger from The Peninsular and Oriental Steam Navigation Company in October 2000, P&O Princess has pursued a cost reduction program aimed at bringing its cost structure more into line with other major cruise operators. This program enabled underlying costs to be reduced by 13% per available berth day over two years.

Carnival and P&O Princess expect that the Combined Group will generate significant cost savings, estimated to be at least \$100 million on an annualized basis, commencing in the first full fiscal year following completion of the DLC transaction. Carnival and P&O Princess expect that these cost savings will be generated principally through the dissemination of best practices between the companies, economies of scale and the rationalization of certain shoreside operations. Carnival and P&O Princess expect that the majority of cost savings will come from the following areas:

- .. rationalizing each of sourcing and logistics, tour operations, certain back office functions and other offices and activities, such as sales and support offices globally;
- .. reducing selling, general and administrative costs from areas such as insurance, rent and other administrative costs;
- .. rationalizing port activities;
- .. rationalizing information technology across the group; and
- .. disseminating best practices across shipboard and shoreside operations.

One-time cash costs of achieving these cost savings are expected to be approximately \$30 million.

Industry Background

Since 1970, cruising has been one of the fastest growing segments of the vacation market. According to Cruise Lines International Association, or CLIA, a leading industry trade group, in 1970 approximately 0.5 million North American-sourced passengers took cruises of two consecutive nights or more. CLIA estimates that this number reached approximately 7.4 million passengers in 2002, a compound annual growth rate of approximately 9% since 1970.

Outside North America, the principal sources of passengers for the industry are the UK, Germany, Italy, France, Spain, South America and Australia. In all of these areas, cruising represents a smaller proportion of the overall vacation market than it does in North America but, based on industry data, is generally experiencing higher growth rates.

Cruising offers a broad range of products to suit vacationing passengers of many ages, backgrounds and interests. Cruise brands can be broadly divided into the contemporary, premium and luxury segments. The Combined Group will have significant product offerings in each of these segments. The contemporary segment is the largest segment and typically includes cruises that last seven days or less, have a more casual ambience and are less expensive than premium or luxury cruises. The premium segment is smaller than the contemporary segment and typically includes cruises that last from seven to 14 days. Premium cruises emphasize quality, comfort, style and more destination- focused itineraries and the average pricing on these cruises is typically higher than those in the contemporary segment. The luxury segment is the smallest segment and is typically characterized by smaller vessel size, very high standards of accommodation and service, generally with higher prices than the premium segment. Notwithstanding these marketing segment classifications, there is overlap and competition among cruise segments.

The Combined Group will provide cruise vacations in most of the largest vacation markets in the world: North America, the UK, Germany and southern Europe. A brief description of the principal vacation regions in which the Combined Group intends to operate is as follows:

North America

The largest vacation market in the world is North America. According to CLIA, approximately 7.4 million North American passengers took cruises for two consecutive nights or more in 2002.

Estimates of North American-sourced cruise passengers and the number of lower berths marketed in North America compiled by CLIA from 1997 to 2002 are as follows:

Calendar Year	Cruise Passengers sourced in North America/(1)/	Lower Berths Marketed in North America/(2)/
1997	5,051,000	118,000
1998	5,428,000	138,000
1999	5,894,000	149,000
2000	6,882,000	166,000

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2001	6,906,000	176,000
2002	7,400,000	193,000

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- (1)Based on passengers carried for at least two consecutive nights for the calendar year (2002 estimates are preliminary).
- (2)As of the end of the calendar year. These figures include some ships which are marketed in North America and elsewhere.

The principal itineraries visited by North American cruise passengers in 2002 were the Caribbean, Bahamas and Mexico. In addition, North American cruise passengers visited Alaska, Bermuda, Europe, the Mediterranean, the Panama Canal and other exotic locations, including South America, Africa, the South Pacific, the Orient and India.

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Based on the number of ships that are currently on order worldwide and scheduled for delivery between 2003 and 2006, Carnival and P&O Princess expect that the net capacity serving North American consumers will increase significantly over the next several years. Projections compiled by CLIA indicate that by the end of 2003, 2004 and 2005, North America will be served by 187,197 and 199 ships, respectively, having an aggregate passenger capacity of approximately 213,000, 236,000 and 240,000 lower berths, respectively. These figures include some ships that are expected to be marketed in North America and elsewhere. CLIA's estimates of capacity do not include assumptions related to unannounced ship withdrawals due to factors such as the age of ships or changes in the location from where ships' passengers are predominantly sourced and, accordingly, could indicate a higher percentage growth in North American capacity than will actually occur. Nonetheless, we expect that net capacity serving North American-sourced cruise passengers will increase over the next several years.

Europe

We estimate that Europe is one of the largest vacation markets, but cruising in Europe has achieved a much lower penetration rate than in North America. We estimate that approximately 2.3 million European-sourced passengers took cruise vacations in 2002 compared to approximately 7.4 million North American-sourced passengers. However, from 1990 to 2002, the number of cruise passengers sourced from Europe has been growing faster than the number of cruise passengers sourced from North America. From 1997 through 2001, the rate at which Europeans took a cruise grew at a compound annual growth rate of 12% compared to an 8% growth rate with respect to North Americans. With respect to the European countries from which the most cruise passengers are sourced, from 1997 through 2001 the compound annual growth rate in cruise passengers was 10% in the UK, 14% in France, 8% in Germany and 11% in Italy. Cruise vacation companies are continuing to expand their offerings in Europe. For example, more cruise vacations were marketed to European passengers in 2002 than in 2001. We expect that a number of additional new or existing ships will be introduced into Europe over the next several years.

We also believe that Europe will represent a significant area for the growth for the Combined Group because, among other things, the vacation markets in Europe are large but the level of penetration of cruising is low.

UK

The UK is one of the largest sources for cruise passengers in the world. According to G.P.Wild (International) Limited, approximately 0.8 million UK passengers took cruises in 2001. Cruising was relatively underdeveloped as a

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vacation option for UK consumers until the mid-1990s, but since then there has been strong growth in the number of cruise passengers sourced from the UK. The number of UK cruise passengers increased by a compound annual growth rate of approximately 10% between 1997 and 2001. The main destination for UK cruise passengers is the Mediterranean. Other popular destinations for UK cruise passengers include the Caribbean, the Atlantic Islands, including the Canary Islands and the Azores, and Scandinavia. The Combined Group will have two of the most widely recognized brands in the UK-P&O Cruises (UK) and Cunard.

Germany

Germany is one of the largest sources for cruise passengers in continental Europe with approximately 0.4 million on cruise passengers in 2001. Germany exhibited a compound annual growth rate in the number of cruise passengers carried of approximately 8% between 1997 and 2001. We believe that German cruising is an underdeveloped region for the cruise industry. The main destinations visited by German cruise passengers are the Mediterranean and the Caribbean. Other popular destinations for German cruise passengers include Scandinavia and the Atlantic Islands. The Combined Group will have four brands marketed in Germany: AIDA, A'ROSA, Costa and Cunard.

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Southern Europe

The main regions in southern Europe for sourcing cruise passengers are Italy, France and Spain. Together, these countries generated approximately 0.7 million cruise passengers in 2001. Cruising in Italy, France and Spain exhibited a compound annual growth rate in the number of passengers carried of approximately 15% between 1997 and 2001. We believe that these regions are also relatively underdeveloped for the cruise industry. The Combined Group intends to increase its penetration in Southern Europe through Costa Cruises, the largest and one of the most recognized cruise brands marketed in Europe.

South America

Cruising has been marketed in South America for many years, although the region remains in an early stage of development. Cruises from South America typically occur during the southern hemisphere summer months of November through March, and are primarily seven to nine days in duration. The Combined Group expects its presence in this region will be primarily represented through the Costa brand, which currently operates two vessels in this region Costa Classica and Costa Tropicale, offering approximately 2,324 lower berths.

Australia

Cruising in Australia is relatively small but well established. We estimate that approximately 0.1 million Australians took cruise vacations in 2001. The Combined Group expects to continue to serve this region through the P&O Cruises (Australia) brand, which currently operates Pacific Sky and, for a portion of the year, Pacific Princess in this region, and through Cunard and Holland America, which market their world and other cruises in Australia.

Characteristics of the Cruise Vacation Industry

Strong growth

Cruise vacations have experienced significant growth in recent years. The number of new cruise ships currently on order from shipyards indicates that the growth in supply of cruise capacity is set to continue for a number of years.

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As a result of this continuing growth in supply, continued growth in demand across the industry, particularly in North America, will be required in order to take up this increase in supply. Given the historical growth rate of cruising and the relative low penetration levels in major vacation markets, the Combined Group believes that there are significant areas for growth. However, in order for demand to meet available capacity, for the past few years there has been pressure on cruise pricing. See "Risk Factors--Risks relating to the Combined Group's businesses."

Wide appeal of cruising

Cruising appeals to a broad demographic range of passengers. Industry surveys estimate that the principal passengers for cruising in North America (defined as households with income of \$40,000 or more headed by a person who is at least 25 years old) now comprise approximately 128 million people. About half of these individuals have expressed an interest in a cruise as a vacation alternative.

Relatively low penetration levels

North America has the highest cruising penetration rates per capita. Nevertheless, CLIA estimates that only 15% of the U.S. population has ever taken a cruise. In the UK, where there has been significant expansion in the number of cruise passengers carried over the last five years, cruising penetration levels per capita are only approximately three-fifths of those of North America. In the principal vacation regions in continental Europe, cruising penetration levels per capita are approximately one-fifth of those in North America. Elsewhere in the world cruising is at an early stage of development and has far lower penetration rates.

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Satisfaction rates

Cruise passengers tend to rate their overall satisfaction with a cruise-based vacation higher than comparable land-based hotel and resort vacations. In North America, industry studies indicate that cruise passengers experience a high level of satisfaction with their cruise product, with 69% of cruisers finding the value of the cruise vacation experience to be as good as, or better than, the value of other vacations.

Competition

Carnival and P&O Princess compete, and the Combined Group will compete, both with a wide array of land-based vacation alternatives and with other cruise lines for consumers' disposable leisure time dollars.

The Combined Group will compete with land-based vacation alternatives throughout the world, including, among others, resorts and hotels located in Las Vegas, Nevada, Orlando, Florida, various Caribbean, Mexican, Bahamian and Hawaiian Island destination resorts and numerous vacation destinations throughout Europe and the rest of the world. Specifically, the Combined Group's land-based competitors include, among many others, MyTravel, Club Med, GoGo Tours, Fairfield Communities Vacation Ownership Club, First Choice, Harrah's Entertainment, Hilton Hotels, Hyatt Hotels, Kuoni Travel, Mandalay Resort Group, Disney, Universal Studios, Marriott International Resorts and the Marriott Vacation Ownership Club, MGM Grand, Nouvelle Frontieres, Perillo Tours, Ritz-Carlton Hotels, Saga Tours, Six Flags, Starwood Hotels and Resorts, Sandals Resorts, Sun City Resorts, Thomas Cook, Trafalgar and companies in the TUI Group, as well as various other theme parks.

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The Combined Group's primary cruise competitors in the contemporary and/or premium cruise segments for North American-sourced passengers will be Royal Caribbean Cruises Ltd., which owns Royal Caribbean International and Celebrity Cruises, Star Cruises plc, which owns Norwegian Cruise Line and Orient Lines, and Disney Cruise Line.

The Combined Group's primary cruise competitors for European-sourced passengers will be My Travel's Sun Cruises, Fred Olsen, Saga and Thomson in the UK; Festival, Hapag-Lloyd, Peter Deilmann and Phoenix Reisen in Germany; and Mediterranean Shipping Cruises, Royal Olympia Cruises, Louis Cruise Line and Festival Cruises in southern Europe. The Combined Group will also compete for passengers throughout Europe with Norwegian Cruise Line, Orient Lines, Royal Caribbean International and Celebrity Cruises.

The Combined Group's primary competitors in the luxury cruise segment for its Cunard, Seabourn and Windstar brands will include Crystal Cruises, Radisson Seven Seas Cruise Line, and Silversea Cruises.

The Combined Group's brands will also compete with similar or overlapping product offerings across all of the Combined Group's segments.

Employees

The Combined Group is expected to have approximately 11,400 full and part-time/seasonal employees engaged in shoreside operations upon implementation of the DLC structure. Carnival and P&O Princess will also employ, in the aggregate, approximately 45,800 officers, crew and staff on its combined fleet of 65 cruise ships and two river boats. A significant proportion of employees that work in Carnival's and P&O Princess' ship, hotel, and motor coach operations are unionized and/or are party to collective bargaining agreements. We consider our respective employee and union relations generally to be good.

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The Combined Group is expected to source its shipboard officers primarily from Italy, Holland, the UK and Norway. The remaining crew positions are manned by persons from around the world. The Combined Group is expected to utilize various manning agents in many countries and regions to help secure its shipboard employees.

Board and Management

Carnival and P&O Princess will be managed and operated as if they were a single economic enterprise. Although each of Carnival and P&O Princess will continue to exist as a separate company with its own board of directors and senior executive management, the boards and senior executive management of each company will be identical. The proposed directors of Carnival and P&O Princess following implementation of the DLC structure are listed under "Directors and Executive Officers of the Combined Group". In addition to their normal fiduciary duties to the company and obligation to have regard to the interests of its shareholders, the directors of each company will be entitled to have regard to the interests of the other company and its shareholders. Micky Arison, the Chairman and Chief Executive Officer of Carnival, will be Chairman and Chief Executive Officer of both Carnival and P&O Princess and Howard S. Frank, the Vice Chairman and Chief Operating Officer of Carnival, will be the Vice Chairman and Chief Operating Officer of both Carnival and P&O Princess. Peter Ratcliffe, P&O Princess' Chief Executive Officer, will be an executive director of both Carnival and P&O Princess. In addition, Gerald R. Cahill, the

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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 Combined Group expects to take advantage of the best management practices across the two companies. The headquarters of the Combined Group will be in Miami with a corporate office in London.

Dividends

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

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

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.

On-going Reporting

We expect that the DLC transaction will be accounted for under U.S. GAAP 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 implementation of the DLC structure, P&O Princess will change its fiscal year end to November 30 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. We expect that these combined financial statements will be included in a combined annual report. P&O Princess also expects to include summary balance sheet information

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and summary income statement information prepared in accordance with UK GAAP, without notes, in the 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.

We 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.

Taxation of the Combined Group

UK Taxation

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Following the DLC transaction, P&O Princess will continue to be tax resident in the UK and should continue to qualify for the UK tonnage tax regime in respect of its relevant shipping profits.

In order for the tonnage tax regime to apply to relevant shipping profits, it is necessary, among other matters, that the strategic and commercial management of P&O Princess vessels currently within the tonnage tax regime remain located in the UK. We believe that after implementation of the DLC transaction, sufficient strategic and commercial management activities will remain located in the UK to satisfy this test.

P&O Princess has been advised by its tax advisers that the DLC transaction should not affect the application of the motive test exemption to the UK's controlled foreign company rules, which currently applies to the non-UK resident Princess Cruises brand vessel owning and operating subsidiaries.

U.S. Taxation

Exemption under Section 883 of the Internal Revenue Code

In general, under Section 883, certain non-U.S. corporations are not subject to U.S. federal income tax or branch profits tax on certain U.S. source income derived from the international operation of a ship or ships. Carnival and many of its ship-owning and operating subsidiaries are non-U.S. corporations that are organized in foreign countries that the Internal Revenue Service has recognized as having granted an equivalent exemption to U.S. corporations for the purposes of Section 883 and that derive income from sources within the United States. In addition, certain members of the P&O Princess Group are organized in foreign countries that the Internal Revenue Service has recognized as having granted an equivalent exemption to U.S. corporations for the purposes of Section 883 and which derive income from sources within the U.S.

A foreign corporation will qualify for the benefits of Section 883 if, in relevant part, (i) the foreign country in which the foreign corporation is organized grants an equivalent exemption to corporations organized in the U.S. and (ii) either (a) more than 50% of the value of the corporation's stock is owned, directly or indirectly, by individuals who are residents of that country or of another foreign country that grants an equivalent exemption to corporations organized in the U.S. referred to as the "stock ownership test" (such individuals are referred to as "Qualified Shareholders") or (b) the foreign corporation meets the publicly-traded test described below. In addition, to the extent a foreign corporation's shares are owned by a direct or indirect parent corporation which itself meets the publicly-traded test, then in analyzing the stock ownership test with respect to such subsidiary, stock owned directly or indirectly by such parent corporation will be deemed owned by individuals resident in the country of incorporation of such parent corporation.

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A company whose shares are considered to be "primarily and regularly traded on an established securities market" in the U.S., the UK or another qualifying jurisdiction will meet the publicly-traded test (the "publicly-traded test"). Pursuant to recently revised proposed Treasury Regulations issued under Section 883, stock will be considered "primarily traded" on one or more established securities markets if, with respect to each class of stock of the particular corporation, the number of shares in each such class that are traded during a taxable year on any such market exceeds the number of shares in each such class traded during that year on any other established securities market. Stock of a corporation will be generally considered "regularly traded" on one or more established securities markets under the proposed regulations if (i) one or

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more classes of stock of the corporation that, in the aggregate, represent more than 50% of the total combined voting power of all classes of stock of such corporation entitled to vote and of the total value of the stock of such corporation are listed on such market; and (ii) with respect to each class relied on to meet the more than 50% requirement in (i) above, (x) trades in each such class are effected, other than in de minimis quantities, on such market on at least 60 days during the taxable year, and (y) the aggregate number of shares in each such class of the stock that are traded on such market during the taxable year is at least 10% of the average number of shares of the stock outstanding in that class during the taxable year. A class of stock that otherwise meets the requirements outlined in the preceding sentence is not treated as meeting such requirements for a taxable year if, at any time during the taxable year, one or more persons who own, actually or constructively, at least 5% of the vote and value of the outstanding shares of the class of stock, own, in the aggregate, 50% or more of the vote and value of the outstanding shares of the class of stock (the "5% Override Rule"). However, the 5% Override Rule does not apply (a) where the foreign corporation establishes that Qualified Shareholders own sufficient shares of the closely-held block of stock to preclude non-Qualified Shareholders of the closely-held block of stock from owning 50% or more of the total value of the class of stock for more than half of the taxable year; or (b) to certain investment companies provided that no person owns, directly or through attribution, both 5% or more of the value of the outstanding interests in such investment company and 5% or more of the value of the shares of the class of stock of the foreign corporation.

Carnival will continue to qualify as a publicly-traded foreign corporation for these purposes after the DLC transaction and, consequently its foreign subsidiaries that are organized in foreign jurisdictions that grant an equivalent exemption will, subject to the discussion in the following paragraph, continue to qualify for Section 883 benefits. P&O Princess believes that it also should continue to qualify as a publicly-traded foreign corporation for these purposes after the DLC transaction and, consequently, that, if relevant, certain members of the P&O Princess Group that are organized in foreign jurisdictions that grant an equivalent exemption should, subject to discussion in the following paragraph, continue to qualify for Section 883 benefits.

It is possible that the Combined Group may be characterized for U.S. federal income tax purposes as a partnership between Carnival and P&O Princess or, conceivably, among their shareholders, notwithstanding the express intention of the parties that the DLC structure shall not constitute a partnership or other similar entity for any purpose. While either such characterization could affect the technical application of certain rules, neither should have a material impact under Section 883 or applicable U.S. income tax treaties, as appropriate.

In addition, the DLC structure has a number of features, including the special voting share and other features with respect to which there is limited or no authority under the Internal Revenue Code or applicable U.S. income tax treaties. Although the IRS could take a different position, Carnival and P&O Princess believe that the special voting share structure is not inconsistent with the publicly-traded test of Section 883 and that the DLC transaction should not adversely affect the abilities of Carnival and P&O Princess, nor the abilities of their respective subsidiaries, to qualify for the benefits of Section 883 or the applicable U.S. income tax treaties, as appropriate.

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Exemption under Applicable Income Tax Treaties

Article 8 of the UK-U.S. Income Tax Treaty provides substantially the same

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exemption from tax for UK resident companies for U.S. source shipping income as Section 883. P&O Princess and its UK resident subsidiaries should continue to qualify for such benefits after the DLC transaction has been completed. Although the UK-U.S. Income Tax Treaty has been renegotiated and signed (though it still has not entered into force as it is pending ratification by the U.S.), the provisions of Article 8, as renegotiated, are essentially the same as the provisions in the existing treaty. Unlike the current treaty, however, the pending UK-U.S. Income Tax Treaty contains a Limitations on Benefits article that requires one of certain alternative tests to be satisfied in order for a party to be eligible for benefits under the treaty. P&O Princess believes that it and its UK resident subsidiaries should satisfy the Limitation on Benefits article if, and as of when, the pending treaty comes into force. The pending treaty also contains other limitations that would deny the availability of treaty benefits for income earned through certain entities. While these other limitations would apply to income earned through certain P&O Princess entities, P&O Princess believes, based on its current circumstances, that it will be able to reorganize by, for example, moving the affected operations into a UK entity or one formed in another equivalent exemption jurisdiction, such that the relevant U.S. source shipping income should qualify for an exemption from U.S. federal income tax, either under the pending treaty or pursuant to Section 883.

In addition, certain members of the Combined Group rely on other U.S. income tax treaties for similar exemptions from U.S. taxation on U.S. source shipping income. We do not 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 impact of a DLC arrangement or the availability of benefits under Section 883 or any applicable U.S. income tax treaty and, consequently, the matters discussed above are not entirely free from doubt.

Taxation in the Absence of an Exemption under Section 883 or Any Applicable U.S. Income Tax Treaty.

Shipping income that is attributable to transportation of passengers which begins or ends in the U.S. is considered to be 50% derived from U.S. sources. Shipping income that is attributable to transportation of passengers which begins and ends in foreign countries is considered 100% derived from foreign sources and not subject to U.S. federal income tax. Shipping income that is attributable to the transportation of passengers which begins and ends in the U.S. without stopping at an intermediate foreign port is considered to be 100% derived from U.S. sources.

The legislative history of the transportation income source rules suggests that a cruise that begins and ends in a U.S. port, but that calls on more than one foreign port, will derive U.S. source income only from the first and last legs of the cruise. Because there are no regulations or other IRS interpretations of these rules, the applicability of the transportation income source rules in the aforesaid manner is not free from doubt.

In the event that Carnival or P&O Princess or any of their respective subsidiaries were to fail, in part or in whole, to meet the requirements of Section 883 of the Internal Revenue Code or Article 8 of the UK-U.S. Income Tax Treaty or other applicable U.S. income tax treaty, as appropriate, then the non-exempt U.S. source shipping income would be subject to either the 4% of gross income tax regime of Section 887 of the Internal Revenue Code (the "4% tax regime") or the net income and branch profits tax regimes of Section 882 and Section 884 of the Internal Revenue Code (collectively, the "net tax regime").

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The net tax regime is only applicable where the relevant foreign corporation has, or is considered to have, a fixed place of business in the U.S. that is involved in the earning of U.S.-source shipping income and substantially all of this shipping income is attributable to regularly scheduled transportation. Under the net tax regime, U.S.-source shipping income, net of applicable deductions, would be subject to a corporate tax of up to 35% and the net after-tax income would be potentially subject to a further branch tax of 30%. In addition, interest paid by these corporations, if any, would generally be subject to a 30% branch interest tax.

Under the 4% tax regime, which should be the tax regime applicable to vessel owning subsidiaries, the U.S. source shipping income of each of the vessel owning subsidiaries would be subject to a 4% tax imposed on a gross basis, without benefit of deductions. Under the 4% tax regime, the maximum effective rate of tax on the gross shipping income of these subsidiaries attributable to transportation that either begins or ends in the U.S. would not exceed 2%.

German and Australian taxation

P&O Princess' German and Australian branches' tax position should not be affected by the DLC transaction. The majority of their profits should continue to be exempt from local tax by virtue of the UK/Germany and UK/Australia double tax treaties.

Equalization payments

Carnival and P&O Princess do not anticipate that any material amounts of equalization payments are likely to be made between them in accordance with the Equalization and Governance Agreement for the foreseeable future. However, if it becomes necessary to make equalization payments, any such payments received in the UK are likely to be taxable. Further, the treatment from a U.S. federal income tax perspective of such equalization payments is not without doubt. The payment is to be grossed up in respect of any tax thereon. On the basis that payments will not be material, any tax cost should not be significant.

Taxation of Carnival Shareholders

The following is a discussion of the material U.S. federal income tax consequences which, in the opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP, are generally applicable to a U.S. holder (as defined below) of Carnival shares with respect to the DLC transaction. This discussion is based upon existing U.S. federal income tax law, including the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), proposed, temporary and final Treasury Regulations, administrative pronouncements, and judicial decisions, as in effect as of the date hereof, all of which are subject to change, possibly with retroactive effect. Carnival has not and will not seek a ruling from the United States Internal Revenue Service ("IRS") with respect to the U.S. federal income tax consequences described below and, as a result, there can be no assurance that the IRS will agree with, or that a court will uphold, any of the conclusions set forth herein.

This discussion assumes that each of the Carnival shares has been held as a capital asset as defined in Section 1221 of the Internal Revenue Code in the hands of the U.S. holder at all relevant times. This discussion assumes that Carnival is not a "controlled foreign corporation," "foreign personal holding company" or "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes. This discussion does not address state, local or foreign tax consequences to U.S. holders, nor does this discussion address all the tax consequences that may be relevant to a U.S. holder in light of such holder's particular circumstances or to U.S. holders subject to special rules, including

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certain financial institutions, regulated investment companies, insurance companies, dealers in securities, tax exempt organizations, persons who hold Carnival shares as part of a position in a "straddle" or "appreciated

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financial position" or as part of a "hedging" or "conversion" transaction, persons that own or have owned, actually or constructively, 10% or more of the Carnival shares, persons who acquired their Carnival shares through the exercise or cancellation of employee stock options or otherwise as compensation for services, U.S. holders whose functional currency is not the U.S. dollar and holders of Carnival shares that are not U.S. holders. This discussion does not address U.S. tax considerations that may apply to Carnival shareholders that are not U.S. holders.

A "U.S. holder" is a holder of Carnival shares who or that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other entity taxable as a corporation organized under the law of the United States or any political subdivision thereof (including the States and the District of Columbia), (iii) an estate or trust defined in Section 7701(a) (30) of the Internal Revenue Code, or (iv) any other person that is subject to U.S. federal income tax on its worldwide income.

Although there is no U.S. federal income tax authority addressing the tax consequences of a DLC transaction, Carnival believes that the DLC transaction should not give rise to taxable income or gain for U.S. Carnival shareholders for U.S. federal income tax purposes. However, the IRS may assert that U.S. Carnival shareholders received taxable income as a result of the various voting and equalization provisions necessary to implement the DLC transaction. Carnival believes that 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. Carnival shareholders would only result in a nominal amount of income. It is possible, however, that the IRS may disagree with this conclusion.

Holders of Carnival shares should consult their independent professional advisers in the light of their particular circumstances as to the U.S. federal income tax consequences of the DLC transaction, as well as to the effect of any state, local or applicable foreign tax law.

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DIRECTORS AND EXECUTIVE OFFICERS OF THE COMBINED GROUP

Set forth below is information with respect to the anticipated members of the board of directors and senior executive management team of each of Carnival and P&O Princess following completion of the DLC transaction. You are not being asked to vote on the election of these directors. We and P&O Princess expect to hold our next annual meetings in June 2003 at which the re-election of each of the directors will be considered as joint electorate actions.

Following completion of the DLC transaction, the directors of Carnival and P&O Princess and their respective functions will be:

Name	Function
-----	-----
Micky Arison / (1) /	Chairman and Chief

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Howard S. Frank / (1) /	Executive Officer Vice-Chairman and Chief Operating Officer
Robert Dickinson / (1) /	Executive Director
Pier Luigi Foschi / (3) /	Executive Director
A. Kirk Lanterman / (1) /	Executive Director
Peter Ratcliffe / (2) /	Executive Director
Ambassador Richard G. Capen, Jr. / (1) /	Non-Executive Director
Arnold W. Donald / (1) /	Non-Executive Director
Baroness Hogg / (2) /	Non-Executive Director
Modesto A. Maidique / (1) /	Non-Executive Director
Sir John Parker / (2) /	Non-Executive Director
Stuart Subotnick / (1) /	Non-Executive Director
Uzi Zucker / (1) /	Non-Executive Director

Notes:

- (1) Existing Carnival director
- (2) Existing P&O Princess director
- (3) New director

On completion of the DLC transaction, Stuart Subotnick will be designated as the Senior Non-Executive Director. This is a newly-created position which the non-executive directors as a body will select, on an annual basis, from one of their number.

Directors

The directors of each of Carnival and P&O Princess following completion of the DLC transaction will be:

Micky Arison, age 53, has been Chairman of the Carnival board of directors since October 1990 and a director since June 1987. He has been Chief Executive Officer of Carnival since 1979.

Howard S. Frank, age 61, has been Vice Chairman of the Carnival board of directors since October 1993 and a director since April 1992. He was appointed Chief Operating Officer of Carnival in January 1998. From July 1989 to January 1998, he was Chief Financial Officer and Chief Accounting Officer of Carnival. From July 1975 through June 1989, he was a partner with Price Waterhouse.

Ambassador Richard G. Capen, Jr., age 68, has been a director of Carnival since April 1994. He is currently a corporate director, author and business consultant. From 1992 to 1993, Ambassador Capen

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served as United States Ambassador to Spain. From 1989 to 1991, Ambassador Capen served as Vice Chairman of Knight-Ridder, Inc. Ambassador Capen was the Chairman and Publisher of the Miami Herald from 1983 to 1989. Ambassador Capen is a member of the board of directors of the Economy Fund, Smallcap Fund and Fixed Income Funds of The Capital Group.

Robert H. Dickinson, age 60, has been a director of Carnival since June 1987. Mr. Dickinson was Senior Vice President--Sales and Marketing of the Carnival Cruise Lines division ("CCL") of Carnival from 1979 through May 1993. Since May 1993, Mr. Dickinson has served as President and Chief Operating Officer of CCL.

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Arnold W. Donald, age 48, has been a director of Carnival since January 2001. Since March 2000, Mr. Donald has been the Chairman and Chief Executive Officer of Merisant Company, a manufacturer and marketer of tabletop sweetener products, including the Equal(R) and Canderel(R) brands. From January 1998 to March 2000 he was Senior Vice President of Monsanto Company, a company which develops agricultural products and consumer goods, and President of its nutrition and consumer sector. Prior to that he was President of Monsanto Company's agricultural sector. He is a member of the board of directors of Crown Cork & Seal Company, Inc., Belden, Inc., GenAmerica Insurance Company, The Scotts Company and Oil-Dri Corporation.

Pier Luigi Foschi, age 56, has been Chief Executive Officer of Costa Crociere, S.p.A. since October 1997 and Chairman of its board since January 2000. From 1974 to 1997, he held senior positions with OTIS, a world leader in the field of elevators, which is a subsidiary of United Technologies Corporation, and from 1990 to 1997 he was Executive Vice President of Otis's Asia-Pacific operations.

Baroness Hogg, age 56, is a director of P&O Princess, Chairman of 3i Group Plc and Frontier Economics and a non-executive director of GKN plc, a Governor of the British Broadcasting Corporation and a member of the House of Lords Economic Affairs Committee. Sarah Hogg was Head of the Prime Minister's Policy Unit, with the rank of Second Permanent Secretary, from 1990-1995 and served as a non-executive director of P&O between 1999 and October 2000. Sarah Hogg has been a non-executive director of P&O Princess since the demerger in October 2000.

A. Kirk Lanterman, age 71, has been a director of Carnival since April 1992. He has been Chairman of the Board, President and Chief Executive Officer of Holland America Line Inc., formerly known as Holland America Line-Westours Inc., ("HAL"), a subsidiary of Carnival, since August 1999. From March 1997 to August 1999, he was Chairman of the Board and Chief Executive Officer of HAL. From December 1989 to March 1997, he was President and Chief Executive Officer of HAL. From 1983 to 1989, he was President and Chief Operating Officer of HAL. From 1979 to 1983 he was President of Westours, Inc., which merged with Holland America Line in 1983.

Modesto A. Maidique, age 62, has been a director since April 1994. He has been President of Florida International University ("FIU") since 1986. Prior to assuming the presidency of FIU, Dr. Maidique taught at the Massachusetts Institute of Technology, Harvard University and Stanford University. Dr. Maidique has also served as Vice President and General Manager of the Semiconductor Division of Analog Devices, Inc. which he co-founded in 1969, as President and Chief Executive Officer of Gerome Therapeutics Collaborative Research, Inc., a genetics engineering firm, and as General Partner of Hambrecht & Quist, a venture capital firm. Dr. Maidique is a director of National Semiconductor, Inc.

Sir John Parker, age 60, is a director of P&O Princess and the non-executive Chairman of National Grid Transco plc, and RMC Group plc. He is non-executive director of Brambles Industries plc and was formerly Chairman and Chief Executive of Babcock International Group plc. He is a fellow of the Royal Academy of Engineering and a past President of the Royal Institution of Naval Architects. Sir John

Parker has been a member of the General Committee of Lloyds Register of Shipping since 1983 and Chairman of its Technical Committee from 1993 until 2002. Sir John has been a non-executive director of P&O Princess since the

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demerger in October 2000 and was appointed Deputy Chairman in September 2002.

Peter Ratcliffe, age 55, has been Chief Executive Officer and a director of P&O Princess since the demerger of P&O Princess from P&O in October 2000. He was previously an executive director of P&O and head of its cruise division, having served as President of Princess Cruises since 1993 and its Chief Operating Officer since 1989. His early career was spent with P&O Containers Limited in London and Sydney. Peter Ratcliffe served as the Chairman of the International Council of Cruise Lines in 1997 and 1998.

Stuart Subotnick, age 60, has been a director since July 1987. Mr. Subotnick has been a general partner and the Executive Vice President of Metromedia Company since July 1986. He was a director of Metromedia Inc., a predecessor company, from 1982 and its Executive Vice President from 1986. Prior to 1986, Mr. Subotnick was Senior Vice President--Finance of Metromedia Inc. from October 1983 and a member of the Office of the President from 1982. He is a director of Metromedia International Group, Inc., Metromedia Fiber Networks Inc. and Big City Radio Inc.

Uzi Zucker, age 66, has been a director since July 1987. Mr. Zucker joined Bear, Stearns & Co. in 1967 and was a Limited Partner until 1982 and has been a General Partner since. Mr. Zucker has been a Senior Managing Director of Bear, Stearns & Co. Inc. since 1985. He is a director of Alliance Tire Company Ltd., Cathay Investment Fund and Conair Corporation.

Executive officers

Following completion of the DLC transaction, Micky Arison, the Chairman and Chief Executive Officer of Carnival, will be the Chairman and Chief Executive Officer of both Carnival and P&O Princess and Howard S. Frank, the Vice Chairman and Chief Operating Officer of Carnival, will be the Vice-Chairman and Chief Operating Officer of both Carnival and P&O Princess. Peter Ratcliffe, P&O Princess' Chief Executive Officer, will be an executive director of both Carnival and P&O Princess. In addition, 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.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

The following unaudited pro forma financial information gives pro forma effect to the proposed DLC transaction, after giving effect to the pro forma adjustments described in the accompanying notes. We have prepared the unaudited pro forma financial information from, and you should read it in conjunction with, the historical consolidated financial statements, including the related notes, of Carnival and P&O Princess that we have incorporated by reference in this proxy statement/prospectus. For more information on how to obtain copies of information incorporated by reference, see "Where You Can Find More Information."

The unaudited pro forma financial information has been prepared in accordance with U.S. GAAP and 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 audited consolidated financial statements for the year ended December 31, 2002, which are incorporated by reference in this proxy statement/prospectus, describe the principal differences between U.S. GAAP and UK GAAP as they relate to P&O Princess.

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We expect that under U.S. GAAP the DLC transaction will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations." The business combination adjustments include provisional estimates of the fair value of the identifiable assets and liabilities acquired. On completion of the DLC transaction, adjustments will be made to these provisional estimates to reflect their estimated fair value at that time. 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.

The unaudited pro forma statement of operations for the year ended November 30, 2002 has been prepared as if the DLC transaction had occurred on December 1, 2001. The unaudited pro forma balance sheet as of November 30, 2002 has been prepared as if the DLC transaction had occurred on that date. The historical financial information for P&O Princess used in the unaudited pro forma financial information of the Combined Group is as at and for the year ended December 31, 2002.

The following unaudited pro forma financial information:

- .. has been included for illustrative purposes only and, because of its nature, may not give a true picture of the results and the financial position of the Combined Group;
- .. does not purport to represent what the combined results of operations actually would have been if the DLC transaction had occurred on December 1, 2001 or what those results will be for any future periods. The pro forma adjustments are based upon currently available information;
- .. does not reflect the results of business operations or trading since November 30, 2002 for Carnival and December 31, 2002 for P&O Princess; and
- .. has not been adjusted to reflect any net transaction benefits referred to in other sections of this proxy statement/prospectus.

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Unaudited Pro Forma Statement of Operations For the Year Ended November 30, 2002 (U.S. dollars in millions, except per share data)

	Carnival (U.S. GAAP)	P&O Princess (U.S. GAAP)/(1)/	Pro forma adjustments		Pro Com G (U.S.)
			Accounting policy adjustments	Business combination adjustments	
Revenues	4,368.3	2,526.8	(3.9)/(a)/		
Costs and expenses					
Operating	(2,311.9)	(1,576.6)	(5.2)/(b)/		
Selling and administrative	(612.0)	(472.1)	1.0/(a)/	4.3/(c)/	105.1/(k)/
Depreciation and amortization	(382.3)	(169.2)			1.9/(i)/
Impairment charge	(20.0)	--			

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	(3,326.2)	(2,217.9)	0.1	107.0	
	-----	-----	----	-----	
Operating income	1,042.1	308.9	(3.8)	107.0	
Nonoperating (expense) income					
Net interest expense	(78.6)	(77.3)		(1.5) / (f) /	
Other (expense) income, net	(4.2)	1.2			
	-----	-----	----	-----	
	(82.8)	(76.1)		(1.5)	
	-----	-----	----	-----	
Income before income taxes	959.3	232.8	(3.8)	105.5	
Income tax benefit (expense)	56.6	(19.9)		2.8 / (g) /	
	-----	-----	----	-----	
Net income	1,015.9	212.9	(3.8)	108.3	
	=====	=====	=====	=====	
Earnings per share / (n) /					
Basic (U.S.\$)	1.73				
Diluted (U.S.\$)	1.73				

(1) P&O Princess information is for the year ended December 31, 2002.

See accompanying notes to unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP.

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Unaudited Pro Forma Balance Sheet As of November 30, 2002 (U.S. dollars and shares in millions)

	Pro Forma adjustment			
	Carnival (U.S. GAAP)	P&O Princess GAAP) / (1) /	Accounting policy adjustments	Bu com adj
	-----	-----	-----	-----
Assets				
Current assets				
Cash and cash equivalents	666.7	162.1		
Short-term investments	39.0	--		
Accounts receivable, net	108.3	125.9	3.4 / (a) /	
Inventories	91.3	87.4		
Prepaid expenses and other	148.3	165.3	18.9 / (c) / (16.5) / (b) /	
Fair value of derivative contracts	--	7.3		
Fair value of hedged firm commitments	78.4	41.4		
	-----	-----	-----	
Total current assets	1,132.0	589.4	5.8	
Property and Equipment, Net	10,115.4	5,618.5		
Goodwill and Intangible Assets, Net	681.1	75.4		
Other Assets	297.2	31.0		

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Fair Value of Hedged Firm				
Commitments	109.1	--		
Fair Value of Derivative Contracts	--	54.6		
	-----	-----		
	12,334.8	6,368.9	5.8	
	=====	=====	=====	
Liabilities and Shareholders'				
Equity				
Current liabilities				
Current portion of long-term debt	148.6	127.0		
Accounts payable	268.7	184.2		
Accrued liabilities	290.4	194.7	(0.1) / (a) /	
Customer deposits	770.6	467.2	15.5 / (a) /	
Dividends payable	61.6	--		
Fair value of derivative contracts	79.8	45.6		
Fair value of hedged firm commitments	--	1.5		
	-----	-----	-----	
Total current liabilities	1,619.7	1,020.2	15.4	
Long-Term Debt	3,012.0	2,569.7		
Deferred Income and Other Long-				
Term Liabilities	170.8	28.1		
Fair Value of Derivative Contracts	114.4	1.0		
Fair Value of Hedged Firm				
Commitments	--	24.8		
Shareholders' Equity	7,417.9	2,725.1	(9.6)	/(d-iii) /
Common Stock; 960 shares, 750				
shares and 1,185 shares				
authorized; 586.8 shares, 693.5				
shares and 799.4 shares issued				
and outstanding for Carnival, P&O				
Princess and Pro Forma Combined				
Group, respectively				
	-----	-----	-----	
	12,334.8	6,368.9	5.8	
	=====	=====	=====	

 (1)P&O Princess information is as of December 31, 2002.

See accompanying notes to unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP.

Notes to the unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP

1. Basis of Presentation

The unaudited pro forma financial information has been prepared on the basis that the DLC transaction will be accounted for using the purchase method of accounting under U.S. GAAP with Carnival as the acquirer. The pro forma financial information is based upon the U.S. GAAP accounting policies of Carnival.

The historical financial information in relation to Carnival as at and for the year ended November 30, 2002 has been derived from the financial information on Carnival that we have incorporated by reference in this proxy

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statement/prospectus.

The historical financial information in relation to P&O Princess as at and for the year ended December 31, 2002 has been derived from the financial information on P&O Princess that is incorporated by reference in this proxy statement/prospectus after making certain adjustments. The adjustments, which are set out in note 2, relate to the conversion of financial information on P&O Princess' accounting policies under UK GAAP to P&O Princess' accounting policies under U.S. GAAP.

2. Conversion of P&O Princess' financial information to U.S. GAAP

This note provides details of adjustments required to convert P&O Princess' previously reported financial information as at and for the year ended December 31, 2002 that was prepared in accordance with P&O Princess' accounting policies under UK GAAP to information in accordance with U.S. GAAP. Further details of the adjustments are set out in P&O Princess' financial statements for the year ended December 31, 2002, which are incorporated by reference in this proxy statement/prospectus.

(i) Profit and loss accounts

For the year ended December 31, 2002

	P&O Princess UK GAAP	U.S. GAAP adjustments	P&O Princess U.S. GAAP

(U.S. dollars in millions)			
Revenues	2,526.8	--	2,526.8
Costs and expenses			
Operating	(1,576.6)	--	(1,576.6)
Selling and administrative	(477.6)	5.5	(472.1)
Depreciation and amortization	(173.9)	4.7	(169.2)
	-----	----	-----
	(2,228.1)	10.2	(2,217.9)
	-----	----	-----
Operating income	298.7	10.2	308.9
Nonoperating (expense) income			
Net interest expense	(74.0)	(3.3)	(77.3)
Other income	1.2	--	1.2
	-----	----	-----
	(72.8)	(3.3)	(76.1)
	-----	----	-----
Income before income taxes	225.9	6.9	232.8
Income tax expense	(17.1)	(2.8)	(19.9)
	-----	----	-----
Net income	208.8	4.1	212.9
	=====	====	=====

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(ii) Net assets

As of December 31, 2002

	P&O Princess UK GAAP	U.S. GAAP adjustments	P&O Princess U.S. GAAP
----- (U.S. dollars in millions)			
Assets			
Current assets			
Cash and cash equivalents	162.1	--	162.1
Accounts receivable, net	125.9	--	125.9
Inventories	87.4	--	87.4
Prepaid expenses and other	183.5	(18.2)	165.3
Fair value of derivative contracts	--	7.3	7.3
Fair value of hedged firm commitments	--	41.4	41.4
	-----	-----	-----
Total current assets	558.9	30.5	589.4
Property and Equipment, Net	5,629.4	(10.9)	5,618.5
Goodwill and Intangible Assets, Net	127.1	(51.7)	75.4
Other Assets	16.3	14.7	31.0
Fair value of derivative contracts	--	54.6	54.6
	-----	-----	-----
	6,331.7	37.2	6,368.9
	=====	=====	=====
Liabilities and Shareholders' Equity			
Current liabilities			
Current portion of long-term debt	120.3	6.7	127.0
Accounts payable	184.2	--	184.2
Accrued liabilities	215.5	(20.8)	194.7
Customer deposits	467.2	--	467.2
Fair value of derivative contracts	--	45.6	45.6
Fair value of hedged firm commitments	--	1.5	1.5
	-----	-----	-----
Total current liabilities	987.2	33.0	1,020.2
Long-Term Debt	2,516.8	52.9	2,569.7
Deferred Income and Other Long-Term Liabilities	13.7	14.4	28.1
Fair Value of Derivative Contracts	--	1.0	1.0
Fair Value of Hedged Firm Commitments	--	24.8	24.8
Shareholders' Equity	2,814.0	(88.9)	2,725.1
	-----	-----	-----
	6,331.7	37.2	6,368.9
	=====	=====	=====

3. Accounting policy adjustments

The pro forma financial information has been prepared in accordance with the accounting policies of Carnival under U.S. GAAP, which differ in certain respects from the U.S. GAAP accounting policies of P&O Princess as noted below. Upon completion of the DLC transaction, Carnival and P&O Princess will perform a detailed review of their accounting policies and financial statement classifications. As a result of this detailed review, it may become necessary to make certain reclassifications to the Combined Group's financial statements to conform the P&O Princess financial statements to the Carnival accounting policies and classifications. Although management does not expect that this detailed review will result in material changes to accounting policies or

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classifications other than as noted below, no such assurance can be given at this time.

(a) Cruise revenues and expenses

P&O Princess' accounting policy is initially to record deposits received on sales of cruises as deferred income and recognize them, together with revenues from onboard activities and all

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Notes to the unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP--(Continued)

associated direct costs of a voyage, on a pro rata basis at the time of the voyage. Carnival's accounting policy is to recognize these items generally upon completion of voyages with durations of ten days or less and on a pro rata basis for voyages in excess of ten days. For the year ended and as of 30 November 2002 adjustments of \$(2.9) million (affecting revenues by \$(3.9) million and operating expenses by \$1.0 million) and \$(12.0) million (the latter affecting accounts receivable by \$(3.4) million, accrued liabilities by \$(0.1) million and customer deposits by \$15.5 million) have been made to conform P&O Princess' policy to Carnival's policy.

(b) Dry-docking

P&O Princess' accounting policy is to capitalize dry-docking costs and amortize them to operating expense using the straight-line method through the date of the next scheduled dry-dock, which typically is over two to three years. Carnival's dry-dock accounting policy is the same as P&O Princess' except that the capitalized dry-dock costs are amortized to expense generally over one year. For the year ended and as of November 30, 2002 adjustments of \$(5.2) million and \$(16.5) million have been made to conform P&O Princess' policy to Carnival's policy.

(c) Marketing and promotion costs

P&O Princess' accounting policy under U.S. GAAP is to expense all marketing and promotion costs as incurred. Carnival expenses all such costs as incurred except for brochures and media production costs, which are recorded as prepaid expenses and charged to expense as the brochures are consumed or upon the first airing of the advertisement, respectively. For the year ended and as of November 30, 2002 adjustments of \$4.3 million and \$18.9 million have been made to conform P&O Princess' policy to Carnival's policy.

4. Business combination adjustments

(d) Purchase consideration and related goodwill and intangible assets are as follows:

	(U.S.\$m)	Notes
Purchase consideration	5,380.8	(i)
Costs of acquisition	60.0	(ii)

Total purchase consideration	5,440.8	
Less fair value of net assets acquired	(2,516.4)	(iii)

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Excess of purchase consideration over net assets acquired 2,924.4 (iv)
=====

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- (i) The purchase consideration is expected to be based upon the average of the quoted closing market price of Carnival's shares beginning two days before and ending two days after January 8, 2003, the date its DLC transaction offer announcement was agreed to by the P&O Princess board. In addition, the number of P&O Princess shares is adjusted for the proposed share reorganization of 3.3289 existing P&O Princess shares for one new P&O Princess share, including P&O Princess stock options which will vest in full on completion of the DLC transaction. A Carnival share price of \$25.31 has been used for purposes of this pro forma presentation and an estimated number of P&O Princess shares in issue of 212.6 million after adjusting for the share reorganization.
- (ii) Represents Carnival's estimated direct costs of carrying out the proposed DLC transaction, including costs related to the registration of Carnival shares pursuant to the Partial Share Offer, of which \$30.2 million has been incurred by Carnival and is included in other assets. An adjustment has been made to remove this \$30.2 million from other assets as it will be included in the purchase consideration upon completion of the DLC transaction. Of the total \$60.0 million of acquisition costs, \$29.8 million had not been incurred as of November 30, 2002 and, accordingly, an adjustment has been made to increase accrued liabilities for this amount.

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Notes to the unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP--(Continued)

- (iii) Based upon preliminary estimates of the fair value of the identifiable assets acquired and liabilities assumed given current information. On completion of the DLC transaction, adjustments will be made to these preliminary estimates to reflect their estimated fair values at that time. We expect to have independent appraisals performed to assist us in establishing the fair value of P&O Princess' ships and amortizable and non-amortizable intangible assets. However, based on the information currently available, it is not expected that the amount of separately identifiable amortizable intangible assets will be material to the Combined Group's financial statements. No assurance can be given that the preliminary fair value estimates included in this pro forma financial information will not be materially changed as a result of these valuations. Fair value adjustments are detailed in the notes and the table below.

	P&O Princess (U.S. GAAP)	Accounting policy adjustments (Note 3)	Fair value adjustments
P&O Princess fair value of net assets acquired	-----	-----	-----
Assets			
Current assets			
Cash and cash equivalents	162.1		
Accounts receivable, net	125.9	3.4 / (a) /	
Inventories	87.4		
Prepaid expenses and other	165.3	18.9 / (c) / (16.5) / (b) /	70.1 / (1) / (66.0) / (g) /

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Fair value of derivative contracts	7.3		
Fair value of hedged firm commitments	41.4		(41.4) / (e) /
	-----	-----	-----
Total current assets	589.4	5.8	(37.3)
	-----	-----	-----
Property and Equipment, Net	5,618.5		
Goodwill and Intangible Assets, Net	75.4		(75.4) / (j) /
Other Assets	31.0		(17.6) / (f) /
			13.9 / (l) /
Fair value of derivative contracts	54.6		
	-----	-----	-----
	6,368.9	5.8	(116.4)
	=====	=====	=====
Liabilities and Shareholders'			
Equity			
Current liabilities			
Current portion of long-term debt	127.0		
Accounts payable	184.2		
Accrued liabilities	194.7	(0.1) / (a) /	29.0 / (k) /
Customer deposits	467.2	15.5 / (a) /	
Fair value of derivative contracts	45.6		
Fair value of hedged firm commitments	1.5		(1.5) / (e) /
	-----	-----	-----
Total current liabilities	1,020.2	15.4	27.5
	-----	-----	-----
Long-Term Debt	2,569.7		(5.0) / (f) /
Other Long-Term Liabilities	28.1		85.0 / (h) /
Fair Value of Derivative Contracts	1.0		
Fair Value of Hedged Firm Commitments	24.8		(24.8) / (e) /
Shareholders' Equity	2,725.1	(9.6) / (*) /	(199.1) / (**) /
	-----	-----	-----
	6,368.9	5.8	(116.4)
	=====	=====	=====

 (*) Represents the net shareholders' equity decrease due to accounting policy adjustments.

(**) Represents the net shareholders' equity decrease due to fair value adjustments.

(iv) The excess of purchase consideration over net assets acquired is primarily estimated to include the value attributed to P&O Princess's trademarks, brand names and goodwill. Management believes that these trademarks and brand names have indefinite lives and, accordingly, based on SFAS No. 142, "Goodwill and Other Intangible Assets", no adjustment for pro forma amortization is required. It is not possible at this time to reasonably estimate the separate amounts attributable to identifiable intangible assets or goodwill since the measurement of these assets requires the expertise of an independent appraiser who will not be engaged until after the completion of the DLC transaction. Accordingly, the entire amount of the excess of the purchase consideration has currently been allocated to goodwill, but is expected to be allocated between goodwill and other identifiable intangible assets such as brand names and trademarks, subsequent to the completion of the DLC transaction based primarily on the appraiser's valuation. However, since it is expected that the material intangibles that

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Notes to the unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP--(Continued)

will be identified and valued will have indefinite lives, no material impact on the pro forma statement of operations is expected as a result of this presentation on the Combined Group's balance sheet, as neither goodwill nor these indefinite lived intangibles are allowed to be amortized.

(e) A net adjustment of \$15.1 million has been made against the fair value of hedged firm commitments. These adjustments relate to contractual commitments for ships which were ordered, and hedged, at a time when the euro exchange rate was different, and hence, these contracts could be replaced today at a euro price that would convert to a different U.S. dollar cost at current exchange rates.

Otherwise, the book value, including prepaid dry-dock costs, and fair value of ships in use and under construction are preliminarily estimated to be the same in all material respects. However, we intend to have an appraisal of all the P&O Princess ships, so it is possible that the fair value of some of P&O Princess' ships could be less than or greater than their carrying value.

(f) An adjustment of \$5.0 million has been made to the book value of P&O Princess fixed interest rate long-term debt to reflect current interest rates, without giving effect to any possible changes in credit ratings. The fair value of this debt is based upon quoted market prices or the discounted present value of future amounts payable on the debt. The fair value adjustment is amortized over the remaining term of the debt as applicable, which results in a pro forma increase of \$1.5 million in interest expense for 2002. In addition, an adjustment has been made to write-off the book value of P&O Princess' historical deferred financing costs of \$17.6 million related to its existing borrowings as such costs have been considered in determining the fair value of P&O Princess' debt.

(g) An adjustment of \$66.0 million has been made to the book value of other tax assets to reflect recoverable value to the Combined Group and to reverse \$2.8 million of P&O Princess' tax expense.

(h) An adjustment of \$85.0 million has been made to record the fair value of P&O Princess' pension plan liabilities. This relates to the Merchant Navy Officers Pension Fund and is calculated based upon, among other things, P&O Princess' current share of total employer contributions.

(i) On completion of the DLC transaction all awards and options granted under the P&O Princess employee share incentive plans will vest in full. An adjustment has been made to reverse the P&O Princess employee share incentive and matching award charge of \$1.9 million for the year ended November 30, 2002.

(j) An adjustment has been made to eliminate \$75.4 million of P&O Princess' historical goodwill related to prior business acquisitions.

(k) P&O Princess expects to incur and expense approximately \$146.0 million of costs related to its terminated Royal Caribbean transaction and the completion of the DLC transaction with Carnival, including costs incurred to register P&O Princess ordinary shares with the U.S. Securities and Exchange Commission. Under U.S. GAAP, \$11.9 million was expensed in the year ended December 31, 2001, and \$105.1 million was expensed in 2002. An adjustment has been made to reverse this \$105.1 million in the pro forma statement of operations for 2002 since Carnival and P&O Princess believe that the Royal Caribbean and Carnival costs are non-recurring charges directly attributable in all material respects to the DLC transaction. Of the total \$146.0 million

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of P&O Princess' costs, \$29.0 million has not been incurred as at December 31, 2002 and an adjustment has been made to increase accrued liabilities for this amount.

- (l) An adjustment of \$84.0 million (\$70.1 million current and \$13.9 million long term) has been made to record the fair value of P&O Princess' contractual commitments to receive probable and estimable liquidated damages and business interruption insurance proceeds related to the delayed delivery of the Diamond Princess. This ship was initially scheduled for delivery in May 2003, but has been delayed as a result of a fire in October 2002.

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Notes to the unaudited pro forma financial information of the Combined Group in accordance with U.S. GAAP--(Continued)

- (m) The shareholders' equity adjustment of \$2,665.3 million represents the net equity increase due to the application of business combination adjustments, as detailed below:

	US\$m	Notes
Excess of purchase consideration over net assets acquired	2,924.4	4/(d)/
Reduction in P&O Princess shareholders' funds for fair value adjustments	(199.1)	4/(d-iii)/
Costs of acquisition	(60.0)	4/(d-ii)/

Shareholders' equity adjustment	2,665.3	
	=====	

- (n) The pro forma weighted average number of shares has been calculated as if the DLC transaction had occurred on December 1, 2001 and after adjusting for the proposed P&O Princess share reorganization of 3.3289 existing P&O Princess shares for one new P&O Princess share.

Based upon the weighted average number of shares outstanding of 706.6 million, including 14.2 million of share options which all vest upon completion of the DLC transaction (706.6 million diluted), or 212.3 million (212.3 million diluted) after the proposed P&O Princess share reorganization, for P&O Princess and 586.6 million (588.1 million diluted) for Carnival for the years ended December 31, 2002 and November 30, 2002, respectively, the pro forma weighted average number of shares for the Combined Group is calculated as 798.9 million (800.4 million diluted).

The pro forma earnings per share amounts have been calculated using the pro forma weighted average number of shares, calculated as described above, and the pro forma earnings for the Combined Group.

- (o) Certain restructuring and integration expenses may be recorded subsequent to completion of the DLC transaction. The amount of these charges has not yet been determined, although they have been preliminarily estimated to be approximately \$30 million, as they will be the subject of a detailed plan of restructuring and integration to be completed subsequent to the consummation of the DLC transaction. A portion of these charges may subsequently be determined to be part of the purchase consideration. These charges are not reflected in the unaudited pro forma financial information because they are not expected to have a continuing impact on the combined results.

CHANGES IN RIGHTS OF CARNIVAL SHAREHOLDERS

Set forth below is a summary comparison of the rights of Carnival shareholders before and after the DLC transaction (and assuming approval of Proposals 3, 4, 5 and 6 as well) that highlights the proposed changes to Carnival's articles of incorporation and by-laws. This summary is not complete and we encourage you to refer to the relevant parts of the proposed Third Amended and Restated Articles of Incorporation of Carnival, which are attached to this proxy statement/prospectus as Annex A-4, and the proposed Amended and Restated By-laws of Carnival, which are attached to this proxy statement/prospectus as Annex A-5.

General

Carnival's authorized capital stock consists of 1,000,000,000 shares, of which 960,000,000 are shares of common stock and 40,000,000 are shares of preferred stock. As of March 11, 2003, there were 586,972,729 shares of common stock and no shares of preferred stock outstanding. Our transfer agent and registrar is SunTrust Bank. We are proposing to increase our authorized capital stock to 2,000,000,000 shares, of which 1,959,999,998 are shares of common stock (see Proposal 3), and 40,000,000 are shares of preferred stock. In connection with the DLC transaction, we will also have one share of special voting stock, which we refer to in this proxy statement/prospectus as a special voting share, and one share of special stock, which we refer to in this proxy statement/prospectus as the equalization share.

Upon completion of the DLC transaction, you will continue to own your Carnival shares and will keep your existing certificates, if you have any. Carnival shares will continue to be listed on the NYSE. In connection with the DLC transaction, Carnival shareholders will receive trust shares of beneficial interests in a special voting entity in the form of a trust that we are creating. Following completion of the DLC transaction, Carnival shares will trade in units consisting of one Carnival share and one trust share of beneficial interest in the special voting entity. Separate stock certificates will not be issued to represent these trust shares of beneficial interest; instead, certificates representing your Carnival shares will also evidence these trust shares of beneficial interest.

Voting Rights

Before DLC transaction

Under Panamanian law, unless the articles of incorporation provide otherwise, each shareholder is entitled to one vote for each share of capital stock held by the shareholder, and the articles of incorporation may provide that in elections of directors and other specified circumstances, shareholders are entitled to cumulative voting. At any meeting of shareholders, all matters, except as otherwise provided by Panamanian law, will be decided by a majority of the votes cast by shareholders present in person or by proxy. Carnival's current articles of incorporation do not alter the voting rights as provided under Panamanian law or provide for cumulative voting.

After DLC transaction

Following completion of the DLC transaction, all matters, except as otherwise expressly provided by Panamanian law, the articles or by-laws, will be decided by a majority of the votes cast by all shareholders entitled to vote

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(including, where applicable, the Carnival Special Voting Entity) who are present in person or by proxy at such meeting; provided that votes recorded as abstentions will not be counted as having been "cast." In connection with the DLC transaction, special voting arrangements will be implemented so that the shareholders of Carnival and P&O Princess will vote together as a single decision-making body on all actions submitted to a shareholder vote other than matters designated as class rights actions or resolutions on procedural or technical matters.

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These are called joint electorate actions and will include:

- .. the appointment, removal or re-election of any director of Carnival or P&O Princess or both of them;
- .. if required by law, the receipt or adoption of the annual accounts of both companies;
- .. the appointment or removal of the auditors of either company;
- .. a change of name by P&O Princess or Carnival, or both of them; or
- .. the implementation of a mandatory exchange based on a change in tax laws, rules or regulations.

The following table illustrates how these voting arrangements would affect joint electorate actions needing to be passed by a majority vote, assuming 100% of each company's shareholders vote and the Partial Share Offer is taken up in full:

Carnival	P&O Princess	Outcome
64% or more approve	100% disapprove	Action taken
63% or less disapprove	100% approve	Action taken
51% or less approve	55% or more disapprove	Action not taken
51% or less disapprove	54% or more approve	Action taken

A change in the equalization ratio resulting from a share reorganization or otherwise would only affect voting rights on a per share basis. In the aggregate, such a change would not affect the relative weighting between the current shareholders of Carnival and P&O Princess. Assuming the Partial Share Offer is taken up in full, approximately 79% of the equity (and hence of the vote in a joint electorate action) would remain with the holders of Carnival shares, while approximately 21% of the equity and the vote in a joint electorate action would remain with the holders of P&O Princess shares.

The relative voting rights of the P&O Princess shares and Carnival shares will be determined by the equalization ratio. Based on an equalization ratio of 1:1, each Carnival share will have the same voting rights as one P&O Princess share on joint electorate actions.

In the case of class rights actions, the company wishing to carry out the class rights action would require the prior approval of shareholders of both companies, each voting separately as a class. If shareholders of either company do not approve the action, it generally will fail.

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Class rights actions will include:

- .. the voluntary liquidation, dissolution or winding up (or equivalent) of either company for which shareholder approval is required (other than as part of a voluntary liquidation, dissolution or winding up (or equivalent) of both companies at or about the same time provided that such liquidation is not for the purpose of reconstituting all or a substantial part of the business of the two companies in one or more successor entities);
- .. the sale, lease, exchange or other disposition of all or substantially all of the assets of either company other than a bona fide commercial transaction for valid business purposes and at fair market value and not as part of a proposal, the primary purpose of which is to collapse or unify the DLC structure;
- .. an adjustment to the equalization ratio, other than in accordance with the Equalization and Governance Agreement;
- .. any amendment, removal or alteration of any of the provisions of P&O Princess' articles of association and Carnival's articles of incorporation and by-laws which entrench specified core provisions of the DLC structure;

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- .. any amendment or termination of the principal agreements under which the DLC structure is implemented (except where otherwise specifically provided in the relevant agreement);
- .. any amendment to, removal or alteration of the effect of certain tax-related provisions of Carnival's articles of incorporation that would be likely to cause a mandatory exchange; and
- .. anything which the boards of both companies agree should be approved as a class rights action.

The following table illustrates how these voting arrangements would affect class right actions:

Carnival shareholders	P&O Princess shareholders	Outcome
Approve / (1) /	Disapprove	Action not taken
Disapprove	Disapprove	Action not taken
Disapprove	Approve / (2) /	Action not taken
Approve	Approve	Action taken

- (1) Assumes that holders of at least approximately 2% or more of the outstanding Carnival shares do not cast votes on the action. In contrast, if all Carnival shareholders voted in favor of the action, it would be taken.
- (2) Assumes that holders of at least approximately 2% or more of the outstanding P&O Princess shares do not cast votes on the action, or in the case of a special resolution that at least one vote is cast against the action. In contrast, if all P&O Princess shareholders voted in favor of the action, it would be taken.

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When a quorum for the transaction of business is present at any meeting, a resolution duly approved at a meeting of Carnival's shareholders by the affirmative vote of a majority of all the votes cast on such resolution by all shareholders of Carnival entitled to vote on it (including, where applicable, the Carnival Special Voting Entity as holder of the Carnival special voting share described below) who are present in person or by proxy at the meeting will decide such question brought before such meeting, unless the question is one upon which, by express provision of applicable law or regulation, the articles of incorporation or the by-laws, a greater vote is required, in which case such express provision will govern. Every resolution put to a vote at any meeting of Carnival shareholders is conducted on a poll.

No resolution to approve a class rights action or joint electorate action will be approved unless a parallel P&O Princess shareholders' meeting is held to vote on any equivalent resolution.

The Carnival board and the P&O Princess board may:

- .. decide to seek approval from shareholders for any matter that would not otherwise require such approval;
- .. require any joint electorate action to instead be approved as a class rights action; or
- .. specify a higher majority vote than the majority that would otherwise be required by applicable laws and regulations.

Special Voting Shares

Before DLC transaction

Carnival's current articles of incorporation and by-laws do not provide for a special voting share, as the special voting share is merely a mechanism to give effect to shareholder votes at parallel shareholder meetings on joint electorate actions and class rights actions as described above under 'Voting Rights' and quorum provisions as described below under 'Quorum Requirements,' in each case following completion of the DLC transaction.

After DLC transaction

Reflecting votes of P&O Princess shareholders at Carnival meetings

In connection with the DLC transaction, Carnival's articles of incorporation will be amended to authorize one special voting share. The Carnival special voting share will have no rights to income or capital and no voting rights except as described below. Upon completion of the DLC transaction,

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Carnival will issue the Carnival special voting share to the Carnival Special Voting Entity. At all meetings at which a joint electorate action or a class rights action will be considered, the holder of the Carnival special voting share must be present.

For joint electorate actions, the Carnival special voting share will represent the number of votes cast at the parallel meeting of P&O Princess shareholders (as adjusted by the equalization ratio and rounded up to the nearest whole number) and will represent "yes" votes, "no" votes and abstention at the Carnival meeting in accordance with votes cast at the P&O Princess meeting.

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For class rights actions, the Carnival Special Voting Entity, as holder of the Carnival special voting share, will only vote if the proposed action has not been approved at the parallel P&O Princess meeting. In that event, the Carnival special voting share will represent that number of votes equal to the largest whole percentage that is less than the percentage of the number of votes necessary to defeat the resolution at the Carnival meeting if the total votes capable of being cast by all outstanding Carnival shares able to vote were cast in favor of the resolution. In most cases, this will be 49% (for a majority vote, 49% is the largest whole percentage that is less than the 50% needed to defeat the resolution). As a result, in the case of a majority vote, the Carnival special voting share will represent a number of votes equal to 98% of the votes capable of being cast by all Carnival shares (excluding the votes represented by the Carnival special voting share). Therefore, assuming holders of approximately 2% or more of the Carnival shares do not cast votes on such class rights action, it will fail. If the P&O Princess shareholders approve the proposed action, the Carnival special voting share will not represent any votes.

The Carnival special voting share will not represent any votes on any resolution of a procedural or technical nature, which we refer to in this document as "procedural resolutions." Procedural resolutions are those that do not adversely affect the shareholders of P&O Princess in any material respect and are put to the Carnival shareholders at a meeting. The Chairman of the Carnival board will, in his absolute discretion, determine whether a resolution is a procedural resolution. To the extent that such matters require the approval of Carnival shareholders, any of the following will be procedural resolutions:

- .. that certain people be allowed to attend or be excluded from attending the meeting;
- .. that discussion be closed and the question put to the vote (provided no amendments have been raised);
- .. that the question under discussion not be put to the vote (where a shareholder feels the original motion should not be put to the meeting at all, if such original motion was brought during the course of that meeting);
- .. to proceed with matters in an order other than that set out in the notice of the meeting;
- .. to adjourn the debate (for example, to a subsequent meeting); and
- .. to adjourn the meeting.

Reflecting votes of Carnival shareholders at P&O Princess meetings

On completion of the DLC transaction, the P&O Princess special voting share will be transferred to the trustee of the P&O Princess Special Voting Trust. For joint electorate actions, the P&O Princess special voting share will represent the number of votes cast at the parallel meeting of Carnival shareholders (as adjusted by the equalization ratio and rounded to the nearest whole number) and will represent "yes" votes, "no" votes and abstention at the P&O Princess meeting in accordance with votes cast at the Carnival meeting.

For class rights actions, the trustee of the P&O Princess Special Voting Trust, as holder of the P&O Princess special voting share, will only vote if the proposed action has not been approved at the

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parallel Carnival meeting. In that event, the P&O Princess special voting share will represent that number of votes equal to the largest whole percentage that is less than the percentage of the number of votes (or, in the case of a special resolution, such percentage less one vote) necessary to defeat the resolution at the P&O Princess meeting if the total number of votes capable of being cast by all outstanding P&O Princess shares (and other P&O Princess shares able to vote) were cast in favor of the resolution. In most cases, this will be 49% (for a majority vote, 49% is the largest whole percentage that is less than the 50% needed to defeat the resolution). As a result, in the case of a majority vote, the P&O Princess special voting share will represent a number of votes equal to 98% of the votes capable of being cast by all P&O Princess shares (excluding the votes represented by the P&O Princess special voting share). Therefore, assuming holders of approximately 2% or more of P&O Princess shares do not cast votes on such class rights action, it will fail. If the Carnival shareholders approve the proposed action, the P&O Princess special voting share will not represent any votes.

The P&O Princess special voting share will not represent any votes on any procedural resolutions.

Trust shares of beneficial interest in the P&O Princess Special Voting Trust will be transferred to Carnival. Immediately following this transfer, Carnival will distribute the trust shares of beneficial interest in the P&O Princess Special Voting Trust by way of dividend to Carnival shareholders of record at the close of business on April 17, 2003. Separate certificates will not be issued to represent these trust shares of beneficial interest in the P&O Princess Special Voting Trust; instead, the trust shares of beneficial interest will be paired with, and evidenced by, certificates representing Carnival shares, as provided in the pairing agreement. The provisions of the pairing agreement described under "Special Voting Entities; Special Voting Shares -- Pairing Agreement" will also be reflected in the Carnival articles.

Following completion of the DLC transaction, Carnival shares will trade in units consisting of one Carnival share and one trust share of beneficial interest in the P&O Princess Special Voting Trust. The trust shares of beneficial interest in the P&O Princess Special Voting Trust will entitle Carnival shareholders to receive any distributions made by the P&O Princess Special Voting Trust. As the sole purpose of the P&O Princess Special Voting Trust relates to the holding of the P&O Princess special voting share, it is not expected to make any distributions.

Equalization Share

Before DLC transaction

Carnival's current articles of incorporation and by-laws do not provide for an equalization share, as the equalization share is merely a mechanism to give effect to equalized dividend payments to the shareholders of Carnival and P&O Princess.

After DLC transaction

In connection with the DLC transaction, Carnival's articles will be amended to authorize one equalization share, par value \$0.01 per share. The equalization share will:

- .. have rights to dividends in accordance with the Equalization and Governance Agreement as declared and paid by the board of directors;
- .. have no rights to receive notice of, attend or vote at any shareholder meeting; and
- .. in the event of a voluntary or involuntary liquidation of Carnival, rank

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after all other holders of shares.

Quorum Requirements

Before DLC transaction

Under Carnival's current by-laws, the holders of a majority of the shares of stock entitled to vote at any meeting of shareholders, present in person or represented by proxy, constitutes a quorum for the transaction of any business at such meeting.

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After DLC transaction

Following completion of the DLC transaction, the presence in person or by proxy at any meeting of Carnival shareholders holding at least one-third of the total votes entitled to be cast will constitute a quorum for the transaction of business at such meeting, except as otherwise required by applicable law or regulation, the articles of incorporation or the by-laws.

For purposes of determining whether a quorum exists at any meeting of shareholders where a joint electorate action or a class rights action is to be considered:

- .. if the meeting of Carnival shareholders convenes before the parallel shareholder meeting of P&O Princess, the Carnival special voting share will, at the commencement of the meeting, have no votes and therefore will not be counted for purposes of determining the total number of shares entitled to vote at such meeting or whether a quorum exists at such meeting, although the Carnival special voting share itself must be present, either in person (through a representative of the Carnival Special Voting Entity) or by proxy;
- .. if the meeting of the Carnival shareholders convenes at substantially the same time as or after the parallel shareholder meeting of P&O Princess with respect to one or more joint electorate actions, the Carnival special voting share will have the maximum number of votes attached to it as were cast on such joint electorate actions, either for, against or abstained, at the parallel shareholder meeting of P&O Princess, and such maximum number of votes (including abstentions) will constitute shares entitled to vote and present for purposes of determining whether a quorum exists at such meeting; and
- .. if the meeting of shareholders convenes at substantially the same time as or after the parallel shareholder meeting of P&O Princess with respect to a class rights action, the Carnival special voting share will, at the commencement of the meeting, have no votes and therefore will not be counted for purposes of determining the total number of shares entitled to vote at such meeting or whether a quorum exists at such meeting, although the Carnival special voting share itself must be present, either in person (through a representative of the Carnival Special Voting Entity) or by proxy.

In addition, in order for a quorum to be validly constituted with respect to meetings of shareholders convened to consider a joint electorate action or class rights action, the Carnival Special Voting Entity must be present at such meeting.

Shareholder Action By Written Consent

Before DLC transaction

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Panamanian law provides that shareholders may act by written consent and Carnival's current by-laws allow action to be taken by written consent.

After DLC transaction

Following completion of the DLC transaction, Carnival's by-laws will provide that Carnival shareholders may not act by written consent.

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Shareholder Proposals

Before DLC transaction

Panamanian law does not specifically address the issue of shareholders' proposals and Carnival's by-laws do not expressly permit shareholder proposals to be considered at the annual meeting of shareholders. Panamanian law requires that prior notice of a meeting must set out the purpose or purposes for which the meeting is convened. Any proposal to be discussed at a meeting should be included in the notice of the meeting, unless the notice reserves time for any other matters which the shareholders may wish to discuss.

Under the rules of the Exchange Act, shareholders may submit proposals, including director nominations, for consideration at shareholder meetings. Such proposals will need to comply with SEC regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials. In order for shareholder proposals to be considered for inclusion in Carnival's proxy statement/prospectus for an annual meeting, the written proposals must be received by Carnival not less than 120 calendar days before the first anniversary of the date of mailing of the proxy statement from the previous year's annual meeting.

Carnival's by-laws provide that at any special meeting of shareholders only such business may be transacted as is related to the purpose or purposes of such meeting set forth in the notice of the special meeting. Carnival's by-laws provide that special meetings of shareholders may only be called by the Carnival board or the President or Secretary of Carnival.

After DLC transaction

No change is proposed to be made to Carnival's articles of incorporation or by-laws regarding shareholder proposals.

Standard of Conduct for Directors

Before DLC transaction

Panamanian law imposes a general fiduciary duty on directors to act prudently and in the best interests of the company. Among other things, directors are responsible for the authenticity of the payments which appear to have been made on behalf of the company, for the validity of dividends to be paid, general book-keeping and for effecting the operation of the company in accordance with applicable laws, its articles of incorporation, its by-laws, and resolutions of the General Assembly of shareholders.

After DLC transaction

No change is proposed to be made to Carnival's articles of incorporation or by-laws regarding the standard of conduct for directors, except that following

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completion of the DLC transaction, the Carnival board of directors will be authorized to operate and carry into effect the Equalization and Governance Agreement, the SVE Special Voting Deed and the Carnival Deed of Guarantee and, subject to applicable laws and regulations, nothing done by any director in good faith pursuant to such authority and obligations will constitute a breach of the fiduciary duties of such director to Carnival or its shareholders. In particular, the directors will, in addition to their duties to Carnival, be entitled to consider the interests of the Carnival shareholders and the P&O Princess shareholders as if Carnival and P&O Princess were a single entity. Following completion of the DLC transaction, the boards of directors of Carnival and P&O Princess will be identical.

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Meetings of the Board of Directors

Before DLC transaction

Under Panamanian law, the business of every corporation is to be managed and directed by a board of directors whom, subject to the provisions of Panamanian law and the articles of incorporation, will have absolute control and full direction over the corporation's affairs. Carnival's current articles of incorporation provide that meetings of the board of directors may be held in the Republic of Panama or in any other country and any director can be represented and vote by proxy. The board of directors may act by written consent of a majority of the directors or their proxies in lieu of a meeting. A majority of the total number of directors constitutes a quorum for the transaction of business at any meeting of Carnival's board, and the vote of a majority of the directors present at the time of the vote, if a quorum is present, will be the act of the board.

After DLC transaction

Following completion of the DLC transaction, at all meetings of each board of directors, the presence in person or by proxy, of at least one-third of the total number of directors will constitute a quorum for the transaction of business except as may be otherwise specifically provided by applicable law, the articles of incorporation or by-laws. The act of a simple majority of the directors present in person or by proxy at any meeting at which there is a quorum will constitute a valid act of the board of directors, except as may be otherwise specifically provided by applicable law or regulation, the articles of incorporation or by-laws. The board of directors will continue to be allowed to act by written consent.

General Meetings of Shareholders

Before DLC transaction

The current by-laws of Carnival provide that the annual meeting of shareholders be held on a date and at a time in March or April of each year fixed by the Carnival board. Under Panamanian law, the President, Vice President, Secretary, or Assistant-Secretary may also determine the place of such meeting which may be within or without of the Republic of Panama.

After DLC transaction

Following completion of the DLC transaction, written notice of all meetings of shareholders will have to state the purpose of the meeting, including whether a joint electorate or class rights action will be considered. The requirement that the annual meeting be held in March or April of each year will be removed.

In addition, if Carnival proposes to undertake a joint electorate action or class rights action, Carnival must immediately give notice to P&O Princess of the nature of the joint electorate action or the class rights action it proposes to take. Unless such action is proposed to be taken at the annual meeting of shareholders, the board of directors must convene a special meeting for the purpose of considering a resolution to approve the joint electorate action or class rights action. Such meeting will be held as close in time as practicable with the parallel shareholder meeting convened by P&O Princess for purposes of considering such joint electorate action or class rights action. If Carnival receives notice from P&O Princess that P&O Princess proposes to undertake a joint electorate action or a class rights action, the Carnival board of directors must convene a meeting of Carnival shareholders as close in time as practicable to the P&O Princess meeting and must propose an equivalent resolution as that proposed at the P&O Princess meeting. Carnival must cooperate fully with P&O Princess in preparing resolutions, explanatory memoranda or any other information or material required in connection with the proposed joint electorate action or class rights action.

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Special Meetings of Shareholders

Before DLC transaction

Panamanian law provides that special meetings of shareholders may be called by: (1) the President, Vice President, Secretary, or Assistant-Secretary; or (2) any person or persons authorized by the corporation's articles of incorporation or by-laws. The by-laws of Carnival provide that special meetings of shareholders may be called at any time by the board of directors, the President or the Secretary. Shareholders may not call special meetings. Carnival's by-laws provide that written notice of each meeting of the shareholders, stating the date, hour, place and purpose or purposes thereof, will be given, personally or by mail, to each shareholder entitled to notice of or to vote at the meeting not less than ten nor more than sixty days before the date of the meeting. If mailed, such notice will be deposited in the U.S. mail, postage prepaid, directed to the shareholder at his/her address as it appears on the records of Carnival.

After DLC transaction

No change is proposed to be made to Carnival's articles of incorporation and by-laws regarding special meetings, except that following completion of the DLC transaction, written notice of all meetings of shareholders will state the purpose of the meeting, including whether a joint electorate action or class rights action will be considered. In addition, if Carnival proposes to undertake a joint electorate action or class rights action, Carnival must immediately give notice to P&O Princess of the nature of the joint electorate action or the class rights action it proposes to take. Unless such action is proposed to be taken at the annual meeting of shareholders, the board of directors is to convene a special meeting for the purpose of considering a resolution to approve the joint electorate action or class rights action. Such meeting will be held as close in time as practicable with the parallel shareholder meeting convened by P&O Princess for purposes of considering such joint electorate action or class rights action. If Carnival receives notice from P&O Princess that P&O Princess proposes to undertake a joint electorate action or a class rights action the Carnival board of directors must convene a meeting of Carnival shareholders as close in time as practicable to the P&O Princess meeting and must propose an equivalent resolution as that proposed at the P&O Princess meeting. Carnival must cooperate fully with P&O Princess in

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preparing resolutions, explanatory memoranda or any other information or material required in connection with the proposed joint electorate action or class rights action.

Sources and Payment of Dividends

Before DLC transaction

Under Panamanian law, a corporation may pay dividends to the extent of a corporation's net earnings or capital surplus.

After DLC transaction

Following completion of the DLC transaction, Carnival expects to continue to pay quarterly dividends and there will be no change in the entitlement of quarterly dividends for shareholders of either company. Carnival shareholders and P&O Princess shareholders will have rights to income and capital distributions from the combined group based on the equalization ratio. In order for the companies to pay a dividend or make a distribution, the ratio of dividends and distributions paid per share of Carnival common stock to dividends and distributions paid per P&O Princess ordinary share must equal the equalization ratio, taking account the applicable currency exchange rate.

Dividends will be equalized according to the equalization ratio (and any balancing transactions between the companies will be determined and made) before deduction of any amounts in respect of the tax required to be deducted or withheld and excluding the amounts of any tax credits or other tax benefits.

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If one company has insufficient profits or is otherwise unable to pay a dividend, Carnival and P&O Princess will, as far as practicable, enter into such balancing transactions as are necessary to enable both companies to pay dividends in accordance with the equalization ratio. This may take the form of a payment from one company to the other or a dividend payment on an equalization share. Following completion of the DLC transaction Carnival and P&O Princess expect that dividends received by P&O Princess shareholders will be made to be consistent with Carnival's regular quarterly dividend.

Rights of Purchase and Redemption

Before DLC transaction

Under Panamanian law, except as otherwise provided in the articles of incorporation, any corporation may purchase, redeem and dispose of its own shares. If the acquisition of shares is made with funds or property other than the excess of assets over the liabilities or the net earnings of the corporation, the acquired shares of stock will be canceled by the reduction of the issued stock, but such shares may be sold again if the authorized capital stock is not decreased by the cancellation of such shares. Shares of its own stock acquired by any corporation, from funds derived from the excess of its assets over its liabilities or net earnings, may be retained by the corporation as treasury stock and sold by it or may be canceled or reissued by resolution passed by the board of directors.

Carnival's current articles of incorporation do not prohibit the corporation from purchasing, redeeming and disposing of its own shares. The NYSE requires that prompt publicity be given and prompt notice be sent to the NYSE of action which will result in, or which looks toward, either the partial or full call for redemption of a listed security. NYSE rules provide that when a listed

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security is fully redeemed, trading is suspended as soon as the redemption funds become available to the holders of the security. When only a part of the listed securities are redeemed, the amount authorized to be listed is reduced by the amount redeemed as soon as the redemption funds become available to holders of the redeemed securities.

After DLC transaction

No change is proposed to be made to Carnival's articles of incorporation or by-laws regarding rights of purchase and redemption of Carnival shares.

Appraisal Rights

Before DLC transaction

Under Panamanian law, shareholders of a corporation do not have apprai