



P&O CRUISE DIVISION FINANCIAL RESULTS AND STATISTICS

JANUARY-MARCH 2000

2nd June 2000

This release gives financial results, statistical information and commentary on P&O's Cruises Division for Q1 2000 and for previous years. Preparations are underway to demerge this business from P&O in October 2000. Following the demerger the business will form a separate company listed on both the London and New York stock exchanges.

In general terms the current quarterly information shows that:

- operating profit increased by 4% to \$60.4 million despite fuel prices being \$9 million higher;
- this strong result reflects higher capacity offered and increased occupancy and net revenue yield;
- the acquisition of Festival Cruises, following that of Aida Cruises last year, will further strengthen the position of P&O Princess as the global cruise company;
- additional capacity and a more competitive US market, particularly in Q4 mean that net revenue yields for 2000 are likely to be lower than for 1999; and
- the medium to longer term prospects are highly positive with strong industry fundamentals and significant opportunities for further cost reductions.

Further information:

Peter Smith Director - Communications and Strategy
P&O
020 7930 4343

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FINANCIAL RESULTS AND STATISTICS

	Q1 2000 US\$m	Q1 1999 US\$m
Turnover	519.1	465.9
Costs		
Operating expenses	(349.0)	(309.4)
Selling and administration	(76.1)	(68.1)
Depreciation and amortisation	(33.6)	(30.4)
	(458.7)	(407.9)
Operating profit	60.4	58.0
Capacity offered (pcd's)		
Princess Cruises	1,436,190	1,376,845
Other brands	556,750	456,075
Total	1,992,940	1,832,920
Occupancy (%)		
Princess Cruises	99.9	97.4
Other brands	95.9	95.9
Total	98.8	97.1
Change in net revenue per pcd offered	+2%	

Notes

1. The figures in this release have been prepared under UK GAAP using the accounting policies applied by the P&O Group.
2. 'Pcd' stands for 'passenger cruise day' and means the number of passengers who could be carried on board (defined by lower berth capacity) multiplied by the available cruise days. Cruises that begin in one accounting period and end in another have their pcd's apportioned accordingly; the financial results are treated similarly.
3. 'Occupancy' is calculated by dividing the achieved pcd's by the offered pcd's. Since the former includes upper berths whereas the latter includes only lower berths, the occupancy can exceed 100%.
4. 'Net revenue' is defined as gross revenue (turnover) less the cost of sales (primarily travel agent commissions) and the flight component of a fly-cruise.

Commentary

Financial Results

1. In Q1 2000 P&O Princess increased operating profit by 4% to \$60.4 million compared to \$58.0 million for Q1 1999. The main positive factors contributing to this strong result were increased capacity of 9%, higher occupancy and a net revenue yield improvement of 2%. These were partly offset by higher fuel prices which led to an increase in operating expenses of \$9 million.
2. The increase in capacity resulted mainly from the introduction of Ocean Princess in February and the inclusion of Aida Cruises for the first time. Turnover increased by 11%. This reflected the increase in capacity, the higher occupancy and increased net revenue yield. Both occupancy and net revenue yield benefited from the millennium as cruises straddling the year end have been time apportioned.

Highlights for Q1 2000

3. The current year has started well in the US. Ocean Princess (77,000 gross tons, 1,950 berths) was successfully introduced in February. She is the latest of our ships to offer Grand Class Cruising and has been well received.
4. P&O Cruises (UK) had a strong first quarter. Aurora (76,000 gross tons, 1870 lower berths) was introduced in May. Her inaugural cruise was lost because of a problem with one of her bearings. The costs were fully met, largely by insurance. She is now operating successfully and has received highly favourable comment.
5. Aurora's introduction will result in a 37% increase in capacity for P&O Cruises (UK) in 2000. The year-on-year effect is mainly in the second half and this will have some impact on net revenue yield. Despite the significant increase in capacity, bookings are going well.
6. P&O's acquisition of 51% of Aida was completed in November 1999. The year-on-year effect of this is the main reason for the 22% increase in capacity offered in Q1 2000 for P&O's other brands, i.e. excluding Princess Cruises. Aida is having a good year. P&O has now also completed the DM30 million acquisition of the whole of Seetours, one of the best known names in German cruising.
7. P&O announced on 11 May 2000 that it had agreed to acquire Festival Cruises, one of the leading cruise companies in Europe with a particularly strong position in France and Italy. It is expected that this will be completed within the next two months and will further strengthen P&O's position as the leading cruise company in Europe.
8. P&O is the only year round cruise operator in Australia. We announced at the start of the year that Sky Princess would be transferred there from Princess Cruises in November 2000. Her name will be changed to Pacific Sky and she will replace our current Australian ship Fair Princess.

Outlook

9. Fuel prices are continuing at their previous high levels. The year-on-year effect will diminish but if prices remain at present levels then it is expected that the additional operating expense in the remainder of 2000 could be of the order of \$15 million.
10. Net revenue yields are likely to be lower for the year as a whole compared to 1999. This reflects the significant additional capacity we are introducing and a more competitive pricing environment in the US, particularly in Q4. There will also be no millennium benefit in Q4 this year. The fundamentals of cruising, however, remain strong and the medium to longer term prospects are highly positive.
11. An extensive cost control programme is being set in place. This is expected to lead to significant unit cost reductions. Additional benefits will accrue from integrating all of the operations into a single global company going forward.

HISTORICAL DATA

US\$m

US\$m

US\$m

US\$m

US\$m

	1999	1998	1997	1996	1995
Turnover	<u>2,111.6</u>	<u>1,862.5</u>	<u>1,654.1</u>	<u>1,564.8</u>	<u>1,353.2</u>
Operating profit					
Princess	305.6	263.3	208.3	179.1	124.5
Other brands	91.6	89.7	77.7	65.6	48.1
	<u>397.2</u>	<u>353.0</u>	<u>286.0</u>	<u>244.7</u>	<u>172.6</u>
Capacity offered (pcd's)					
Princess	5,262,186	4,449,942	4,053,418	3,997,234	3,508,608
Other brands	1,798,293	1,873,568	1,727,581	1,872,964	1,674,256
Total	<u>7,060,479</u>	<u>6,323,510</u>	<u>5,780,999</u>	<u>5,870,198</u>	<u>5,182,864</u>
Operating profit per pcd offered (\$)					
Princess	58.1	59.2	51.4	44.8	35.5
Other brands	50.9	47.9	45.0	35.0	28.7
	56.3	55.8	49.5	41.7	33.3
Net passenger revenue index per pcd offered					
Princess	108.9	109.4	106.2	102.5	100.0
P&O Cruises UK	121.3	120.0	119.0	106.5	100.0

Notes

1. The above results differ from the results for P&O's Cruise Division as stated in the P&O Group accounts for 1999 by the exclusion of P&O's Australian resorts. Following the demerger, the new cruise company will report in US\$ which is the currency in which the majority of its income is generated.
2. The net passenger revenue index figures show the changes in net revenue per offered pcd in local currency (US\$ and £) for each of Princess and P&O Cruises (UK). In both cases net revenue for 1995 has been rebased to 100.

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