

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 2007 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-9610

Carnival Corporation  
(Exact name of registrant as  
specified in its charter)

Republic of Panama  
(State or other jurisdiction of  
incorporation or organization)

59-1562976  
(I.R.S. Employer  
Identification No.)

3655 N.W. 87th Avenue  
Miami, Florida 33178-2428  
(Address of principal  
executive offices)  
(Zip code)

(305) 599-2600  
(Registrant's telephone number,  
including area code)

Securities registered pursuant  
to Section 12(b) of the Act:

Title of each class  
Common Stock  
(\$ .01 par value)

Name of each exchange on which registered  
New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act). Large Accelerated Filers  Accelerated Filers  Non-Accelerated Filers

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold was \$20.13 billion as of the last business day of the registrant's most recently completed second fiscal quarter.

At January 22, 2008, Carnival Corporation had outstanding 623,620,686 shares of its Common Stock, \$.01 par value.

Commission file number: 1-15136

Carnival plc  
(Exact name of registrant as  
specified in its charter)

England and Wales  
(State or other jurisdiction of  
incorporation or organization)

98-0357772  
(I.R.S. Employer  
Identification No.)

Carnival House, 5 Gainsford Street,  
London SE1 2NE, United Kingdom  
(Address of principal  
executive offices)  
(Zip code)

011 44 20 7940 5381  
(Registrant's telephone number,  
including area code)

Securities registered pursuant  
to Section 12(b) of the Act:

Title of each class  
Ordinary Shares each represented  
by American Depository Shares  
(\$1.66 par value), Special Voting  
Share, GBP 1.00 par value and Trust  
Shares of beneficial interest in the  
P&O Princess Special Voting Trust

Name of each exchange on which registered  
New York Stock Exchange, Inc.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold was \$8.87 billion as of the last business day of the registrant's most recently completed second fiscal quarter.

At January 22, 2008, Carnival plc had outstanding 213,185,759 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 623,620,686 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

## DOCUMENTS INCORPORATED BY REFERENCE

The information described below and contained in the Registrants' 2007 annual report to shareholders to be furnished to the U.S. Securities and Exchange Commission pursuant to Rule 14a-3(b) of the Securities Exchange Act of 1934 is shown in Exhibit 13 and is incorporated by reference into this joint Annual Report on Form 10-K ("Form 10-K").

### Part and Item of the Form 10-K

#### Part II

- Item 5(a). Market for Registrants' Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities - Market Information, Holders and Performance Graph.
- Item 6. Selected Financial Data.
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk.
- Item 8. Financial Statements and Supplementary Data.

Portions of the Registrants' 2008 joint definitive proxy statement, to be filed with the U.S. Securities and Exchange Commission, are incorporated by reference into this Form 10-K under the items described below.

### Part and Item of the Form 10-K

#### Part III

- Item 10. Directors, Executive Officers and Corporate Governance.
- Item 11. Executive Compensation.
- Item 12. Security Ownership of Certain Beneficial Owners and Management.
- Item 13. Certain Relationships and Related Transactions, and Director Independence.
- Item 14. Principal Accountant Fees and Services.

**PART I**

**Item 1. Business.**

**A. General**

Carnival Corporation is incorporated in Panama, and Carnival plc is incorporated in England and Wales. Carnival Corporation and Carnival plc operate a dual listed company ("DLC"), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation's articles of incorporation and by-laws and Carnival plc's memorandum of association and articles of association.

Carnival Corporation and Carnival plc are both public companies, with separate stock exchange listings and their own shareholders. Although the two companies have retained their separate legal identities, they operate as if they are a single economic enterprise, with a single executive management team, and have identical Boards of Directors. See Note 3, "DLC Structure" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K. Together with their consolidated subsidiaries Carnival Corporation and Carnival plc are referred to collectively in this Form 10-K as "Carnival Corporation & plc," "our," "us," and "we."

We are the largest cruise company and one of the largest vacation companies in the world. We have a portfolio of widely recognized cruise brands and are a leading provider of cruises to all major vacation destinations. See Part I, Item 1. Business. B. - "Cruise Operations" for additional information.

As of January 29, 2008, the summary by brand of our passenger capacity, the number of cruise ships we operate, and the primary areas in which they are marketed is as follows:

<u>Cruise Brands</u>	<u>Passenger Capacity(a)</u>	<u>Number of Cruise Ships</u>	<u>Primary Market</u>
Carnival Cruise Lines	50,770	22	North America
Princess Cruises ("Princess")	34,450	16	North America
Costa Cruises ("Costa")	23,196	12	Europe
Holland America Line	18,916	13	North America
P&O Cruises	8,840	5	United Kingdom
Cunard Line ("Cunard")	6,360	3	United Kingdom and North America
AIDA Cruises ("AIDA")	5,762	4	Germany
P&O Cruises Australia	4,070	3	Australia and New Zealand
Ocean Village	3,286	2	United Kingdom
Ibero Cruises (b)	2,078	2	Spain
The Yachts of Seabourn ("Seabourn")	624	3	North America
	<u>158,352</u>	<u>85</u>	

(a) In accordance with cruise industry practice, passenger capacity is calculated based on two passengers per cabin even though some cabins can accommodate three or more passengers.

(b) In September 2007 we entered into a joint venture agreement with Orizonia Corporation, Spain's largest travel company, to form Ibero Cruises, a Spanish cruise line (see Note 15 "Acquisition" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K).

As of January 29, 2008, we had signed agreements with three shipyards providing for the construction of 22 additional cruise ships scheduled to enter service between April 2008 and June 2012. These additions are expected to result in an increase in our passenger capacity of 51,338 lower berths. However, P&O Cruises Australia's 994-passenger capacity *Pacific Star* and Cunard's 1,788-passenger capacity *Queen Elizabeth 2* will leave our fleet in March and November 2008, respectively. The net impact of these additions and disposals is a 30.7% increase in passenger capacity as compared to our January 29, 2008 passenger capacity. It is possible that some of our other older ships may be sold or retired during the next few years, thus reducing the size of our fleet over this period. Alternatively, it is also possible that we could order more ships, which could enter service in 2011 and 2012, or acquire more ships, thus increasing the size of our fleet over this period. See Note 6, "Commitments" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K for additional information regarding our ship commitments.

In addition to our cruise operations, we own Holland America Tours and Princess Tours, the leading cruise/tour operators in the State of Alaska and the Yukon Territory of Canada, which primarily complement their respective cruise operations and own substantially all of the assets noted below. These tour companies currently market and operate:

- 16 hotels or lodges in the state of Alaska and the Yukon Territory of Canada, with 3,500 guest rooms;
- over 560 motorcoaches used for sightseeing and charters in the states of Washington and Alaska, the Canadian Yukon Territory and the Canadian province of British Columbia;
- 24 domed rail cars, which are run on the Alaska Railroad between Anchorage and Fairbanks, Whittier and Denali, and Whittier and Talkeetna;
- two luxury dayboats; one offering a tour to Portage Glacier in Alaska, and another offering a fully-narrated 102-mile cruise on the Yukon River between Eagle, Alaska and Dawson City in the Canadian Yukon Territory; and
- sightseeing packages, or individual components of such packages, sold either separately or as part of our cruise/tour packages to our Alaskan cruise guests and to other vacationers.

### **Our Mission, Primary Financial Goal and Related Strategies**

Our mission is to deliver exceptional vacation experiences through the world's best-known cruise brands that cater to a variety of different lifestyles and budgets, all at an outstanding value unrivalled on land or at sea. In order to accomplish this mission, we believe we must profitably grow our cruise business, which is our primary financial goal.

Our first strategy to achieve this goal is to build new and innovative ships, and continually invest in our existing ships, to strengthen the leadership position of each of our brands. Our newbuilding program is the primary platform for our brands' growth. Secondly, we intend to redeploy some of our ships to emerging growth markets to develop an increasing appetite and awareness for cruising within these markets. After establishing a viable presence in a geographic area, we may add capacity to grow the business, and then further segment the market using multiple brands that target different demographic groups to achieve maximum penetration.

Our operating structure is decentralized, with each of our major brands having its own headquarters and operating team. We believe this approach results in delivering a product that is specifically tailored to identifiable geographic and economic markets and allows us to more effectively penetrate these individual markets. Although we operate under this decentralized structure, we leverage our size to obtain economies of scale, which reduces costs by consolidating our purchasing power and implementing common cost-containment initiatives, such as common reservation systems, cross-selling, shared data centers and shared port facilities.

We believe the successful execution of these and other ongoing strategies have enabled us to become one of the most profitable companies in the vacation industry. This success has given us the ability to fund our capital spending program and return excess cash to our shareholders through increased dividends and opportunistic share repurchases.

### **Health, Environment, Safety and Security Policy**

We are committed to protecting the health, safety and security of all our guests, employees and others working on our behalf, thereby promoting an organization that is free of injuries, ill health and loss.

In addition, we are committed to protecting the environment, including the marine environment, in which our vessels sail and the communities in which we operate, minimizing adverse environmental consequences, and using our resources efficiently.

## **B. Cruise Operations**

### **I. Industry Background**

The multi-night cruise industry has grown significantly over the past decade, but still remains a relatively small part of the wider global vacation market in which cruise companies compete for the discretionary income spent by vacationers. We estimate that the

global cruise industry carried approximately 16.5 million passengers in 2007. The principal regions cruise passengers are sourced from are North America, which has increased by an estimated compound annual growth rate of 8.5% between 2001 and 2006, and Western Europe where cruise passengers have increased by a compound annual growth rate of approximately 9.8% between 2001 and 2006. In Europe cruising represents a smaller proportion of the overall vacation market than it does in North America and, accordingly, we believe the European market has significant growth potential. We also believe that the North American market continues to have considerable growth potential. Other areas such as Asia, the South Pacific, including Australia and New Zealand, and South America are a source of much lower numbers of cruise passengers, and we also believe these regions have growth potential. See Note 11, "Segment Information" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K for financial information regarding our cruise segment.

Cruising offers a broad range of products to suit vacationing guests of many ages, backgrounds and interests. Cruise brands can be broadly characterized as offering contemporary, premium and luxury cruise experiences. The contemporary experience typically includes cruises on larger ships that last seven days or less, have a more casual ambiance and are less expensive than premium or luxury cruises. The premium experience typically includes cruises on more intermediate-sized ships that last from seven to 14 days and appeal to the more experienced cruise guest who is usually more affluent and older. Premium cruises emphasize quality, comfort, style and more destination-focused itineraries and the average pricing on these cruises is typically higher than contemporary cruises. The luxury experience is typically characterized by small vessel size, very high standards of accommodation and service, exotic itineraries to ports which are inaccessible to bigger ships and higher prices. Notwithstanding these classifications, there generally is significant overlap and competition among all cruise products.

We are a provider of cruise vacations in most of the largest vacation markets in the world, including North America, the UK, Germany, southern Europe, Asia/Pacific and South America, with significant product offerings in each of the three classifications noted above. A brief description of the principal vacation areas where we source substantially all of our guests and our brands that market primarily to these vacationers is as set out below.

## **II. North America**

Almost 70% of the cruise passengers in the world are sourced from North America, where cruising has developed into a mainstream alternative to land-based resort and sightseeing vacations. Approximately 10.4 million North American-sourced cruise passengers took cruise vacations for two consecutive nights or more in 2006, and we estimate this amount increased to about 11.3 million passengers in 2007. This sector has continued to grow in recent years with the introduction of new capacity.

The principal itineraries visited by North American-sourced cruise guests in 2007 were the Caribbean, the Bahamas, Mexico and Alaska. In addition, North American cruise guests visited northern Europe, the Mediterranean, New England and Canada, Bermuda, Hawaii, the Panama Canal and other exotic locations, including South and Central America, Africa, the South Pacific, the Far East and India.

At the end of 2007, 130 ships with an aggregate passenger capacity of approximately 211,000 lower berths were based primarily in North America. Based on the number of ships that are currently on order worldwide and scheduled for delivery between 2008 and 2011, we expect that the net capacity serving North America will continue to increase. Our projections indicate that by the end of 2008, 2009, 2010 and 2011, North America will be served by 132, 137, 143 and 148 ships, respectively, having an aggregate passenger capacity of approximately 218,000, 232,000, 247,000 and 258,000 lower berths, respectively. These figures include some ships that were, or are expected to be, marketed in both North America and elsewhere during different times of the year. Our 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' guests are predominantly sourced and, accordingly, could indicate a higher percentage growth in North American capacity than will actually occur. Alternatively, our growth estimates for 2011 may increase because of future shipbuilding orders, which have not yet been announced. Net capacity serving North American-sourced cruise guests has increased at a compound annual growth rate of 3.5% for the past three years. The future growth rate is currently expected to be 5.5% for the next three years before reductions for withdrawals or transfers to other parts of the world and unannounced ship orders.

Carnival Cruise Lines, Princess, Holland America Line and Seabourn source their guests primarily from North America. Cunard sources most of its guests from the United Kingdom, North America, Germany and Australia, and Costa sources some of its guests from North America, especially during the winter season when it has two ships homeported in Fort Lauderdale, Florida.

### ***Carnival Cruise Lines***

Carnival Cruise Lines, our largest brand, has been providing its "Fun Ship" style of cruising for over 35 years, and currently operates 22 contemporary ships, with an additional ship expected to begin service in each of 2008, 2009 and 2011. In April 2008, Carnival Cruise Lines' 1,482-passenger capacity *Celebration* is being transferred to the Ibero Cruises fleet. Carnival Cruise Lines offers quality cruise vacations at affordable prices and is well-known as the "Fun Ships," which we believe captures the essence of the brand. In 2007, Carnival Cruise Lines announced its \$250 million product enhancement initiative to its eight Fantasy Class ships under the "Evolutions of Fun" program, which is expected to be completed within the next few years. This ship refurbishment and product enhancement initiative includes upgrades to all guest accommodations and a variety of public areas, as well as introducing new children's water parks, redesigning the mid-ship pool area and the creation of "Serenity," an adults-only deck area. Carnival Cruise Lines is continually introducing ways to keep its cruise experience fresh and exciting, including expanded dining choices, Carnival Comfort Bed sleep systems, spectacular production shows, innovative children's programming, revitalizing spa services and action-packed casinos.

All of Carnival Cruise Lines' ships were designed and built as floating resorts. Fun Ship cruises typically range from three to seven days and sail from 20 convenient homeports. Carnival Cruise Lines' ships call year-round on ports in the Bahamas, the Caribbean and Mexico. In addition, Carnival Cruise Lines ships also offer seasonal cruises to Alaska, Canada/New England, Europe, South America, the Hawaiian Islands and transatlantic voyages.

### ***Princess***

Princess, whose brand name was made famous by the *Love Boat* television show, recently celebrated its 40th anniversary. Princess, the world's third largest cruise line, operates a fleet of 16 modern ships, with an additional ship expected to begin service in 2008. Princess offers over 90 unique itineraries to more than 270 destinations, with cruises generally of seven to 14 days and a world cruise that exceeds 100 days. Princess is a leading cruise line in exotic regions all over the world, including Alaska, Asia, Australia, Europe, the South Pacific and South America. As part of some of Princess' Caribbean cruise offerings, Princess leases and operates a private island destination, known as Princess Cays, which is located on the island of Eleuthra in the Bahamas. Substantially all of Princess' ships reflect an innovative design philosophy called "Big Ship Choice, Small Ship Feel," emphasizing a broad variety of amenities combined with the more intimate ambience found on smaller vessels. Virtually all of Princess' ships feature the Personal Choice Dining program, offering guests flexibility, convenience and quality in an array of traditional, anytime, specialty and casual dining options. A quality service program entitled C.R.U.I.S.E. (Courtesy, Respect, Unfailing In Service Excellence) helps ensure extremely high standards of service throughout the fleet.

Princess is widely recognized among travel agents as an innovative, premium cruise line. The introduction of *Emerald Princess*, *Crown Princess* and *Caribbean Princess* are the latest in the evolving Grand Class series of vessels, with their "Movies Under the Stars" outdoor theaters, showing first-run Hollywood hits on a 330 square foot outdoor poolside LED screen. At least 57% of each of these Grand Class ship's staterooms have balconies; another hallmark of Princess' ships. Princess attracts consumers with a highly integrated brand marketing campaign, utilizing the slogan "Escape Completely" which appears in magazines, newspapers, direct mail, online, DVD and point-of-sale materials.

### ***Holland America Line***

Holland America Line, with more than 130 years of experience, operates a premium fleet of 13 ships, with an additional ship expected to begin service in each of 2008 and 2010. Holland America Line cruises call at more than 300 ports in more than 60 countries on all seven continents. Ports of embarkation include New York, Boston, Fort Lauderdale, Tampa, San Diego, Seattle, Vancouver, Copenhagen, Amsterdam, Rotterdam, Rome, Rio de Janeiro, Valparaiso, Auckland, Sydney and Hong Kong. Holland America's ships, which tend to be smaller and more intimate than the bigger contemporary cruise ships, were designed with airy viewing lounges, wraparound teak decks and private, roomy verandahs that offer guests

the chance to experience wildlife and scenery. The majority of Holland America Line's cruise lengths are from seven to 21 days, however there are longer and more exotic cruises, such as the world cruise which lasts over 100 days. Most sailings in the Caribbean visit Holland America Line's private island known as Half Moon Cay.

As Holland America Line introduces new guests to its premium brand, the brand continues to enjoy one of the highest rates of repeat cruisers in the cruise industry. Its onboard experience is distinguished by warm, welcoming personalized service, a timeless approach to interior design and one of the most extensive collections of art and antiques at sea. The five areas identified as pillars of the Holland America guest experience are (1) spacious, elegant ships and accommodations, (2) sophisticated five-star dining, (3) gracious, unobtrusive service, (4) extensive enrichment programs and activities and (5) compelling worldwide itineraries.

The brand's \$425 million product enhancement initiative "Signature of Excellence," continues with ongoing refinements to service and enrichment activities onboard and ashore. Signature of Excellence includes the Culinary Arts Center, a state-of-the-art onboard show kitchen where visiting chefs and culinary experts provide cooking demonstrations and classes to our guests. As part of this initiative, Holland America Line recently completed a multi-million dollar refurbishment project to the *Prinsendam*, whereby it, among other things, refurbished its staterooms, expanded the shopping promenade and added a new Explorations Cafe.

### **Seabourn**

Seabourn delivers personalized service and superb cuisine aboard each of their three-208 passenger capacity all-suite ships. Seabourn's crew to guest ratio of nearly 1 to 1 is among the very highest in the industry. The line offers an ultra-luxury experience and is widely considered to be one of the most ultimate travel experiences available. Caviar in the Surf<sup>SM</sup>, complementary on deck Massage Moments<sup>SM</sup> and Dancing under the Stars<sup>SM</sup> are just a few of the delights on Seabourn. Seabourn's ships offer destinations throughout the world, including Europe, Asia, the South Pacific and the Americas, with cruises generally in the seven to 14 day range, with some cruises lasting longer. Seabourn itineraries include many smaller, off-the-beaten-track ports that are inaccessible to larger ships. Seabourn has three 450-passenger capacity ships on order, which are expected to begin service in 2009, 2010 and 2011.

### **III. Europe**

We believe that Europe is the largest single leisure travel vacation market, but to date cruising in Europe has achieved a much lower penetration rate than in North America, and represents a relatively small percentage of the European vacation market. Approximately 3.4 million European-sourced passengers took cruise vacations for two consecutive nights or more in 2006 compared to approximately 10.4 million North American-sourced passengers. Additionally, we estimate that about 3.7 million European-sourced passengers took a cruise in 2007. The number of European cruise passengers increased by a compound annual growth rate of approximately 9.8% between 2001 and 2006. We believe that the European market represents a significant growth opportunity for us, and we plan to introduce a number of new or existing ships into Europe over the next several years. This should enable us to further segment the European market and achieve increasing economies of scale, which is one of our strategic objectives. Approximately 63%, or 32,394 berths, of our passenger capacity under construction has been designated for our European brands. Our European brands represent 31% of our total capacity at November 30, 2007, and we expect them to increase to 39% of our total capacity by 2011.

The principal itineraries visited by European-sourced cruise guests in 2007 were the Mediterranean, the Caribbean (including the Bahamas), Bermuda, northern Europe (including Scandinavia and the Baltic) and the Atlantic Isles (including the Canary Islands and Madeira).

At the end of 2007, 106 ships with an aggregate passenger capacity of approximately 111,000 lower berths were based primarily in Europe. Our projections indicate that by the end of 2008, 2009, 2010 and 2011, Europe will be served by 116, 119, 124 and 126 ships, respectively, having an aggregate passenger capacity of approximately 130,000, 139,000, 151,000 and 156,000 lower berths, respectively. These figures include some ships that were, or are expected to be, marketed in both Europe and elsewhere during different times of the year. Net capacity serving European-sourced cruise guests has increased at a compound annual growth rate of 6.0% for the past three years. The future growth rate is currently expected to be 10.8% for the next three years. Our estimates of European

capacity are based on similar assumptions as discussed previously for our North American estimates, but with the additional expectation that a number of older ships built before 1975 will leave European service by 2010 as a result of their noncompliance with mandated maritime regulations that become effective that year.

#### **A. United Kingdom**

The UK is the single largest country from which cruise passengers are sourced in Europe. Approximately 1.2 million UK passengers took cruises in 2006. Cruising in the UK has become an established alternative to land-based resort and sightseeing vacations. The number of UK cruise passengers increased by a compound annual growth rate of approximately 9.0% between 2001 and 2006. We believe that the UK has additional growth potential for the cruise industry, as the level of market penetration is estimated at only approximately two-thirds of that of North America.

P&O Cruises and Ocean Village source substantially all of their guests from the UK. Cunard sources most of its guests from the UK, North America, Germany and Australia. Our North American brands and Costa also source guests from the UK. For example, since 2005 Princess Cruises' *Sea Princess*, which is homeported in Southampton during the summer months and has Fort Lauderdale as its port of embarkation during the winter season, has been primarily marketed to UK vacationers who desire an American style of cruising.

#### ***P&O Cruises***

P&O Cruises is the largest cruise operator and best known cruise brand in the UK, with five premium ships, and an additional ship expected to begin service in each of 2008 and 2010. These ships cruise to over 225 destinations in more than 90 countries, with most cruises ranging from seven to 16 days, but with some cruises lasting longer, including three world cruises in each of 2008 and 2009. P&O Cruises' ships, which are relatively new compared to the ships that are more typically marketed in the UK, have enabled P&O Cruises to offer a more modern style of cruising to UK cruise guests and increase their appeal to younger guests and families, while retaining older and more traditional British customers. The *Artemis* and *Arcadia* are child-free ships, which generally appeal to an older guest demographic, while the rest of the fleet is well-equipped for children's activities. P&O Cruises offers cruises from Southampton, England to the Mediterranean, the Atlantic Isles, the Baltic, Scandinavia and the Norwegian Fjords during the summer, and primarily operates Caribbean cruises and a choice of three world voyages during the winter.

P&O Cruises recently announced their Elevation initiative, which is their commitment to provide an even more refined and luxurious cruise holiday for their guests. The initial phase of the program includes the implementation of 67 product enhancements and refinements, part of a multi-million Sterling program that will be rolled-out across the brand's fleet of ships. Among the many Elevation enhancements are upgrades to guest accommodations, a range of enhanced dining experiences, the introduction of "once in a lifetime" shore excursions, enhanced entertainment, and the launch of CruiseTone, a holistic well-being program.

The ships offer a welcoming atmosphere, with an emphasis on the attributes of "Britishness," "professionalism," and "style." The *Arcadia* and *Oceana* offer a more contemporary and innovative experience with an informal atmosphere and range of alternative dining venues, from restaurants and buffets to grills and bistros. While the elegant superliners *Aurora* and *Oriana* offer a stylish and classic cruise experience with their broad decks, traditional artwork and blend of formal and informal onboard experiences. The *Artemis*, the smallest ship in the P&O Cruises fleet, offers a more traditional and intimate experience, her size enabling her to visit ports not charted by larger vessels as well as fostering a real sense of camaraderie. This is of particular appeal to those who enjoy a more formal onboard experience, including P&O Cruises' traditions such as afternoon tea and her program of Music Festivals at Sea. Each of these different ambiances appeal to a different type of British guest.

#### ***Cunard***

The Cunard brand, which was launched in 1839 and has the Most Famous Ocean Liners In The World<sup>SM</sup>, operates three premium/luxury ships that evoke a golden era of luxurious cruising with an additional ship, the *Queen Elizabeth*, expected to begin service in 2010. Cunard's flagship, the *Queen Mary 2*, is the largest ocean liner in the world and operates the northern transatlantic crossing route as well as other world-wide itineraries. The *Queen Elizabeth 2* ("*QE2*"), which we have contracted to sell in November 2008, will offer two final transatlantic voyages which will complete 806 transatlantic voyages in her 41-

year life. Afterward, the QE2 will begin a new life as a first-class hotel, retail and entertainment destination at The Palm Jumeirah in Dubai under new ownership. The *Queen Victoria*, Cunard's newest ship, is a marriage of heritage and innovation with a three tier grand lobby that offers a lavish taste of life onboard. The *Queen Victoria* debuted in December 2007 in Northern Europe and in January 2008 began a 106 day world cruise. Cunard's ships offer voyages to worldwide destinations, with most voyages ranging between six and 14 days, but with some shorter voyages to give guests a chance to get a taste of the Cunard experience. In 2008 and 2009 the Cunard world cruises range from 90 to 107 days and will give guests a chance to indulge themselves during a longer vacation.

### ***Ocean Village***

The Ocean Village brand was launched in 2003. Ocean Village doubled its passenger capacity in April 2007 with the introduction of the *Ocean Village Two* and, accordingly, the brand currently operates two contemporary ships serving the UK. This brand targets a young and active customer base and its cruise product emphasizes informality, along with a spirit of adventure, as experienced through its onboard activities and shore excursion offerings. The brand attracts a high proportion of guests new to cruising. The original *Ocean Village* ship offers one or two week cruises, together with cruise and stay holidays, and operates out of Heraklion, Crete in the Mediterranean during the summer season and from Montego Bay, Jamaica in the Caribbean during the winter season. *Ocean Village Two* offers one week cruises and uses Palma, Majorca as a port of embarkation during the summer season and Barbados, in the Caribbean during the winter season.

## **B. Southern Europe**

The main countries in southern Europe for sourcing cruise passengers are Italy, France and Spain. Together, these countries generated approximately 1.2 million cruise passengers in 2006. Cruising by passengers from Italy, France and Spain combined increased by a compound annual growth rate of approximately 10.5% between 2001 and 2006. We believe that southern Europe has significant growth potential for the cruise industry, as the level of market penetration is only estimated at approximately one-fifth of that of North America. We intend to increase our penetration in southern Europe primarily through Costa, one of the most recognized cruise brands marketed in Europe, which also has the most cruise ships on order of any southern European cruise brand, and our new Ibero Cruises brand.

### ***Costa***

Costa is Italy and Europe's #1 Cruise Line based on guests carried and capacity of its ships, and boasts 60 years of rich history. Costa operates 12 contemporary ships, with two additional ships expected to begin service in 2009 and one ship in each of 2010, 2011 and 2012. Costa offers guests an international and multi-lingual ambiance with an Italian touch. Costa principally serves customers in Italy, France, Spain and Germany. The Costa brand offers a higher-end contemporary product in Germany and Spain and thus segments these markets where we also own and operate the more mid-contemporary AIDA and Ibero Cruises brands.

The Costa ships call on 132 European and Middle Eastern ports, with 48 different itineraries, and sail to various other ports in the Caribbean and South America, with most cruises ranging from seven to 11 days. Costa's ships operate in Europe from spring to fall. From fall to spring Costa repositions six of its ships to the Caribbean and South America, repositions two of its ships through the Arabian Gulf to its Dubai port of embarkation, and maintains a year-round presence with two of its ships in the Mediterranean. Commencing in December 2007, Costa began further extending its ports of embarkation by offering cruises out of Mauritius, in the Indian Ocean. See Part I, Item 1. Business. B "Cruise Operations - Costa Asia" for additional discussion of Costa's operations in Asia.

### ***Ibero Cruises***

In September 2007 we entered into an agreement with Orizonia Corporation, Spain's largest travel company, to form Ibero Cruises, a Spanish cruise line, for an investment of €290 million, which we funded with €105 million of cash and €185 million in proceeds that Ibero Cruises borrowed under a portion of our revolving credit facility. Ibero Cruises operates two contemporary Spanish cruise ships, the 834-passenger capacity *Grand Voyager*, and the 1,244-passenger capacity *Grand Mistral*, built in 2000 and 1999, respectively, which represent some of the newest ships in the Spanish cruise sector. Substantially all of Ibero Cruises' guests are sourced from Spain and, accordingly, their ships are especially tailored to the Spanish market, including Spanish speaking officers and crew and

Mediterranean and Spanish style food and entertainment. The ships' ports of embarkation are Barcelona, Spain and Venice, Italy from March to October; from where they primarily offer seven-day Mediterranean sailings. From November to February these ships are time-chartered to an unaffiliated Brazilian tour operator pursuant to long-term agreements, which expire in March 2008 for the *Grand Mistral* and March 2011 for the *Grand Voyager*. We intend to expand this Spanish brand over the next several years through the redeployment of existing ships from our fleet, beginning with the transfer of Carnival Cruise Lines' 1,482-passenger capacity *Celebration* in April, 2008. The *Celebration* will be renamed the *Grand Celebration* and will undergo a multi-million dollar refurbishment to get her ready to commence her first Ibero Cruises sailing in June, 2008.

### **C. Germany**

Germany is the largest source market for cruise passengers in continental Europe, with approximately 0.7 million cruise passengers in 2006. Germany had a compound annual growth rate in the number of cruise passengers carried of approximately 12.4% between 2001 and 2006. We believe that Germany has significant growth potential for the cruise industry as the level of market penetration is only estimated at approximately one-fourth of that of the North America cruise industry.

#### ***AIDA***

AIDA, which sources most of its guests from German speaking countries, is the leader in the German cruise segment. AIDA operates four contemporary ships, with one additional ship expected to begin service in each of fiscal 2008, 2009, 2010, 2011 and 2012. The new vessels, including the first generation *AIDAdiva* which AIDA took delivery of in 2007, are innovative. They introduce, for example, the 'Theatrium' as a central meeting place for guests that has a marketplace character and provides guests with a completely new space concept as well as enhanced entertainment ideas.

AIDA's product is especially tailored for the German-speaking market and offers an exceptionally relaxed, yet active cruising experience with an emphasis on lifestyle, choice, informality, friendliness and activity. Spa and fitness areas and high quality but informal dining options characterize the experience onboard the vessels.

AIDA offers its guests cruises varying in length from three to 14 days. During the summer, the AIDA ships sail in the Mediterranean and the North and Baltic Seas, calling on approximately 70 ports, while itineraries for the winter include the Caribbean, Central America, the Western Mediterranean, the Atlantic Isles, the Arabian Gulf and Trans-Suez Canal passages. Commencing in the fall of 2008, AIDA will further extend its embarkation ports by offering cruises from North America, substantially all sourced with German guests.

### **IV. Australia, New Zealand and Asia**

Cruising in Australia continues to develop. Approximately 220,000 Australians took cruise vacations in 2006. We serve this region primarily through the contemporary P&O Cruises Australia brand, which is the leading cruise line in Australia and New Zealand. In addition, our premium brand Princess has a very significant presence in this market. We began to source passengers directly from Asia in 2006. We believe this market has growth potential given its large population and expanding economy.

#### ***P&O Cruises Australia***

P&O Cruises Australia caters specifically to Australians and New Zealanders. Its ships, the *Pacific Dawn*, *Pacific Sun* and *Pacific Star*, offer seven to 14 day cruises embarking from Sydney and Brisbane, Australia and Auckland, New Zealand. In 2008, P&O Cruises Australia will introduce some longer Asian itineraries, including the 42-day Japanese cherry blossom cruise. The *Pacific Star* was sold in May 2007 and is being chartered back for use by P&O Cruises Australia until March 2008.

#### ***Princess***

In November 2007, Princess time chartered the *Sun Princess* to P&O Cruises Australia. The *Sun Princess* will offer year-round cruises ranging from eight to 28 days under the Princess brand name. Princess will also time charter the *Dawn Princess* to P&O Australia for year-round service starting in October 2008. These Princess brand name ships will offer cruises from Sydney, Melbourne and Fremantle, Australia offering Australian, New Zealand, Asian and Pacific Island itineraries.

## **Costa Asia**

In July 2006, Costa began homeporting the *Costa Allegra* out of China to cater primarily to the Chinese market. Costa was the first international cruise line to homeport a ship in China. The Chinese vacation market is characterized by high seasonality and, accordingly, in May 2007 Costa Asia initiated a new program introducing 14-day Far East cruises for guests principally-sourced from Europe for the non-peak Chinese vacation months. In the peak Chinese vacation season during part of February and May, and from July through mid-October, the *Costa Allegra* sails from Hong Kong, Shanghai and Beijing, China, for 5-day cruises, with guests primarily sourced from China. During the remaining non-peak vacation months, the *Costa Allegra* will sail 14-day Far East cruises sourcing guests principally from Europe. In March 2009, Costa Cruises will deploy a second ship, the 1,302-passenger capacity *Costa Classica*, to Asia. This will more than double Costa's capacity in the region.

## **V. South America**

Cruise vacations have been marketed by Costa in South America, principally to Brazilian and Argentinean-sourced passengers, for many years, although cruising as a vacation alternative remains in a relatively early stage of development in the region. Cruises from South America typically occur during the Southern Hemisphere summer months of November through March. Our presence is primarily represented through the Costa brand, which will operate three vessels in 2008 in this region, *Costa Magica*, *Costa Victoria* and *Costa Classica*, collectively offering 5,932 lower berths, which amounts to a 43% per berth-day increase compared to Costa's 2007 South American product offerings. These ships primarily offer seven to 11 day cruises visiting ports primarily in Brazil, Argentina, Uruguay and Chile.

## VI. Ship Information

Summary information of our ships as of January 29, 2008 is as follows:

<u>BRAND AND SHIP</u>	<u>REGISTRY</u>	<u>CALENDAR YEAR DELIVERED</u>	<u>PASSENGER CAPACITY</u>
<b><u>Carnival Cruise Lines</u></b>			
<i>Carnival Freedom</i>	Panama	2007	2,966
<i>Carnival Liberty</i>	Panama	2005	2,966
<i>Carnival Valor</i>	Panama	2004	2,966
<i>Carnival Miracle</i>	Panama	2004	2,118
<i>Carnival Glory</i>	Panama	2003	2,966
<i>Carnival Conquest</i>	Panama	2002	2,966
<i>Carnival Legend</i>	Panama	2002	2,118
<i>Carnival Pride</i>	Panama	2001	2,118
<i>Carnival Spirit</i>	Panama	2001	2,118
<i>Carnival Victory</i>	Panama	2000	2,750
<i>Carnival Triumph</i>	Bahamas	1999	2,750
<i>Carnival Paradise</i>	Panama	1998	2,048
<i>Carnival Elation</i>	Panama	1998	2,050
<i>Carnival Destiny</i>	Bahamas	1996	2,634
<i>Carnival Inspiration</i>	Bahamas	1996	2,050
<i>Carnival Imagination</i>	Bahamas	1995	2,050
<i>Carnival Fascination</i>	Bahamas	1994	2,050
<i>Carnival Sensation</i>	Bahamas	1993	2,050
<i>Carnival Ecstasy</i>	Panama	1991	2,050
<i>Carnival Fantasy</i>	Panama	1990	2,054
<i>Celebration(a)</i>	Panama	1987	1,482
<i>Holiday</i>	Bahamas	1985	1,450
Total Carnival Cruise Lines			<u>50,770</u>
<b><u>Princess</u></b>			
<i>Emerald Princess</i>	Bermuda	2007	3,080
<i>Crown Princess</i>	Bermuda	2006	3,080
<i>Sapphire Princess</i>	Bermuda	2004	2,678
<i>Caribbean Princess</i>	Bermuda	2004	3,100
<i>Diamond Princess</i>	Bermuda	2004	2,678
<i>Island Princess</i>	Bermuda	2003	1,974
<i>Coral Princess</i>	Bermuda	2002	1,974
<i>Star Princess</i>	Bermuda	2002	2,598
<i>Royal Princess</i>	Bermuda	2001	710
<i>Golden Princess</i>	Bermuda	2001	2,598
<i>Tahitian Princess</i>	Bermuda	2000	676
<i>Pacific Princess</i>	Bermuda	1999	676
<i>Sea Princess</i>	Bermuda	1998	2,016
<i>Grand Princess</i>	Bermuda	1998	2,592
<i>Dawn Princess</i>	Bermuda	1997	1,998
<i>Sun Princess</i>	Bermuda	1995	2,022
Total Princess			<u>34,450</u>
<b><u>Costa</u></b>			
<i>Costa Serena</i>	Italy	2007	2,978
<i>Costa Concordia</i>	Italy	2006	2,978
<i>Costa Magica</i>	Italy	2004	2,702
<i>Costa Fortuna</i>	Italy	2003	2,702
<i>Costa Meditteranea</i>	Italy	2003	2,114
<i>Costa Atlantica</i>	Italy	2000	2,114
<i>Costa Victoria</i>	Italy	1996	1,928
<i>Costa Romantica</i>	Italy	1993	1,344
<i>Costa Allegra</i>	Italy	1992	784
<i>Costa Classica</i>	Italy	1991	1,302
<i>Costa Marina</i>	Italy	1990	762
<i>Costa Europa</i>	Italy	1986	1,488
Total Costa			<u>23,196</u>

<u>BRAND AND SHIP</u>	<u>REGISTRY</u>	<u>CALENDAR YEAR DELIVERED</u>	<u>PASSENGER CAPACITY</u>
<b><u>Holland America Line</u></b> (b)			
<i>Noordam</i>	Netherlands	2006	1,918
<i>Westerdam</i>	Netherlands	2004	1,916
<i>Oosterdam</i>	Netherlands	2003	1,848
<i>Zuiderdam</i>	Netherlands	2002	1,848
<i>Zaandam</i>	Netherlands	2000	1,432
<i>Amsterdam</i>	Netherlands	2000	1,380
<i>Volendam</i>	Netherlands	1999	1,432
<i>Rotterdam</i>	Netherlands	1997	1,316
<i>Veendam</i>	Netherlands	1996	1,258
<i>Ryndam</i>	Netherlands	1994	1,260
<i>Maasdam</i>	Netherlands	1993	1,258
<i>Statendam</i>	Netherlands	1993	1,258
<i>Prinsendam</i>	Netherlands	1988	792
Total Holland America Line			<u>18,916</u>
<b><u>P&amp;O Cruises</u></b>			
<i>Arcadia</i>	Bermuda	2005	1,948
<i>Oceana</i>	Bermuda	2000	2,016
<i>Aurora</i>	Bermuda	2000	1,870
<i>Oriana</i>	Bermuda	1995	1,818
<i>Artemis</i>	Bermuda	1984	1,188
Total P&O Cruises			<u>8,840</u>
<b><u>Cunard</u></b>			
<i>Queen Victoria</i>	UK	2007	1,980
<i>Queen Mary 2</i>	UK	2003	2,592
<i>QE2(c)</i>	UK	1969	1,788
Total Cunard			<u>6,360</u>
<b><u>AIDA</u></b>			
<i>AIDAdiva</i>	Italy	2007	2,050
<i>AIDAaura</i>	Italy	2003	1,266
<i>AIDAvita</i>	Italy	2002	1,266
<i>AIDAcara</i>	Italy	1996	1,180
Total AIDA			<u>5,762</u>
<b><u>P&amp;O Cruises Australia</u></b>			
<i>Pacific Dawn</i>	UK	1991	1,596
<i>Pacific Sun</i>	UK	1986	1,480
<i>Pacific Star(d)</i>	UK	1982	994
Total P&O Cruises Australia			<u>4,070</u>
<b><u>Ocean Village</u></b>			
<i>Ocean Village Two</i>	UK	1990	1,708
<i>Ocean Village</i>	UK	1989	1,578
Total Ocean Village			<u>3,286</u>
<b><u>Ibero Cruises</u></b>			
<i>Grand Voyager</i>	Italy	2000	834
<i>Grand Mistral</i>	Italy	1999	1,244
Total Ibero Cruises			<u>2,078</u>
<b><u>Seabourn</u></b>			
<i>Seabourn Legend</i>	Bahamas	1992	208
<i>Seabourn Spirit</i>	Bahamas	1989	208
<i>Seabourn Pride</i>	Bahamas	1988	208
Total Seabourn			<u>624</u>
Total			<u>158,352</u>

(a) The *Celebration* will be transferred to Ibero Cruises to commence service in June 2008 and renamed the *Grand Celebration*.

- (b) Since November 2004, the 1,214-passenger capacity former *Noordam* is being operated by an unrelated entity under a long-term bareboat charter agreement and, accordingly, is excluded from Holland America Lines' capacity.
- (c) The *QE2* is under contract to be sold, and will leave Cunard's fleet in November 2008.
- (d) The *Pacific Star* was sold in May 2007 and is being bareboat chartered by P&O Cruises Australia until March 2008.

## **VII. Characteristics of the Cruise Vacation Industry**

### **A. Strong Growth**

The cruise vacation industry has experienced significant growth over the last decade. In tandem with this growth, there have been an increasing number of countries in the world whose economies are benefiting from globalization. This global economic growth has fueled the increasing demand for vacations, including cruising. The number of new cruise ships currently on order from shipyards indicates that the growth in cruise capacity is set to continue for a number of years. In order to fill this new capacity, continued growth in demand across the industry will be required. Given the exceptional value proposition cruising offers in comparison to other competitive land-based vacation alternatives, as well as its relatively low market penetration levels in major vacation markets, including Europe and Asia, we believe that there are significant opportunities for strong growth.

### **B. Wide Appeal of Cruising**

Cruising appeals to a broad demographic range. Industry surveys estimate that there are approximately 127 million potential cruise guests in North America (defined as members of households with a minimum income of \$40,000, that are headed by a person who is at least 25 years old). According to these surveys, more than half of these individuals have expressed an interest in taking a cruise as a vacation alternative.

In addition based on U.S. Census Bureau predictions, between 2005 and 2015, the number of people in the cruise industry's primary age group of 45 to 64 years old are expected to grow by 12 million, or 15%, in the U.S. and Canada, and 14 million, or 14%, in Western Europe, while the 65 year and older age group is expected to grow by 12 million, or 28%, in the U.S. and Canada and 11 million, or 15%, in Western Europe. As the age of the U.S., Canadian and European populations is increasing, which is primarily as a result of the aging of the Baby-Boom generation and the advancements in healthcare, we believe the cruise industry is well-positioned to take advantage of these favorable demographic trends impacting its major markets for years to come.

### **C. Relatively Low Penetration Levels**

Based upon information obtained from the Cruise Lines International Association, a leading trade group in the U.S., only approximately 17% of the U.S. population has ever taken a cruise and only 10% has done so in the past three years. Based on industry data, the 2006 annual penetration rate, computed based on the number of annual cruise passengers as a percentage of the total population, is only 3.1% for North America, 2.0% in the UK, 0.9% in Germany and 0.7% in southern Europe. Elsewhere in the world cruising is at an early stage of development and has far lower penetration rates. In addition, Europeans have significantly more vacation days in a year than North Americans. Overall, we believe that these cruise markets have low penetration levels, and thus provide the cruise industry with the opportunity to grow their businesses.

### **D. Satisfaction Rates**

Cruise guests tend to rate their overall satisfaction with a cruise-based vacation higher than comparable land-based hotel and resort vacations. We believe that a substantial number of cruise guests think the value of their cruise vacation experience is as good as, or better than, the value of other comparable vacation alternatives.

## **VIII. Passengers, Capacity and Occupancy**

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

<u>FISCAL</u> <u>YEAR</u>	<u>CRUISE</u> <u>PASSENGERS</u>	<u>PASSENGER</u> <u>CAPACITY</u>	<u>OCCUPANCY</u> (b)
2003	5,038,000	113,296	103.4%
2004	6,306,000	129,108	104.5%
2005	6,848,000	136,960	105.6%
2006	7,008,000	143,676	106.0%
2007	7,672,000	158,352	105.6%

(a) Information presented is as of the end of our fiscal year for passenger capacity. Carnival plc's information is only included since April 17, 2003, the period subsequent to the completion of the DLC transaction.

(b) In accordance with cruise industry practice, occupancy is calculated using a denominator of two passengers per cabin even though some cabins can accommodate three or more passengers. Percentages in excess of 100% indicate that on average more than two passengers occupied some cabins.

Our passenger capacity has grown from 113,296 berths at November 30, 2003 to 158,352 berths at November 30, 2007, primarily because of the deliveries of 18 new cruise ships during this four-year period. See Part I, Item 1. Business. B. - "Cruise Operations-Ship Information" for additional information.

The occupancy level on our ships during each quarter indicated below was as follows:

<u>Quarters Ended</u>	<u>Occupancy</u>
February 28, 2006	104.2%
May 31, 2006	105.4%
August 31, 2006	111.0%
November 30, 2006	103.4%
February 28, 2007	104.1%
May 31, 2007	103.7%
August 31, 2007	111.1%
November 30, 2007	103.2%

#### **IX. Cruise Ship Construction and Cruise Port Facility Development and Operations**

As of January 29, 2008, we had signed agreements with three shipyards providing for the construction of 22 additional cruise ships scheduled to enter service between April 2008 and June 2012. See Note 6, "Commitments" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K.

Primarily in cooperation with governmental entities, we are involved in the development of their new or enhanced cruise port facilities. These facilities are expected to provide our guests with an improved vacation experience. Our involvement typically includes providing these entities with cruise port facility development and management expertise. Although we sometimes assist them by providing direct financial support, or occasionally developing the port infrastructure ourselves, most of the time our financial commitment is provided by long-term port usage agreements.

During 2007, we were involved in the development and/or enhancement of government-owned cruise port facilities in Galveston, Texas, Miami, Florida, New York City, New York, and San Diego, California. In addition, we are in the process of, or have recently completed negotiations for, the development and/or enhancement of several other government-owned port facilities to service our North American and European guests, including a facility in St. Maarten, Netherlands Antilles.

We currently operate port facilities in Barcelona, Spain, Grand Turk, Turks and Caicos Islands, Juneau, Alaska, Long Beach, California and Savona, Italy and are developing or co-developing port facilities in Civitavecchia, Italy, Cozumel, Mexico, Naples, Italy and Roatan, Honduras pursuant to concession agreements.

In October 2005, our pier facility in Cozumel, Mexico was destroyed by Hurricane Wilma. This was our busiest transit port in the world and served over 1.2 million passengers in 2005. We have begun rebuilding this pier and expect our cruise ships will resume calling on this port in the fourth quarter of 2008.

## **X. Cruise Pricing and Payment Terms**

Each of our cruise brands publishes brochures with prices for the upcoming seasons. Brochure prices vary by cruise line, by category of cabin, by ship, by season and by itinerary. Brochure prices are regularly discounted through our early booking discount programs and other promotions. The cruise ticket price typically includes accommodations, meals, some beverages, and most onboard entertainment, such as the use of, or admission to, a wide variety of activities and facilities, including a fully equipped casino, nightclubs, theatrical shows, movies, parties, a disco, a jogging track, a health club, swimming pools, sun decks, whirlpools and saunas. Our brands' payment terms generally require that a guest pay a deposit to confirm their reservations with the balance due before the departure date, although some of our European brands provide certain of their travel agents and tour operators with credit terms even though these parties typically require the guest to pay for the entire cruise before sailing.

If our guests do not pay a premium for the ability to obtain a refund if they cancel their cruise within a pre-defined period before sailing, then they are subject to a cancellation fee, which we recognize in passenger ticket revenues upon cancellation. For those guests who pay a premium for the ability to obtain a refund, they will receive all or a portion of their deposit back in accordance with the terms of the program, while we will recognize the premium in other revenues, at the same time that the voyage revenue is recognized.

Historically, our advance bookings have generally been taken from several months in advance of the departure date for some contemporary brand sailings, to more than a year in advance for some of our luxury and European brand sailings. This lead-time provides us with more time to manage our prices in relation to demand for available cabins, with the goal of achieving higher overall net revenue yields - see "Key Performance Indicators" in our Management Discussion and Analysis of Financial Condition and Results of Operations in Exhibit 13 to this Form 10-K. In addition, some of our fares such as Carnival Cruise Lines' Supersaver fares, Costa's Pronto Price Savings fares, Holland America Line's Early Savings and Mariner Savings fares and Princess's Early Booking Discounts, are designed to encourage potential guests to book cruise reservations earlier. In addition, AIDA has a "JustAIDA" booking program that allows guests to make a reservation two to three months before sailing, but the exact cruise ship and specific itinerary are not determined by AIDA until two weeks prior to sailing in order to help AIDA maximize their net revenue yields.

When a guest elects to purchase air transportation from us, both our revenues and expenses generally increase by approximately the same amount. Air transportation prices can vary by gateway and destination. Over the last several years, we have generally experienced a lower number of guests purchasing air transportation from us, which we believe is partially a result of having opened additional embarkation points closer to our guests' homes, as well as the availability of competitively-priced air tickets sold by third parties and frequent flyer programs.

In 2007 we introduced a new fuel supplement across substantially all of our cruise brands, which results in an additional fee being charged to all our guests, commencing for the most part with cruises departing in early 2008. This temporary fuel supplement, which is included in ticket revenues, was introduced to try to counteract a portion of the very high fuel costs we have been experiencing, and is usually charged on a daily basis, with established total maximums.

## **XI. Onboard and Other Revenues**

We earn onboard and other revenues from onboard activities and services not included in the cruise ticket price consisting of, but not limited to, casino gaming, bar and some beverage sales, gift shop sales, entertainment arcades, shore excursions, art auctions, photo sales, spa services, bingo games and lottery tickets, enhanced dining experiences in alternative restaurants, video diaries, golf lessons, snorkel equipment rentals, internet, cellular phone and telephone usage and onboard promotional advertising for merchants located at our ports of call.

Our casinos, which contain slot machines and gaming tables including blackjack, and in most cases craps and roulette, are open only when our ships are at sea in international waters or when otherwise specifically permitted by law. Onboard and other activities are provided either directly by us or by independent concessionaires, from which we collect a percentage of their revenues or a fee.

Sales to our guests of shore excursions at each ship's ports of call include, among other things, general sightseeing and adventure outings and local boat and beach parties.

For the Holland America Line and Princess ships and our other brands operating to destinations in Alaska, shore excursions are operated by Holland America Tours and Princess Tours, as well as locally-owned operations. For shore excursions in other locations, we typically utilize locally-owned operations.

In conjunction with our cruise vacations, all of our cruise brands also sell pre- and post-cruise land packages. Packages offered in conjunction with ports of call in the U.S. would generally include one to four-night vacations at nearby attractions or other vacation destinations, such as Universal Studios and Walt Disney World in Orlando, Florida, Busch Gardens in Tampa, Florida, or individual/multiple city tours of Boston, Massachusetts, New York City, New York, Seattle, Washington, San Diego, California and/or Vancouver, British Columbia. Packages offered in Europe generally include up to four-night vacations, including stays in well-known European cities such as Athens, Greece, Barcelona, Spain, Copenhagen, Denmark, London, England, Paris, France and Rome, Italy.

In conjunction with our Alaska cruise vacations, principally on our Holland America Line, Princess and Carnival Cruise Lines ships, we sell pre- and post-cruise land packages, utilizing, to a large extent, our transportation and hotel assets.

### **XII. Sales Relationships and Marketing Activities**

We are a customer service-driven company and continue to invest in our service organization to assist travel agents and guests. We believe that our support systems and infrastructure are among the strongest in the vacation industry.

We sell our cruises mainly through travel agents, including wholesalers and tour operators. Our individual cruise brands' relationships with their travel agents are generally independent of each of our other brands, except for certain brands sourcing UK and Australian guests as discussed below. These travel agent relationships are not exclusive and most travel agents also sell cruises and other vacations provided by our competitors. Our policy towards travel agents is to train and motivate them to support our products with competitive sales and pricing policies and joint marketing programs. We also use a wide variety of marketing techniques, including websites, seminars and videos, to familiarize the agents with our cruise brands and products. As with our brands' travel agent relationships, each of our brands' marketing programs are generally independent of each of our other brands. In each of our principal markets, we have familiarized the travel agency community with our cruise brands and products.

Travel agents generally receive standard commissions of 10%, plus the potential of additional commissions based on sales volume. During fiscal 2007, no controlled group of travel agencies accounted for more than 10% of our revenues.

Our investment in customer service has been focused on the development of systems and employees. We have improved our systems within the reservations and customer relationship management functions, emphasizing the continued support of the travel agency community, while simultaneously developing greater contact and interactivity with our guest base. Each brand has its own website, which provides access to information about our products to users throughout the world, and substantially all provide booking engines to our travel partners and to our customers. We also support booking capabilities through major airline computer reservation systems, including SABRE, Galileo, Amadeus and Worldspan. Although the vast majority of our cruises are distributed through travel agents, we also accept telephone and internet bookings direct from customers who choose not to utilize the services of a travel agent.

We have pursued comprehensive marketing campaigns to market our brands to vacationers, including direct response marketing. The principal media used are television, magazine, newspaper, radio and online advertisements, and promotional campaigns. To stimulate demand we offer closer-to-homeport locations, which enable certain guests to lower the price of their cruise vacation by substantially reducing or eliminating the cost of air travel to and from the port.

In the UK and Australia we have formed a sales alliance known as the "Complete Cruise Solution," whereby our UK and Australian sales forces and back-office operations are able to provide their guests with one-stop cruise shopping for a number of our brands. We also offer Vacation Interchange Privileges, which is a loyalty program that provides special considerations to repeat guests aboard the "World's Leading Cruise Lines" alliance for our family of North American cruise brands, as well as Costa and Cunard. Finally, most of our cruise brands offer their own loyalty programs, such as Carnival's "Concierge Club", Princess' "Captain's Circle", Costa's "CostaClub" or Holland America Line's "Mariner

Society," through which they reward repeat guests with special incentives such as discounted fares, expedited ship embarkation and disembarkation and onboard activities.

### **XIII. Seasonality**

Our revenues from the sale of passenger tickets are seasonal. Historically, demand for cruises has been greatest during our third fiscal quarter, which includes the Northern Hemisphere summer months, and holidays. This higher demand during the third quarter results in higher net revenue yields and, accordingly, the largest share of our net income is earned during this period. The seasonality of our results is increased due to ships being taken out of service for maintenance, which we typically schedule during non-peak demand periods. Substantially all of Holland America Tours' and Princess Tours' revenues and net income are generated from May through September in conjunction with the Alaska cruise season.

### **XIV. Competition**

We compete with land-based vacation alternatives throughout the world, including, among others, hotels, resorts (including all-inclusives), theme parks, land-based casino operations and vacation ownership properties located in Las Vegas, Nevada and Orlando, Florida, various Caribbean, Mexican, Bahamian and Hawaiian Island destinations, as well as numerous other vacation choices throughout Europe (including the Mediterranean) and the rest of the world.

Our primary cruise competitors for North American-sourced guests are Royal Caribbean Cruises Ltd. ("RCCL"), which owns Royal Caribbean International, Celebrity Cruises and Azamara Cruises, Norwegian Cruise Line and NCL America, Disney Cruise Line, MSC Cruises, Crystal Cruises, Oceania Cruises, Regent Seven Seas Cruises, Silversea Cruises and Windstar Cruises.

Our primary cruise competitors for European-sourced guests: in the UK they are Royal Caribbean International, Island Cruises, which is 50% owned by RCCL, Fred Olsen Cruise Lines, Discovery Cruises, Saga Cruises, and Thomson Cruises; in Germany they are MSC Cruises, Hapag-Lloyd, Peter Deilmann, Phoenix Reisen and Transocean Cruises; and in southern Europe they are MSC Cruises, Louis Cruise Line, Pullmantur, owned by RCCL and CDF Croisieres de France, also owned by RCCL. We also compete for guests throughout Europe with other North American cruise competitors, including Celebrity Cruises, Disney Cruise Line and Norwegian Cruise Line.

Our primary cruise competitors for guests sourced from other parts of the world, such as Australia, New Zealand, Asia and South America are Royal Caribbean International, Celebrity Cruises, Star Cruises, Norwegian Cruise Line, CVC Cruise, MSC Cruises, Island Cruises and Pullmantur.

Our North American, European and Australian brands also compete among themselves for guests.

### **XV. Governmental Regulations**

#### **A. Maritime Regulations**

Our ships are regulated by various international, national, state and local laws, regulations and treaties in force in the jurisdictions in which our ships operate. In addition, our ships are registered in the Bahamas, Bermuda, Italy, the Netherlands, Panama and the UK and, accordingly, are regulated by these jurisdictions and by the international conventions that govern the safety and environmental impact of our ships, guests and crew. Each country of registry conducts periodic inspections to verify compliance with these regulations as discussed more fully below. In addition, the directives and regulations of the European Union ("EU") and the many other international ports that our ships visit are applicable to some aspects of our ship operations.

Specifically, the International Maritime Organization, sometimes referred to as the "IMO," which operates under the auspices of the United Nations, has adopted safety standards as part of the International Convention for Safety of Life at Sea, sometimes referred to as SOLAS, which is applicable to all of our ships. Among other things, SOLAS establishes requirements for vessel design, structural features, materials, construction, life saving equipment, safe management and operation and security in order to help ensure guest and crew safety and security. The SOLAS requirements are revised from time to time, with the most recent modifications being phased-in through 2010.

In 1993, SOLAS was amended to incorporate the International Safety Management Code, referred to as the "ISM Code." The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code is mandatory for passenger vessel operators. All of our operations and ships have obtained the required certificates demonstrating compliance with the ISM Code and are regularly inspected and controlled by the national authorities, as well as the international authorities acting under the provisions of the international agreements related to Port State Control, the process by which a nation exercises authority over foreign ships when the ships are in that nation's waters.

In December 2004, the Maritime Safety Committee approved for adoption amendments to SOLAS chapter II-I Parts A & B that relate to the damage stability of new cruise passenger vessels. These regulations were adopted in May 2005, and are applicable to those vessels whose keels are laid after January 1, 2009. Although the new standards do not affect our existing fleet or our vessels currently under contract whose keels will have been laid prior to January 1, 2009, compliance with these standards for ships whose keels are subsequently laid will require the development of new designs, which will increase costs.

The most important convention regulating and preventing marine pollution by ships is the IMO International Convention for the Prevention of Pollution from Ships ("MARPOL"), as amended. This convention applies to all of our ships and covers accidental and operational oil pollution as well as pollution by various items including, but not limited to, sewage, garbage and air emissions.

Our ships are subject to a program of periodic inspection by ship classification societies who conduct annual, intermediate, dry-docking and class renewal surveys. Classification societies conduct these surveys not only to ensure that our ships are in compliance with international conventions adopted by their respective country of registry and domestic rules and regulations, but also to verify that our ships have been maintained in accordance with the rules of the society and that recommended repairs have been satisfactorily completed.

Our ships that call at U.S. ports are subject to inspection by the U.S. Coast Guard for compliance with SOLAS, by the U.S. Public Health Service for sanitary standards, and by other agencies such as U.S. Customs and Border Protection, with regard to customs and immigration. Our ships are also subject to similar inspections pursuant to the laws and regulations of various other countries our ships visit.

Our ships are also subject to various security requirements, including the International Ship and Port Facility Security Code ("ISPS Code"), which is part of SOLAS. Among other things, the ISPS Code requires vessel owners to implement security measures, conduct vessel security assessments, and develop security plans. Under these requirements, we have prepared and submitted security plans for all our ships to their respective countries of registry, and International Ship Security Certificates have been issued demonstrating compliance with the ISPS Code. For ships that are registered in the U.S. or have operations located in the U.S. the Maritime Transportation Security Act of 2002 ("MTSA") is the governing regulation. The MTSA establishes Area Maritime Security requirements for geographic port areas that provide authority for the U.S. Coast Guard to implement operational and physical security measures on a port area basis that could affect our operation in those areas.

In 2006, the International Labour Organization ("ILO") adopted a new Consolidated Maritime Labour Convention (the "Convention"). The ILO is also an agency of the United Nations that develops worldwide employment standards. There have been over 60 maritime labor conventions and recommendations developed since 1920 in areas such as minimum age of seafarers, medical certificates, recruitment practices, health and welfare, hours of work, and social security. The Convention is a comprehensive instrument that consolidates all of the existing standards and recommendations into one instrument to reflect modern conditions and language that will govern all aspects of crew management for all ships in international commerce. While many of the practices were widely adhered to by ships registered in different countries, this consolidated Convention will place additional requirements on shipowners not previously in effect. Thirty member countries representing 33% of the world's merchant ship tonnage will be required to ratify the Convention before it goes into effect 12 months after such ratification. We currently expect the Convention to be effective for our ships by 2010 based on an expected EU ratification in 2008 or early 2009. Accordingly, if ratified, the Convention may increase our 2010 and subsequent crew costs.

Due to threatened EU infraction proceedings, there is the likelihood that Section 9 of the UK Race Relations Act, which permits different rates of pay for different European nationalities on UK flagged ships, will be repealed. If this act is repealed, it would increase our UK flagged ship's personnel costs.

We believe that health, environmental, safety and security issues will continue to be an area of focus by relevant government authorities in the U.S., the EU and elsewhere. Resulting legislation, regulations or treaties, or changes thereto, could impact our operations and would likely subject us to increasing compliance costs in the future.

#### **B. Permits for Glacier Bay, Alaska**

In connection with certain of our Alaska cruise operations, Holland America Line, Princess and Carnival Cruise Lines rely on concession permits from the U.S. National Park Service to operate their cruise ships in Glacier Bay National Park and Preserve. Such permits must be periodically renewed and we cannot be certain that they will continue to be renewed or that regulations relating to the renewal of such permits, including preference or historical rights, will remain unchanged in the future.

#### **C. Alaska Environmental Regulations**

The State of Alaska enacted legislation which prohibits certain discharges in designated Alaskan waters, ports or near shorelines and requires that certain discharges be monitored to verify compliance with the standards established by the legislation. Both the state and federal environmental regimes in Alaska are more stringent than the federal regime under the Federal Water Pollution Control Act with regard to discharge from vessels. The legislation also provides that repeat violators of the regulations could be prohibited from operating in Alaskan waters.

#### **D. Other Environmental, Health, Safety and Security Matters**

We are subject to various international, national, state and local environmental protection and health and safety laws, regulations and treaties that govern, among other things, air emissions, employee health and safety, waste discharge, water management and disposal, and the storage, handling, use and disposal of hazardous substances, such as chemicals, solvents, paints and asbestos. We are committed to helping to preserve the environment, not only because of the existing legal requirements, but because a pristine environment is one of the key elements that bring our guests on board our ships.

In particular, in the U.S., the Act to Prevent Pollution from Ships, implementing the MARPOL convention, provides for severe civil and criminal penalties related to ship-generated pollution for incidents in U.S. waters within three nautical miles and in some cases in the 200-mile exclusive economic zone.

Furthermore, in the U.S., the Oil Pollution Act of 1990 (the "OPA") provides for strict liability for water pollution, such as oil pollution or threatened oil pollution incidents in the 200-mile exclusive economic zone of the U.S., subject to monetary limits. These monetary limits do not apply where the discharge is caused by the gross negligence or willful misconduct, or the violation of an applicable safety, construction, or operating regulation by a responsible party. These monetary limits also do not apply where the responsible party fails or refuses to report the incident as required by law, provide all reasonable cooperation and assistance in connection with removal operations, or without sufficient cause, comply with an order issued by the federal on-scene coordinator. Pursuant to the OPA, in order for us to operate in U.S. waters, we are also required to obtain Certificates of Financial Responsibility from the U.S. Coast Guard for each of our ships operating therein. These certificates demonstrate our ability to meet the maximum amount of liability that our ship's could be subject to for removal costs and damages related to water pollution, such as from an oil spill or a release of a hazardous substance, up to our ship's statutory liability limit. Our financial responsibility under these certificates is supported by certain of our insurers who provide guarantees aggregating \$653 million.

In addition, most U.S. states that border navigable waterways or seacoasts have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law and in some cases have no statutory limits of liability.

Furthermore, many countries have ratified and adopted IMO Conventions which, among other things, impose liability for pollution damage, subject to defenses and to monetary limits, which monetary limits do not apply where the spill is caused by the owner's actual fault or by the owner's intentional or reckless conduct. In jurisdictions that have not adopted the IMO Conventions, various national, regional or local laws and regulations have been established to address oil pollution.

Limitations on the sulphur content of fuel are part of new regulations approved by the International Convention for the Prevention of Pollution from Ships Annex VI ("MARPOL Annex VI"). Ships must carry an International Air Pollution Prevention Certificate issued by its flag state indicating that it is operating in compliance with MARPOL Annex VI. These certificates are required to be issued during the three-year period ending in May 2008. Among other things, MARPOL Annex VI establishes a limit on the sulphur content of fuel oil and calls on the IMO to monitor the worldwide average sulphur content of fuel oil supplied for use aboard vessels.

In addition, MARPOL Annex VI and EU rules also provide for special SOx, or Sulphur Oxide, Emission Control Areas ("SECAS") to be established with more stringent limitations on sulphur emissions. There are currently two SECAS in operation, one in the Baltic and the other in the North Sea/English Channel. Compliance with these regulations increases our operating costs, due to the higher cost of purchasing low sulphur fuel.

A further EU directive regarding the use of low sulphur fuel for passenger ships on regular service to or from EU ports was introduced in 2006, but the necessary national legislation enforcing the directives has yet to be introduced in all EU member states. The application of this legislation to cruise ships is unclear and varies among EU member states, leading to potentially higher fuel costs where it is applicable. In January 2010, a 0.1% sulphur limit on all marine fuels used in EU ports enters into force. This will require distillate fuels to be used, further increasing fuel costs.

A major review of MARPOL Annex VI, currently underway at IMO, is scheduled to be completed in mid-2008. As a result of this review, the IMO goal is to adopt amendments to Annex VI by the end of 2008 and these amendments are expected to further limit NOx, or nitrogen oxide, emissions for both existing and new diesel engines and sulphur emissions by reducing the sulphur content requirements for fuel oil. Compliance with new standards resulting from amendments to Annex VI will increase operating costs.

Norway required that, effective January 1, 2007, ships with propulsion machinery above 750 kW that travel between two Norwegian ports, pay a tax based upon the amount of NOx generated, calculated from fuel consumption and NOx emission factors for the engines and boilers. This has increased our operational costs for ships cruising in Norwegian waters.

If we violate or fail to comply with environmental legislation, regulations or treaties, we could be fined or otherwise sanctioned by regulators. We have made, and will continue to make, capital and other expenditures to comply with environmental legislation and regulations.

The International Organization for Standardization ("ISO") is an international standard-setting body which produces worldwide industrial and commercial standards. ISO 14001 is one of the series of ISO 14000 environmental management standards that were developed to help organizations manage their processes, products and services to minimize environmental impacts. ISO 14001 presents a structured approach to setting environmental objectives and targets, and provides a framework for any organization to apply these broad conceptual tools to their own processes. During 2006, we completed our corporate-wide implementation and received certification of our ISO 14001 Environmental Management System at all our then existing brands.

In December 2006, the Maritime Safety Committee, which is the safety body at the IMO, approved the adoption of amendments to SOLAS Ch II-2 that relate to passenger ship balconies. These regulations will enter into force on July 1, 2008 and impose stricter limits on combustible materials and apply to both new and existing ships. As of January 29, 2008 all our ships, including those under contract to be built, meet these requirements.

Several safety related amendments to SOLAS will enter into force in July 2010 including requirements for safety centers, emergency cabin lighting, local sounding audible alarm and amendments to fire detection and firefighting systems. Many of these requirements have already been incorporated into our current newbuilds. In addition, the enhanced safe return to port requirements related to the development of survivability standards for a vessel also enter into force for keels laid after July 1, 2010, and will

require development of new designs to meet these new requirements for future ship orders. All of our ships under contract to be built are expected to have the keels laid before July 1, 2010.

From time to time, health, environmental, safety and security regulators consider more stringent regulations which may affect our operations and increase our compliance costs. As evidenced from certain of the preceding paragraphs, the cruise industry is affected by a substantial amount of environmental rules and regulations. We believe that the impact of cruise ships on the global environment will continue to be an area of focus by the relevant authorities throughout the world and, accordingly, this will likely subject us to increasing compliance costs in the future.

See Part 1, Item 1A. "Risk Factors." for additional discussion of our environmental risks.

#### **E. Consumer Regulations**

Our ships that call on U.S. ports are regulated by the Federal Maritime Commission referred to as the "FMC". Public Law 89-777, which is administered by the FMC, requires most cruise line operators to establish financial responsibility for their liability to passengers for non-performance of transportation, as well as casualty and personal injury. The FMC's regulations require that a cruise line demonstrate its financial responsibility for non-performance of transportation through a guarantee, escrow arrangement, surety bond or insurance. Currently, the amount required must equal 110% of the cruise line's highest amount of customer deposits over a two-year period, up to a maximum coverage level of \$15 million. See Part 1, Item 1. Business. E. - "Insurance - Other Insurance" for additional information.

In the UK, we are currently required to bond and obtain licenses from various organizations in connection with the conduct of our business and our ability to meet liability in the event of non-performance of obligations to consumers. These organizations include Abta (formerly the Association of British Travel Agents) and the Civil Aviation Authority. See Part 1, Item 1. Business. E. - "Insurance-Other Insurance" for additional information.

We are also required by German and French law to obtain a guarantee from a reputable insurance company to ensure that, in case of insolvency, our customers will be refunded any monies they have paid on account of a booking and, in addition, that they will be repatriated without additional cost if insolvency occurs after a cruise starts. In addition, in Australia, we are a member of the Travel Compensation Fund which provides compensation, as a last resort, to consumers who suffer losses in their dealings with travel agents. Finally, other jurisdictions, including Argentina and Brazil, require the establishment of financial responsibility for passengers from their jurisdictions.

We believe we have all material licenses to conduct our business. From time to time, various other regulatory and legislative changes may be proposed or adopted that could have an effect on the cruise industry, in general, and our business, in particular. See Part I, Item 1A. "Risk Factors." for a discussion of other regulations which impact us.

#### **XVI. Financial Information**

For financial information about our cruise reporting segment and geographic information with respect to each of the three years in the period ended November 30, 2007, see Note 11, "Segment Information" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K.

#### **C. Employees**

Our shoreside operations have approximately 10,900 full-time and 4,700 part-time/seasonal employees. We also employ approximately 65,600 crew, including officers, and staff onboard our 85 ships at any one time. Due to the highly seasonal nature of our Alaskan and Canadian operations, Holland America Tours and Princess Tours increase their work force during the late spring and summer months in connection with the Alaskan cruise season, employing additional seasonal personnel, which have been included above. We have entered into agreements with unions covering certain employees in our hotel, transportation and ship operations. We consider our employee and union relations generally to be good.

We source our shipboard officers primarily from Italy, the UK, Holland, Germany and Norway. The remaining crew positions are manned by persons from around the world. We utilize various manning agencies in many countries and regions to help secure our shipboard employees.

## **D. Suppliers**

Our largest purchases are for travel agency services, fuel, advertising, food and beverages, hotel and restaurant products and supplies, airfare, repairs and maintenance, including dry-docking, port facility utilization, communication services and for the construction of our ships. Although we utilize a select number of suppliers for most of our food and beverages and hotel and restaurant products and supplies, most of these items are available from numerous sources at competitive prices. The use of a select number of suppliers enables us to, among other things, obtain volume discounts. We purchase fuel and port facility services at some of our ports of call from a limited number of suppliers. In addition, we perform our major dry-dock and ship improvement work at dry-dock facilities in Australia, the Bahamas, British Columbia, Canada, the Caribbean, Europe, Singapore, and the U.S. Finally, as of January 29, 2008, we have agreements in place for the construction of 22 cruise ships with three shipyards. We believe there are sufficient dry-dock and shipbuilding facilities to meet our anticipated repair, maintenance, refurbishment and newbuild requirements.

## **E. Insurance**

### **General**

We maintain insurance to cover a number of risks associated with owning and operating vessels in international trade. All such insurance policies are subject to coverage limits, exclusions and deductible levels. Insurance premium increases are dependent on our own loss experience and the general premium requirements of our underwriters. We cannot be certain that affordable and viable direct and reinsurance markets will be available to us in the future. We maintain certain levels of self-insurance for some of the below-mentioned risks, some of which have increased in recent years, and we may increase our self insurance levels further in the future to mitigate premium increases. We do not carry coverage related to loss of earnings or revenues from our ships.

### **Protection and Indemnity ("P&I") Coverage**

Third-party liabilities in connection with our cruise activities are covered by entry in P&I clubs, which are mutual indemnity associations owned by ship owners. Our vessels are entered in three P&I clubs as follows: The West of England Ship Owners Mutual Insurance Association (Luxembourg), The Steamship Mutual Underwriting Association (Bermuda) Limited and the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. The P&I clubs in which we participate are part of a worldwide group of P&I clubs, known as the International Group of P&I Clubs (the "IG"). The IG insures directly, and through reinsurance markets, a large portion of the world's shipping fleets. Coverage is subject to the P&I clubs' rules and the limit of coverage is determined by the IG. P&I coverage includes legal, statutory or pre-approved contract liabilities and other expenses related to crew, guests and other third parties. This coverage also includes shipwreck removal, pollution and damage to third party property.

### **Hull and Machinery Insurance**

We maintain insurance on the hull and machinery of each of our ships in amounts equal to the estimated market value of each ship. The coverage for hull and machinery is provided by international marine insurance carriers. Most insurance underwriters make it a condition for insurance coverage that a ship be certified as "in class" by a classification society that is a member of the International Association of Classification Societies ("IACS"). All of our ships are currently certified as in class by an IACS member. These certifications have either been issued or endorsed within the last twelve months.

### **War Risk Insurance**

We maintain war risk insurance coverage for liability and physical damage, subject to coverage limits, deductibles and exclusions for claims such as those arising from chemical, nuclear and biological attacks, on all of our ships covering our legal liability to crew, guests and other third parties as well as loss or damage to our vessels arising from war or war-like actions, including terrorist incidents. This coverage is provided by international marine insurance carriers and Mutual War Risk Clubs. In addition, excess war risk insurance is provided by our three P&I clubs for all our ships. Under the terms of our war risk insurance coverage, which is typical for war risk policies in the marine industry, underwriters can give seven days notice to the insured that the liability and physical

damage policies can be cancelled. However, the policy can be reinstated at different premium rates. This gives underwriters the ability to increase our premiums following events that they determine have increased their risk.

### **Other Insurance**

As required by the FMC, we maintain performance bonds or insurance in the aggregate amount of \$105 million for ships operated by our brands which embark guests in U.S. ports to cover guest ticket liabilities in the event of a cancelled or interrupted cruise. We also maintain other performance bonds or guarantees as required by various U.S. and foreign authorities that regulate certain of our operations in their jurisdictions; the most significant of which are required by Abta and the UK Civil Aviation Authority and total approximately £81 million (\$168 million U.S. dollars at November 30, 2007 exchange rate) and £52 million (\$109 million U.S. dollars at the November 30, 2007 exchange rate), respectively, to cover our brands' UK passenger and air ticket deposit liabilities.

We maintain standard property and casualty insurance policies to cover certain shoreside assets and liabilities to third parties, including our tour business and certain port facility assets, as well as appropriate workers' compensation and certain health insurance policies.

### **The Athens Convention**

Current conventions generally in force applying to passenger ships are the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea (1974), the 1976 Protocol to the Athens Convention and the Convention on Limitation of Liability for Maritime Claims (1976). The U.S. has not ratified any Athens Convention Protocol. However, a vessel's flag state or the port state that has ratified it may enforce the 1976 Athens Convention Protocol with regard to vessels registered under its flag or visiting a port located in its jurisdiction.

The IMO Diplomatic Conference agreed to a new protocol to the Athens Convention on November 1, 2002. The new protocol, which has not yet been ratified by the U.S. or any of our flag states, requires substantial levels of compulsory insurance which must be maintained by passenger ship operators and provides a direct action provision, which will allow claimants to proceed directly against insurers. This new protocol requires passenger ship operators to maintain insurance or some other form of financial security, such as a guarantee from a bank, to cover the limits of liability under the Athens Convention with regards to the death or personal injury of passengers. The timing of the ratification of this new protocol is expected in 2009. We cannot be certain that affordable and viable direct and reinsurance markets will be available to provide the level of coverage required under the new protocol. If the new protocol is ratified, we expect insurance costs will increase.

### **F. Trademarks and Other Intellectual Property**

We own and have registered, or licensed, numerous trademarks and have also registered various domain names, which we believe are widely recognized throughout the world and have considerable value, which enables us to distinguish our cruise product from that of our competitors. These trademarks include the names of our cruise lines, each of which we believe is a widely-recognized brand name in the cruise vacation industry, as well as "World's Leading Cruise Lines." We have a license to use the P&O name, the P&O flag and other relevant trademarks and domain names in relation to cruises and related activities. Finally, we also have a license to use the "Love Boat" name and related marks. See Note 2, "Trademarks" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K.

### **G. Taxation**

#### **U.S. Federal Income Tax**

We are primarily foreign corporations engaged in the business of operating passenger vessels in international transportation. We also own and operate, among other businesses, the hotel, transportation and tour businesses of Holland America Tours and Princess Tours through U.S. corporations.

Our passenger vessel business and the ship-owning subsidiaries are engaged in a trade or business within the U.S. Depending on the itinerary for any particular vessel, that vessel may generate income from sources within the U.S. We believe that under Section 883

of the Internal Revenue Code and applicable income tax treaties, our income and the income of our ship-owning subsidiaries, to the extent derived from or incidental to the international operation of a ship or ships, is currently exempt from U.S. federal income tax. Regulations under Section 883 list items that the Internal Revenue Service ("IRS") does not consider to be incidental to ship operations. Among the items identified as not incidental are income from the sale of air transportation, shore excursions and pre-and post-cruise land packages to the extent earned from sources within the U.S.

Our domestic U.S. operations, principally the hotel, transportation and tour businesses of Holland America Tours and Princess Tours, are subject to normal state and federal income taxation in the U.S.

#### **Application of 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 U.S. source income derived from, or incidental to, the international operation of a ship or ships. Effective for our year ended November 30, 2005 and thereafter, regulations provide, in general, that 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) the foreign corporation meets the publicly-traded test. 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 such subsidiary will be deemed owned by individuals resident in the country of incorporation of such parent corporation and the subsidiary will satisfy the applicable stock ownership requirements in lieu of the publicly-traded test.

We believe that Panama is an equivalent exemption jurisdiction and Carnival Corporation currently qualifies as a publicly traded corporation under the regulations and substantially all of its income, with the exceptions noted above under "U.S. Federal Income Tax," will continue to be exempt from U.S. federal income taxes. If, in the future, Panama no longer qualified as an equivalent exemption jurisdiction or Carnival Corporation were to fail to qualify as a publicly traded corporation, it and all of its ship-owning or operating subsidiaries that rely on Section 883 for exempting cruise operations income would be subject to U.S. federal income tax on their U.S. source cruise operation income. In such event, the net income of Carnival Corporation's ship-owning or operating subsidiaries would be materially reduced.

Although the above represents our interpretation of this Internal Revenue Code provision and the U.S. Treasury regulations, the IRS's interpretation of these provisions could differ materially. 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 Corporation shares or with respect to the identity, residence, or holdings of Carnival Corporation's direct or indirect shareholders that could affect Carnival Corporation's and its subsidiaries eligibility for the Section 883 exemption. Accordingly, although we believe it is unlikely, it is possible that Carnival Corporation and its ship-owning or operating subsidiaries' whose tax exemption is based on Section 883 could lose this exemption. If Carnival Corporation and/or its ship-owning or operating subsidiaries were not entitled to the benefit of Section 883, Carnival Corporation and/or its ship-owning or operating subsidiaries would be subject to U.S. federal income taxation on a portion of its income at higher than normal tax rates.

#### **Exemption Under Applicable Income Tax Treaties**

We believe that the U.S. source shipping income from Carnival plc and its UK and Italian resident subsidiaries currently qualify for exemption from U.S. federal income tax under applicable bilateral U.S. income tax treaties. There is, however, no authority that directly addresses the effect, if any, of DLC arrangements on 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 our subsidiaries that currently claim exemption from U.S. income taxation on their U.S. source shipping income under an applicable 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 our interests and, with respect to U.S. federal income tax only, if any such subsidiary does not qualify for exemption under Section 883, such ship-owning or operating subsidiary may be subject to U.S. federal income taxation on a portion of its income.

**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. 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 absence of an exemption under Section 883 or any applicable U.S. income tax treaty, as appropriate, we and/or our subsidiaries would be subject to either the net income and branch profits tax regimes of Section 882 and Section 884 of the Internal Revenue Code (the "net tax regime") or the four percent of gross income tax regime of Section 887 of the Internal Revenue Code (the "four percent tax regime").

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, the net tax regime is applicable. If the foreign corporation does not have a fixed place of business in the U.S. or substantially all of its income is not derived from regularly scheduled transportation, the four percent tax regime will apply.

The net tax regime should be the tax regime applied to Carnival Corporation in the absence of an exemption under Section 883. Under the net tax regime, U.S. source shipping income, net of applicable deductions, would be subject to a federal corporate income 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 the corporations, if any, would generally be subject to a branch interest tax.

The four percent tax regime should be the tax regime applicable to our vessel owning subsidiaries based outside the U.S., in the absence of an exemption under Section 883 or any applicable U.S. income tax treaty. Under the four percent tax regime, gross U.S. source shipping income would be subject to a four percent tax, without the benefit of deductions.

**UK Income Tax**

Cunard, Ocean Village, P&O Cruises and P&O Cruises Australia have all elected to enter the UK tonnage tax regime. Companies to which the tonnage tax regime applies pay corporation tax on profit calculated by reference to the net tonnage of qualifying vessels. UK corporation tax is not chargeable under the normal UK tax rules on these brands' relevant shipping income. Relevant shipping income includes income from the operation of qualifying ships and from shipping related activities. It also includes dividends from foreign companies, which are subject to a tax on profits in their country of residence or elsewhere and the activities of which broadly would qualify in full for the UK tonnage tax regime if they were UK resident.

For a company to be eligible for the regime, it must be subject to UK corporation tax and, among other matters, operate qualifying ships that are strategically and commercially managed in the UK. There is also a seafarer training requirement to which the UK tonnage tax companies are subject.

Our UK non-shipping activities that do not qualify under the UK tonnage tax regime, which are not currently forecast to be significant, remain subject to normal UK corporation tax.

**Italian and German Income Tax**

AIDA, the German brand of Carnival plc, is a subsidiary of Costa. AIDA's income is subject to Italian income tax and the majority of its profits are exempt from German corporation taxes by virtue of the Italy/Germany double tax treaty.

During the 2005 third quarter, Costa elected to enter into the Italian Tonnage Tax regime, effective for its 2005 fiscal year and for the following nine years. This regime taxes Costa's and AIDA's shipping profits, as defined, which is most of Costa's and AIDA's income, calculated by reference to the net tonnage of its qualifying vessels. Most of the income not considered to be shipping profits for Italian Tonnage Tax purposes will be taxed under the favorable Italian tax regime for Costa and AIDA's Italian-registered ships.

#### **Australian Income Tax**

P&O Cruises Australia is a division of Carnival plc, and the income from this operation, is subject to UK tonnage tax as discussed above. The majority of this operation's profits are exempt from Australian corporation taxes by virtue of the UK/Australian tax treaty.

#### **U.S. State Income Taxes**

In addition to the U.S. federal income and branch level taxes discussed above, Carnival Corporation & plc and certain of its affiliates are subject to various U.S. state income taxes generally imposed on each states portion of the U.S. source income subject to U.S. federal income taxes.

#### **H. Website Access to Carnival Corporation & plc SEC Reports**

Our Form 10-K, joint Quarterly Reports on Form 10-Q, joint Current Reports on Form 8-K, joint proxy statement related to our annual stockholders meeting, Section 16 filings and all amendments to those reports are available, free of charge on our home pages at [www.carnivalcorp.com](http://www.carnivalcorp.com), [www.carnivalplc.com](http://www.carnivalplc.com) and [www.sec.gov](http://www.sec.gov) as soon as reasonably practicable after we have electronically filed or furnished these reports with the SEC. The content of any website referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

#### **Item 1A. Risk Factors.**

You should consider carefully the specific risk factors set forth below and other information contained or incorporated by reference in this Form 10-K, as these are important factors, among others, that could cause our actual results to differ from our expected or historical results. You should note that the risks described below are not the only risks we face. The risks listed below are only those risks relating to our operations that we consider material. There may be additional risks, that we currently consider not to be material, or which we are not currently aware of, that could have an adverse effect on our future results. Some of the statements in this section and elsewhere in this Form 10-K are "forward-looking statements." For a discussion of those statements and of other factors to consider see the "Cautionary Note Concerning Factors That May Affect Future Results" section below.

- General economic and business conditions may adversely impact the levels of our potential vacationers' discretionary income and this group's confidence in the U.S. and other economies and, consequently, reduce our cruise brands' net revenue yields and profitability.

Demand for cruises is dependent on the underlying perceived or actual economic strength of the countries from which cruise companies source their guests. Adverse changes in the perceived or actual economic climate, such as higher fuel prices, higher interest rates, more restrictive credit markets and changes in governmental policies could reduce the discretionary income or consumer confidence in the countries from which we source our guests. Consequently this may negatively 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 our business. Decreases in discretionary income or consumer confidence could also result in lower onboard revenues, which could also have a negative effect on our profitability.

- The international political climate and other world events affecting the safety and security of travel could adversely affect the demand for cruises and could harm our 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 and security of travel. Events such as the terrorist attacks in the U.S. on September 11, 2001 and the threats of additional attacks in the U.S. and elsewhere, concerns of an outbreak of additional

hostilities 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 in the past, and may have an adverse impact in the future. Decreases in demand could lead to price discounting which, in turn, could reduce the profitability of our business.

- We may lose business to competitors throughout the vacation market.

We face significant competition from other cruise lines, both on the basis of cruise pricing and also in terms of the types of ships, services and destinations being offered to cruise guests. We try to differentiate ourselves from our cruise competitors by offering new itineraries, products and services to our guests, but the acceptance of each offering is not certain and consumers' preferences are always subject to change. In addition, we may need to enhance our older ships with current innovative amenities in order for those ships to be more competitive with other cruise ships. Our principal competitors include the companies listed in this Form 10-K under Part 1, Item 1. Business. B. - "Cruise Operations - Competition."

In addition, we operate in the vacation market, and cruising is only one of many alternatives for people choosing a vacation. We therefore risk losing business not only to other cruise lines, but also to other vacation operators that provide other travel and leisure options, including, but not limited to, hotels, resorts, theme parks and land-based casino operators.

In the event that we do not compete effectively with other cruise companies and other vacation alternatives, our results of operations and financial condition could be adversely affected.

- Overcapacity in the cruise and land-based vacation industries could have a negative impact on our net revenue yields and increase operating costs, thus resulting in ship, goodwill and/or trademark asset impairments, all of which could adversely affect profitability.

Cruising capacity has grown in recent years and we expect it to continue to increase over the next five years as all of the major cruise vacation companies are expected to introduce new ships. In order to fill new capacity, the cruise vacation industry will probably 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 us. Failure to increase our share of the overall vacation market is one of a number of factors that could have a negative impact on our net revenue yields. In some prior years, our net revenue yields were negatively impacted as a result of a variety of factors, including capacity increases. Should net revenue yields be negatively impacted, our results of operations and financial condition could be adversely affected, including the impairment of the value of our ships, goodwill and/or trademark assets. In addition, increased cruise capacity could impact our ability to retain and attract qualified crew, including officers, at competitive costs and, therefore, increase our shipboard employee costs. Furthermore, some of the same factors that impact our guests' decisions to cruise with us may also impact our ability to employ qualified crew.

- Accidents, adverse weather conditions or natural disasters and other incidents affecting the health, safety, security and/or vacation satisfaction of guests could have an adverse affect on our sales and profitability.

The operation of cruise ships, hotels, land tours and shore excursions involve the risk of accidents, including those caused by the improper operation of our ships, motorcoaches and trains, guest and crew illnesses such as the spread of contagious diseases, mechanical failures, fires, collisions, and other incidents at sea or while in port or on land, which may bring into question guest safety, health, security and vacation satisfaction, and thereby adversely affect future industry performance, sales and profitability.

In addition, our cruises, hotels, port facilities, shore excursions and other service providers may be impacted by adverse weather patterns or natural disasters, such as hurricanes and earthquakes. These events could result in, among other things, increased port related and other costs as these third-party operators seek to charge us additional amounts in order to recover expenses caused by adverse events. For example, in 2005 Hurricane Wilma caused the temporary closing of cruise ports in South Florida and also destroyed our pier facility in Cozumel, Mexico, which is not expected to re-open until late-2008. As a result of the closure of this port certain of our costs have increased. It

is possible that we could be forced to alter itineraries or cancel a cruise or a series of cruises due to these or other factors, which would have an adverse affect on sales and profitability.

- Adverse publicity concerning the cruise industry in general, or us in particular, could impact the demand for cruises and affect our reputation and harm our future sales and profitability.

Maintaining a good reputation is critical to our business. Reports, whether true or not, of ship accidents and other incidents at sea or while in port, including missing guests, inappropriate crew or guest behavior, onboard crimes, guest or crew illnesses such as incidents of stomach flu or other contagious diseases, security breaches, terrorist threats and attacks and other adverse events can result in negative publicity, and the perception that cruising is more dangerous than other vacation alternatives. Anything that damages our reputation (whether or not justified), including adverse publicity about the safety and guest satisfaction of cruising, or the vacation industry in general, could have an adverse affect impact on demand, which could lead to price discounting and a reduction in our net income.

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

Some environmental groups have lobbied for more stringent regulation of cruise ships. Some groups have also generated negative publicity about the cruise industry and its environmental impact. The U.S. Congress, the IMO and the U.S. Environmental Protection Agency ("EPA") periodically consider new laws and regulations to manage cruise ship discharges. In addition, various other regulatory agencies in the States of Alaska, California, Florida, Hawaii, Maine, Washington and elsewhere, including European regulatory organizations, have enacted or are considering new regulations or policies, such as stricter emission limits to reduce greenhouse gas effects and requirements to use low sulfur fuels, which could adversely impact the cruise industry. See Part I, Item 1. Business. B. - "Cruise Operations - Governmental Regulations" for additional information.

Initiatives to limit greenhouse gas emissions have been introduced or are being considered in several European countries. Similarly, as of January 2008, a number of climate change bills have been introduced in the U.S. Congress, which impact all industries. While not all are likely to become law, this is a strong indication that additional climate change related mandates will be forthcoming in the future. In addition, the EPA has been ordered by the U.S. District Court of Northern California to rescind its long standing National Pollutant Discharge Elimination System permit exemption for ship discharges that are incidental to the normal operation of a ship. As a result, the EPA has begun an administrative process to prepare regulations of such discharges as of September 30, 2008. These and other unforeseen regulatory developments have the potential to affect our operations and increase our environmental compliance costs.

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 our cost of compliance or otherwise materially adversely affect our business, results of operations and/or financial condition.

- New regulations relating to health, safety, security and other regulatory issues could increase our operating costs or negatively affect our bookings and future net revenue yields and adversely affect net income.

We are subject to various international, national, state and local health, safety and security laws, regulations and treaties. Due to increasing regulatory requirements applicable to our operations, appropriate training of crewmembers has become more time-consuming and increased our operating costs. See Part I, Item 1. Business. B. - "Cruise Operations-Governmental Regulations" for a detailed discussion of some of these regulatory issues.

We believe that health, safety, security and other regulatory issues will continue to be areas of focus by relevant government authorities in the U.S., Europe and elsewhere. Resulting legislation, regulations or treaties, or changes thereto, could impact our operations and would likely subject us to increased compliance costs in the future.

Pursuant to the Western Hemisphere Travel Initiative, by the earlier of June 1, 2009 or 90 days after the sanctioning of a People Access Security Service ("PASS") card, U.S. citizens will be required to carry a passport or, if available, a PASS card, for travel by

land or sea to or from certain countries/areas that are currently exempt from passport requirements, such as the Caribbean, Canada and Mexico. The State Department and the Department of Homeland Security are collaborating on the development of a PASS card system. The PASS card is a secure credential that verifies the citizenship and identity of U.S. nationals who re-enter the U.S. and is seen as a less expensive alternative to a passport.

Since many of our cruise guests visiting these destinations may not currently have passports or may not obtain a PASS card if and when available, it is likely that this will have some negative effect on our bookings and future net revenue yields when the regulations take effect. There are a number of factors that could influence the ultimate impact of these regulations, such as customer travel patterns, the cost and ease of obtaining PASS cards or passports, customer price sensitivity and the cost and effectiveness of mitigating programs we and/or others have established or will establish.

- We are subject to many economic and political factors, including changes in and compliance with numerous rules and regulations that are beyond our control, which could result in increases in our operating, financing and tax costs and could harm future sales and profitability.

Some of our operating costs, including fuel, food, insurance, payroll and security costs, are subject to increases because of market forces, economic or political instability or decisions beyond our control. In addition, interest rates, currency fluctuations and our ability to obtain debt or equity financing are dependent on many economic and political factors. Actions by taxing jurisdictions could also cause an increase in our costs.

For example, in 2007, 2006 and 2005 fuel costs accounted for 14.9%, 14.4% and 11.9%, respectively, of our total cruise operating expenses. Economic and political conditions in certain parts of the world make it difficult to predict the price of fuel in the future. We have taken actions to partially offset the effects of higher fuel costs through the addition of temporary fuel supplement fees by most of our brands and fuel conservation initiatives. However, the Office of the Attorney General for the State of Florida is conducting a review of the fuel supplement program implemented by our North American brands and other cruise operators. We believe that our fuel supplement complies with applicable laws and we are cooperating with the review. Success in trying to offset higher fuel costs with ticket price increases and fuel supplements is largely influenced by competitive factors and economic conditions and can vary significantly depending on the market served. Future increases in the cost of fuel globally would increase the cost of our cruise ship operations, and we may be unable to implement additional fuel conservation practices, or ticket price and/or fuel supplement increases, which would otherwise help offset these fuel cost increases.

In addition, the State of Alaska instituted new taxes in 2007, which has impacted the cruise industry operating in Alaska. Separately in January 2008, the UK published draft changes to its tonnage tax regime which would change, effective April 1, 2008, the scope of income that is includable within the UK tonnage tax regime. If such changes were adopted in their present form our brands subject to the UK tonnage tax regime will incur a higher level of UK income taxes. It is possible that other states, countries or ports of call that we regularly visit may also decide to assess new taxes or fees or change existing taxes or fees specifically targeted to the cruise industry and its employees and/or guests, including VAT taxes on cruise tickets and onboard revenues, which could increase our operating costs and/or could decrease the demand for cruises and ultimately decrease our net revenue yields and net income.

The U.S. Customs and Border Protection ("CBP") has proposed an interpretive rule to the Passenger Vessel Services Act ("PVSA"), which could require that all roundtrip U.S. cruises by foreign flag vessels spend at least 48 hours in each foreign port on the cruise and require that the time spent in foreign ports must be more than 50% of the time spent in all U.S. ports on the cruise. We believe the CBP issued the proposed rule to protect NCL America operations in Hawaii. However, if implemented as written, the proposed rule could also impact other non-Hawaii itineraries such as Seattle-based Alaska and some Caribbean cruises, which may no longer qualify under the PVSA. Accordingly this proposed rule could adversely affect our Hawaii and non-Hawaii cruises' profitability.

Increases in operating, financing and tax costs could adversely affect our results because we may not be able to recover these increased costs through price increases charged to our guests.

- Delays in ship construction and repairs, problems encountered at shipyards and shipyard consolidation could reduce our profitability.

The construction and repair of cruise ships is a complex process and involves risks similar to those encountered in other large and sophisticated construction and repair projects, which could cause delays in completion, delivery or repair. In addition, work stoppages, insolvency or financial problems of the shipyards building or repairing our ships could also delay or prevent the delivery of our ships under construction or the repair and maintenance of existing ships in our fleet. These events could adversely affect our profitability. However, the impact from a delay in delivery of our newbuilds could be partially mitigated by contractual provisions and guarantees obtained by us. In addition, the consolidation of the control of certain European cruise shipyards could result in higher prices for future ships given the reduced number of competing shipyards, which could also reduce our profitability. Also, the lack of qualified shipyard repair facilities could result in the inability to repair and maintain our ships on a timely basis and also result in reduced profitability.

As of November 30, 2007, we had entered into foreign currency swaps to fix the cost in Sterling and U.S. dollars of one of our Euro-denominated shipbuilding contracts and a portion of another shipbuilding contract. If the shipyard with which we have contracted is unable to perform under the related contracts, the foreign currency swaps related to the shipyard's shipbuilding contracts would still have to be honored. This might require us to realize a loss on existing foreign currency swaps without an offsetting gain on our foreign currency denominated shipbuilding contracts, thus resulting in an adverse effect on our financial results. As all of our newbuilds are being built by European shipyards and substantially all our newbuilds are priced in Euros, the ability to purchase ships for our North American brands at favorable U.S. dollar prices has been, and may continue to be, adversely impacted as a result of the weaker U.S. dollar compared to the Euro. This can result in higher newbuild costs and reduced profitability for our North American brands.

- Our success depends upon the continued strength of our cruise brands and our ability to implement our brand strategies.

We believe that our cruise brands have contributed significantly to the success of our business and that maintaining and enhancing our brands is critical to expanding their customer base. In addition, the ability of our brands to successfully target different segments of the various vacation markets in which they operate enables them to continue to expand and strengthen their business. Failure to protect our brands from infringers or to grow the value of the brands could have a material adverse effect on our business and results of operations.

- Our international operations are subject to risks not generally applicable to our domestic operations.

Our international operations are subject to numerous risks, including exposure to local economic conditions, potential adverse changes in the diplomatic relations between foreign countries, hostility from local populations, restrictions and taxes on the withdrawal of foreign investment and earnings, government policies against the cruise business, investment restrictions or requirements, diminished ability to legally enforce our contractual rights in foreign countries, foreign exchange restrictions and fluctuations in foreign currency exchange rates, withholding and other taxes on remittances and other payments by subsidiaries, and changes in and application of foreign taxation structures including value added taxes.

- Our future operating cash flow may not be sufficient to fund future obligations, and we may not be able to obtain financing, if necessary, on terms that are favorable or consistent with our expectations.

Our forecasted cash flow from future operations may be adversely affected by various factors including, but not limited to, declines in guest demand, increased competition, overcapacity, the deterioration in general economic and business conditions, including the recent liquidity issues in the U.S. debt markets, terrorist attacks and the threats thereof, ship accidents and other incidents, adverse publicity and increases in fuel prices, as well as other factors noted under these "Risk Factors" and under the "Cautionary Note Concerning Factors That May Affect Future Results" section below. To the extent that we are required, or choose, 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, including committed financings, we will have to secure such financing from banks or through the offering of debt and/or equity securities in the public or private markets.

Our access to, and the cost of, financing will depend on, among other things, the maintenance of our strong long-term credit ratings. Carnival Corporation and Carnival plc's senior, unsecured long-term debt ratings are "A-3" by Moody's, "A-" by Standard & Poor's and "A-" by Fitch Ratings. Carnival Corporation's short-term corporate credit ratings are "P-2" by Moody's, "A-2" by Standard & Poor's and "F2" by Fitch Ratings.

- Geographic regions in which we try to expand our business may be slow to develop, and ultimately not develop how we expect, thus resulting in the slower growth of our business.

As we expand our global presence into both existing lower-penetrated markets and new developing markets, which require, among other things, investments and start-up costs that we may not be able to recover through future revenues from these markets. In addition, we cannot be certain that these markets will ultimately develop as we expect. Accordingly, our business expansion plans may not produce the returns that we had expected. For instance, in 2006 we entered the Chinese market, and it is too early to determine if it will develop as expected over the long-term.

- We rely on external sales distribution channels for most of our guests' bookings and, therefore, major changes in the costs or availability of external distribution channels could result in a reduction in our sales revenues and net income.

In 2007, the vast majority of our guests booked their cruises through independent travel agents, wholesalers and tour operators. These parties generally sell and market our cruises on a nonexclusive basis. Although we offer commission and other incentives to them for booking our cruises that are comparable to those offered by others in the cruise industry, there can be no guarantee that our competitors will not offer higher commissions and incentives in the future. In addition, significant disruptions or contractions to these businesses could have an adverse effect on our sales and related commission costs.

- We rely to a large extent on scheduled commercial airline services for guest connections and, therefore, increases in the price of, or major changes or reduction in commercial airline services, could undermine our ability to provide reasonably priced vacation packages to our guests.

Some of our guests depend on scheduled commercial airline services to transport them to or from the ports where our cruises embark or disembark. Increases in the price of airfare would increase the overall vacation price to our guests and may adversely affect demand for our cruises. In addition, changes in commercial airline services as a result of strikes, adverse weather conditions or other events, or the lack of availability due to schedule changes or a high level of airline bookings could adversely affect our ability to deliver guests to or from our cruise ships and increase our cost of sales which would, in turn, have an adverse effect on our results of operations.

- The impact of self-insuring against various risks or the inability to obtain insurance for certain risks at reasonable rates could result in higher expenses.

We seek to maintain comprehensive insurance coverage at commercially reasonable rates. We believe that our current coverage is adequate to protect us against most of the significant risks involved in the conduct of our business, although we do elect to self-insure or use higher deductibles for various risks to minimize the cost of our insurance coverage. Accordingly, we are not protected against all risks, which could result in unexpected increases in our expenses in the event of an incident.

In addition, a new protocol to the Athens Convention is in the process of being ratified, which would require some passenger ship operations to maintain compulsory insurance or some other form of financial security, to cover the per capita limit of strict liability for losses suffered by passengers that has been set under the Athens Convention. If the protocol is ratified, we cannot be certain that affordable and viable insurance markets will be available to provide the required coverages. If the new protocol is ratified we would expect our insurance costs to increase.

We may also be subject to additional premium costs, in amounts based not only on our own claim records, but also on the claim records of all other members of the P&I associations through which we receive indemnity coverage for tort liability. If we, or other members of our P&I associations, were to sustain significant losses in the future, our ability to obtain insurance coverage or coverage at commercially reasonable rates could be materially adversely affected. Finally, if other marine insurers experience more claims, this could result in additional premium costs for us.

- Disruptions and other impairments to our information technology networks could result in decreases in our net income.

Our ability to increase revenues and decrease costs, as well as our ability to serve guests most effectively, depends in part on the reliability of our sophisticated information technology ("IT") networks. We use software and other IT systems to, among other things, manage our inventory of cabins held for sale and set their pricing in order to maximize our revenue yields, and to optimize the effectiveness and efficiency of our shoreside and shipboard operations. Any disruptions and other impairments to these computer systems or unauthorized access to confidential customer or employee personal information could adversely impact our customer service and satisfaction, employee relationships, decrease the volume of our business and result in increased costs. In addition, the operation, maintenance and updating of these networks is dependent on third-party technologies, systems and services for which there is no certainty of uninterrupted availability. While we have invested and continue to invest in IT security initiatives and disaster recovery plans, these measures cannot insulate us from IT disruptions that could result in adverse effects on our operations and net income.

- The lack of continued availability of attractive port destinations for our cruise ships could reduce our net revenue yields and net income.

We believe that attractive and safe port destinations, including ports that are not overly congested with tourists, are major reasons why our guests choose a cruise versus an alternative vacation option. The availability of ports, including the specific port facility at which our guests will embark and disembark, is affected by a number of factors including, but not limited to, existing capacity constraints, security and safety concerns, adverse weather conditions and natural disasters, financial limitations on port development, political instability, exclusivity arrangements that ports may have with our competitors, local governmental regulations and charges and local community concerns about both port development and other adverse impacts on their communities from additional tourists. The inability to continue to maintain, rebuild, if necessary, and increase our ports of call could adversely affect our net revenue yields and net income.

- The DLC structure 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 from those associated with the other more common ways of effecting a business combination, such as a merger or exchange offer to create a wholly owned subsidiary. In our DLC structure, the combination is effected primarily by means of contracts between Carnival Corporation and Carnival plc and not by operation of a statute or court order. The legal effect of these contractual rights may be different from the legal effect of a merger or amalgamation under statute or court order, and there may be difficulties in enforcing these contractual rights. Shareholders and creditors 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 we included in such contracts. In addition, shareholders and creditors of other companies might successfully challenge other DLC structures and establish legal precedents that could increase the risk of a successful challenge to our DLC structure. We maintain two separate public companies and comply with both Panamanian corporate law and English company laws and different securities and other regulatory and stock exchange requirements in the UK and the U.S. This structure requires more administrative time and cost than was the case for each company individually, which has an adverse effect on our operating efficiency.

- 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 our U.S. source shipping income. In addition, changes in the UK, Italian, German, Australian and other countries' or states' income or other tax laws, regulations or treaties could also adversely affect our net income.

We believe that substantially all of the U.S. source shipping income of each of Carnival Corporation and Carnival plc qualifies for exemption from U.S. federal income tax, either under (1) Section 883 of the Internal Revenue Code; (2) U.S.-Italian income tax

treaty; or (3) other applicable U.S. income tax treaties, and should continue to so qualify under the DLC structure. There is, however, no existing U.S. federal income tax authority that directly addresses the tax consequences of implementation of a DLC structure for purposes of Section 883 or any other provision of the Internal Revenue Code or any income tax treaty and, consequently, these matters are not free from doubt.

If we did not qualify for exemption from substantially all U.S. federal income taxes or if such exemptions or laws were changed, we would have significantly higher U.S. income tax expenses. In addition, changes in the income or other tax laws affecting our cruise businesses in the UK, Italy, Germany, Australia and elsewhere could result in higher income and/or other taxes, such as value added taxes, being levied on our cruise operations, thus resulting in lower net income.

See Part I, Item 1. Business. G. - "Taxation" for additional information.

- A small group of shareholders collectively owned, as of January 22, 2008, approximately 29% of the total combined voting power of our outstanding shares and may be able to effectively control the outcome of shareholder voting.

A group of shareholders, consisting of some members of the Arison family, including Micky Arison, and trusts established for their benefit, beneficially owned approximately 36% of the outstanding common stock of Carnival Corporation, which shares represent sufficient shares entitled to constitute a quorum at shareholder meetings and to cast approximately 29% of the total combined voting power of Carnival Corporation & plc. 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 certain shareholder votes and, therefore, the corporate actions requiring such votes.

- Carnival Corporation and Carnival plc are not U.S. corporations, and our shareholders may be subject to the uncertainties of a foreign legal system in protecting their interests.

Carnival Corporation's corporate affairs are governed by its third amended and restated articles of incorporation ("Articles") and second amended and restated by-laws ("by-laws") and by the corporate laws of Panama. Carnival plc is governed by its articles of association and memorandum of association and by the corporate laws of England and Wales. The contracts that control the relationship between Carnival Corporation and Carnival plc under the DLC are governed by the laws of Panama, the Isle of Man and the Cayman Islands. The corporate laws of Panama, England and Wales, the Isle of Man and the Cayman Islands may differ in some respects from the corporate laws in the U.S.

- Provisions in Carnival Corporation's and Carnival plc's constitutional documents may prevent or discourage takeovers and business combinations that our shareholders might consider to be in their best interests.

Carnival Corporation's Articles and by-laws and Carnival plc's articles of association contain provisions that may delay, defer, prevent or render more difficult a takeover attempt that our shareholders consider to be in their best interests. As a result, these provisions may prevent our shareholders from receiving a premium to the market price of our shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our shares if they are viewed as discouraging takeover attempts in the future.

Specifically, Carnival Corporation's Articles contain provisions that prevent third parties, other than the Arison family and trusts established for their benefit, from acquiring beneficial ownership of more than 4.9% of its outstanding shares without the consent of Carnival Corporation's board of directors and provide for the lapse of rights, and sale, of any shares acquired in excess of that limit. The effect of these provisions may preclude third parties from seeking to acquire a controlling interest in us 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.

#### **Cautionary Note Concerning Factors That May Affect Future Results**

Some of the statements contained in this Form 10-K are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlook, plans, 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 Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have tried, whenever possible, to identify these statements by using words like "will," "may," "believes," "expect," "anticipate," "forecast," "future," "intends," "plan," and "estimate" and similar expressions.

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this Form 10-K. Forward-looking statements include those statements which may impact the forecasting of our earnings per share, net revenue yields, booking levels, pricing, occupancy, operating, financing and/or tax costs, fuel costs, costs per available lower berth day, estimates of ship depreciable lives and residual values, outlook or business prospects.

Certain of the risks we are exposed to are identified in "Management's Discussion and Analysis of Financial Condition and Results of Operations- Cautionary Note Concerning Factors That May Affect Future Results" in Exhibit 13 to this Form 10-K and in this Item 1A. "Risk Factors." These sections contain important cautionary statements and a discussion of many of the factors that could materially affect the accuracy of our forward-looking statements and/or adversely affect our business, results of operations and financial position.

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 expressly disclaim any obligation to disseminate, after the date of this Form 10-K, 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.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

The Carnival Corporation and Carnival plc corporate headquarters and our larger shoreside locations are as follows:

<u>Entity/Brand</u>	<u>Location</u>	<u>Square Footage</u>	<u>Own/Lease</u>
Carnival Corporation headquarters and Carnival Cruise Lines	Miami, FL U.S.A.	456,000/26,000	Own/Lease
Princess	Santa Clarita, CA U.S.A.	367,000	Lease
Holland America Line, Holland America Tours and Princess Tours	Seattle, WA U.S.A.	38,000/233,000	Own/Lease
Costa	Genoa, Italy	155,000/14,000	Own/Lease
P&O Cruises, Ocean Village, Cunard, Carnival Corporation & plc's Technical Services and UK sales office	Southampton, England (a)	112,000	Lease
AIDA	Rostock, Germany	103,000	Lease
Carnival plc headquarters and UK sales office	London, England	8,000	Lease

(a) Carnival plc entered into a new Southampton office lease agreement for 150,000 square feet to replace the existing Southampton lease facility, which we expect to occupy during fiscal 2009.

In addition, we own and/or lease port facilities that we operate in Barcelona, Spain, Cozumel, Mexico, Grand Turk, the Turks & Caicos Islands, Juneau, Alaska, Long Beach, California and Savona, Italy.

Our cruise ships, headquarters, port and shoreside facilities and Holland America Tours' and Princess Tours' properties, are all well maintained and in good condition. We evaluate our needs periodically and obtain additional facilities when deemed necessary. We believe that our facilities are adequate for our current needs.

Our cruise ships and Holland America Line's and Princess' private islands, Half Moon Cay and Princess Cays, respectively, are briefly described in Part I, Item 1. Business. B. - "Cruise Operations." The hotel properties associated with Holland America Tours and Princess Tours operations, substantially all of which are owned, are briefly described in Part I, Item 1. Business. A. - "General."

**Item 3. Legal Proceedings.**

On September 21, 2006, a class action complaint was filed by J. B. Miller on behalf of a purported class of past passengers against Holland America Line in the U.S. District Court for the Western District of Washington. The complaint alleges that Holland America Line (a) failed to disclose that shore excursion vendors paid Holland America Line to promote their services as required by an Alaska statute, and (b) collected and retained payment from passengers for PVSA violations in certain instances when Holland America Line did not actually incur the fines. The complaint seeks (i) certification as a class action, (ii) statutory damages under Alaska's consumer protection statutes, (iii) damages for each PVSA fine collected and additional damages for each PVSA fine collected where no fine was imposed, (iv) injunctive relief and (v) attorneys' fees, costs and interest. The plaintiff voluntarily withdrew the shore excursion disclosure claim, and the court has approved a settlement of the PVSA claim that will result in the refund of fines collected but not paid, plus interest and attorneys' fees.

In January 2006, a lawsuit was filed against Carnival Corporation and its subsidiaries and affiliates, and other non-affiliated cruise lines in the U.S. District Court for the Southern District of New York on behalf of James Jacobs and a purported class of owners of intellectual property rights to musical plays and other works performed in the U.S. The plaintiffs claim infringement of copyrights to Broadway, off Broadway and other plays. The suit seeks payment of (i) damages, (ii) disgorgement of alleged profits and (iii) an injunction against future infringement.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Executive Officers of the Registrants**

Pursuant to General Instruction G(3), the information regarding our executive officers called for by Item 401(b) of Regulation S-K is hereby included in Part I of this Form 10-K.

The table below sets forth the name, age and title of each of our executive officers. Titles listed relate to positions within Carnival Corporation and Carnival plc unless otherwise noted. All the Carnival plc positions were effective as of April 17, 2003 except as noted below.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
Micky Arison	58	Chairman of the Board of Directors and Chief Executive Officer
David Bernstein	50	Senior Vice President and Chief Financial Officer
Alan B. Buckelew	59	President and Chief Executive Officer of Princess Cruises
Gerald R. Cahill	56	President and Chief Executive Officer of Carnival Cruise Lines
David K. Dingle	50	Chief Executive Officer of Carnival UK
Pier Luigi Foschi	61	Chairman and Chief Executive Officer of Costa Crociere, S.p.A. and Director
Howard S. Frank	66	Vice Chairman of the Board of Directors and Chief Operating Officer
Larry Freedman	56	Chief Accounting Officer and Vice President-Controller
Stein Kruse	49	President and Chief Executive Officer of Holland America Line Inc.
Arnaldo Perez	47	Senior Vice President, General Counsel and Secretary
Peter G. Ratcliffe	59	Chief Executive Officer of P&O Princess Cruises International and Director

## Business Experience of Executive Officers

Micky Arison has been Chairman of the Board of Directors since October 1990 and a director since June 1987. He has been Chief Executive Officer since 1979. Mr. Arison has been employed by us for 36 years.

David Bernstein has been Senior Vice President and Chief Financial Officer since July 2007. From July 2003 to July 2007, he was Vice President and Treasurer. From June 1998 to July 2003, he was Chief Financial Officer of Cunard and Seabourn. Mr. Bernstein has been employed by us for nine years.

Alan B. Buckelew has been Chief Executive Officer of Princess Cruises since June 2007. He has been President from February 2004. From October 2004 to June 2007, he was Chief Operating Officer of Cunard. From October 2000 to January 2004, he was Executive Vice President and Chief Financial Officer of Princess. Mr. Buckelew has been employed by us or Carnival plc predecessor companies for 30 years.

Gerald R. Cahill has been President and Chief Executive Officer of Carnival Cruise Lines since July 2007. From December 2003 to June 2007, he was Executive Vice President and Chief Financial and Accounting Officer of Carnival Corporation & plc. From January 1998 to November 2003 he was Senior Vice President Finance, Chief Financial and Accounting Officer. Mr. Cahill has been employed by us for 13 years.

David K. Dingle has been Chief Executive Officer of Carnival UK, whose brands include P&O Cruises, Ocean Village and Cunard, since June 2007. In addition, he has also been Chairman of the Carnival plc Management Committee with responsibility for Carnival Australia since June 2007. From April 2003 to June 2007, he was Managing Director of Carnival UK and P&O Cruises. From June 2000 to April 2003, he was Managing Director of P&O Cruises UK. Mr. Dingle has been employed by us or Carnival plc predecessor companies for 29 years.

Pier Luigi Foschi has been a director since April 2003. He has been Chief Executive Officer of Costa Crociere, S.p.A. since October 1997 and Chairman of its Board since January 2000. Mr. Foschi has been employed by us for 10 years.

Howard S. Frank has been Vice Chairman of the Board of Directors since October 1993, Chief Operating Officer since January 1998 and a director since April 1992. Mr. Frank has been employed by us for 18 years.

Larry Freedman has been Chief Accounting Officer since July 2007 and Vice President-Controller since April 1998. From April 1998 to June 2007, Mr. Freedman was also Vice President - Finance. Mr. Freedman has been employed by us for nine years.

Stein Kruse has been the President and Chief Executive Officer of Holland America Line since December 2004. From November 2003 to November 2004, he was the President and Chief Operating Officer of Holland America Line. From September 1999 to October 2003, he was Senior Vice President, Fleet Operations for Holland America Line. Mr. Kruse has been employed by us for eight years.

Arnaldo Perez has been Senior Vice President, General Counsel and Secretary since March 2002. From August 1995 to February 2002 he was Vice President, General Counsel and Secretary. Mr. Perez has been employed by us for 15 years.

Peter G. Ratcliffe has been a director since April 2003 and a director of Carnival plc since October 2000. He is Chief Executive Officer of P&O Princess Cruises International, which had primary responsibility for the operations of Cunard, Ocean Village, P&O Cruises, P&O Cruises Australia and Princess through June 2007. We announced in June 2007 that Mr. Ratcliffe will be retiring as an executive officer of Carnival Corporation and Carnival plc on March 6, 2008. He was Carnival plc's Chief Executive Officer until April 2003. He was previously an executive director of The Peninsular and Oriental Steam Navigation Company and head of its cruise division, having served as President of Princess since 1993 and its Chief Operating Officer since 1989. Mr. Ratcliffe has been employed by us or Carnival plc's predecessor companies for 34 years.

PART II

**Item 5. Market for Registrants' Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities.**

**A. Market Information**

The information required by Item 201(a) of Regulation S-K, Market Information, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

**B. Holdings**

The information required by Item 201(b) of Regulation S-K, Holders, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

**C. Dividends**

Carnival Corporation and Carnival plc declared cash dividends on all of their common stock and ordinary shares, respectively, in the amount of:

	<u>Quarters Ended</u>			
	<u>February 28/29</u>	<u>May 31</u>	<u>August 31</u>	<u>November 30</u>
2008	\$0.40			
2007	\$0.275	\$0.35	\$0.35	\$0.40
2006	\$0.25	\$0.25	\$0.25	\$0.275

All dividends for both Carnival Corporation and Carnival plc are declared in U.S. dollars. Holders of Carnival Corporation common stock and Carnival plc American Depository Shares receive a dividend payable in U.S. dollars. The dividends payable for Carnival plc ordinary shares are payable in Sterling, unless the shareholders elect to receive the dividend in U.S. dollars. Dividends payable in Sterling will be converted from U.S. dollars into Sterling at the dollar/Sterling exchange rate quoted by the Bank of England in London at 12:00 p.m. on the next combined U.S. and UK business day that follows the quarter end.

Payment of future dividends on Carnival Corporation common stock and Carnival plc ordinary shares will depend upon, among other factors, our earnings, financial condition and capital requirements. The payment and amount of any dividend is within the discretion of the Boards of Directors, and it is possible that the timing and amount of any dividend may vary from the levels discussed above. We cannot be certain that Carnival Corporation and Carnival plc will continue to have per share dividend increases, as were declared in recent years, or maintain their current levels.

**D. Performance Graph**

The information required by Item 201(e) of Regulation S-K, Performance Graph, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

**E. Recent Sales of Unregistered Securities**

During the three months ended November 30, 2007, \$16,000 and \$5,000 of our 2% notes and zero coupon notes were converted at their accreted value into 407 shares and 82 shares of Carnival Corporation common stock, respectively, all of which were issued from newly issued common stock. The issuance was exempt from registration under Section 3(a)(9) of the Securities Act of 1933.

Each share of Carnival Corporation common stock issued is paired with a trust share of beneficial interest in the P&O Princess Special Voting Trust, which holds a Special Voting Share issued by Carnival plc in connection with the DLC transaction.

**F. Issuer Purchases of Equity Securities**

During the quarter ended November 30, 2007, purchases by Carnival Corporation of Carnival Corporation's equity securities that are registered by it pursuant to Section 12 of the Securities Exchange Act of 1934 were as follows:

<u>Period</u>	<u>Total Number of Shares Purchased in Fourth Quarter</u>	<u>Average Price Paid per Share</u>	<u>Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (a)</u> (in millions)
September 1, 2007 through September 30, 2007			\$996
October 1, 2007 through October 31, 2007			\$996
November 1, 2007 through November 30, 2007	200,000	\$44.58	\$871
Total	<u>200,000</u>	\$44.58	

(a) In June 2006, the Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares subject to certain restrictions. On September 19, 2007, the Boards of Directors increased the remaining \$578 million authorization back to \$1 billion. The repurchase program does not have an expiration date and may be discontinued by our Boards of Directors at any time. All shares in the above table were repurchased pursuant to this program. From December 1, 2007 through January 28, 2008, we purchased 0.6 million shares of Carnival Corporation common stock at an average share price of \$44.63. The Carnival plc share repurchase authorization requires annual shareholder approval and is subject to a maximum of 10.7 million ordinary shares until April 2008, of which 8.6 million have been purchased through January 28, 2008. During the 2007 fourth quarter and from December 1, 2007 through January 28, 2008 we purchased 4.8 million and 1.3 million ordinary shares of Carnival plc, which are not registered under Section 12 of the Securities Exchange Act of 1934 at an average price of \$43.28 and \$43.77, respectively. Carnival plc ordinary shares are listed on the London Stock Exchange. At January 28, 2008 the remaining availability pursuant to our repurchase program was \$788 million.

**Item 6. Selected Financial Data.**

The information required by Item 6. Selected Financial Data, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The information required by Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

The information required by Item 7A. Quantitative and Qualitative Disclosures About Market Risk, is shown in Management's Discussion and Analysis of Financial Condition and Results of Operations in Exhibit 13 and is incorporated by reference into this Form 10-K.

**Item 8. Financial Statements and Supplementary Data.**

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated January 28, 2008, and the Selected Quarterly Financial Data (Unaudited), are shown in Exhibit 13 and are incorporated by reference into this Form 10-K.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit, is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information

required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of November 30, 2007, that they are effective as described above.

### **Changes in Internal Control over Financial Reporting**

During the three months ended November 30, 2007, we have substantially completed our implementation of a new worldwide accounting system. As a result, there have been changes in our internal control over financial reporting during the quarter ended November 30, 2007 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. As part of the system implementation, we have reviewed the controls affected by the new accounting system and have made the necessary internal control changes.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"). Based on our evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective as of November 30, 2007.

PricewaterhouseCoopers LLP, the independent registered certified public accounting firm that audited our consolidated financial statements incorporated in this Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of November 30, 2007 as stated in their report which is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

### **Inherent Limitations of Disclosure Controls and Procedures and Internal Control Over Financial Reporting**

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

### **Item 9B. Other Information.**

None.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance.**

We have adopted a code of ethics that applies to our chief executive officer, chief operating officer and senior financial officers, including the chief financial officer, chief accounting officer and controller and other persons performing similar functions. This code of ethics is posted on our website, which is located at [www.carnivalcorp.com](http://www.carnivalcorp.com) and [www.carnivalplc.com](http://www.carnivalplc.com). We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the addresses specified above. Information contained in our website, whether currently posted or posted in the future, is not part of this document or the documents incorporated by reference in this document.

The additional information required by Item 10 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive proxy statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the fiscal year, except that the information concerning the Carnival Corporation and Carnival

plc executive officers called for by Item 401(b) of Regulation S-K is included in Part I of this Form 10-K.

**Item 11. Executive Compensation.**

The information required by Item 11 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive proxy statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the fiscal year.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

**Securities Authorized for Issuance under Equity Compensation Plans**

**Carnival Corporation**

Set forth below is a table that summarizes compensation plans (including individual compensation arrangements) under which Carnival Corporation equity securities are authorized for issuance as of November 30, 2007.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	14,868,481(1)	\$42.40	28,442,001(2)(3)
Equity compensation plans not approved by security holders			
<b>Total</b>	<u>14,868,481</u>	<u>\$42.40</u>	<u>28,442,001</u>

(1) Includes outstanding options to purchase Carnival Corporation common stock under the Carnival Cruise Lines, Inc. 1987 Stock Option Plan, Carnival Corporation 1992 Stock Option Plan, Carnival Corporation 2002 Stock Plan, Carnival Corporation 1993 Outside Directors' Stock Option Plan and Carnival Corporation 2001 Outside Director Stock Plan. Also includes 371,039 restricted share units outstanding under the Carnival Corporation 2002 Stock Plan and 13,500 restricted share units outstanding under the Carnival Corporation 2001 Outside Director Stock Plan.

(2) Includes Carnival Corporation common stock available for issuance as of November 30, 2007 as follows: 2,624,757 under the Carnival Corporation Employee Stock Purchase Plan, 25,010,211 under the Carnival Corporation 2002 Stock Plan and 422,494 under The Carnival Corporation 2001 Outside Director Stock Plan.

(3) In addition to options, the Carnival Corporation 2002 Stock Plan and the Carnival Corporation 2001 Outside Director Stock Plan provide for the award of restricted shares and restricted share units without limitation on the number of shares than can be awarded in either form.

**Carnival plc**

Set forth below is a table that summarizes compensation plans (including individual compensation arrangements) under which Carnival plc equity securities are authorized for issuance as of November 30, 2007.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	3,445,606(2)	\$52.37	12,766,979(3)
Equity compensation plans not approved by security holders			
Total	<u>3,445,606</u>	<u>\$52.37</u>	<u>12,766,979</u>

(1) Converted from Sterling, if applicable, using the November 30, 2007 exchange rate of \$2.08:£1.

(2) Includes outstanding options to purchase Carnival plc ordinary shares under the Carnival plc Executive Share Option Plan and Carnival plc 2005 Employee Share Plan. Also includes 212,656 restricted share units outstanding under the Carnival plc 2005 Employee Share Plan.

(3) In addition to options, the Carnival plc 2005 Employee Share Plan provides for the award of restricted shares and restricted share units without limitation on the number of shares that can be awarded in either form.

The additional information required by Item 12 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive proxy statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the fiscal year.

**Items 13 and 14. Certain Relationships and Related Transactions, and Director Independence and Principal Accountant Fees and Services.**

The information required by Items 13 and 14 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive proxy statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the fiscal year.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

**(a) (1) Financial Statements**

The financial statements shown in Exhibit 13 are incorporated herein by reference into this Form 10-K.

**(2) Financial Statement Schedules**

All schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instruction or are inapplicable and, therefore, have been omitted.

**(3) Exhibits**

The exhibits listed on the accompanying Index to Exhibits are filed or incorporated by reference as part of this Form 10-K and such Index to Exhibits is hereby incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARNIVAL CORPORATION

/s/ Micky Arison  
Micky Arison  
Chairman of the Board of  
Directors and Chief Executive Officer  
January 29, 2008

CARNIVAL PLC

/s/ Micky Arison  
Micky Arison  
Chairman of the Board of  
Directors and Chief Executive Officer  
January 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of each of the registrants and in the capacities and on the dates indicated.

CARNIVAL CORPORATION

/s/ Micky Arison  
Micky Arison  
Chairman of the Board of  
Directors and Chief Executive Officer  
January 29, 2008

CARNIVAL PLC

/s/ Micky Arison  
Micky Arison  
Chairman of the Board of  
Directors and Chief Executive Officer  
January 29, 2008

/s/ Howard S. Frank  
Howard S. Frank  
Vice Chairman of the Board of  
Directors and Chief Operating Officer  
January 29, 2008

/s/ Howard S. Frank  
Howard S. Frank  
Vice Chairman of the Board of  
Directors and Chief Operating Officer  
January 29, 2008

/s/ David Bernstein  
David Bernstein  
Chief Financial Officer  
January 29, 2008

/s/ David Bernstein  
David Bernstein  
Chief Financial Officer  
January 29, 2008

/s/ Larry Freedman  
Larry Freedman  
Chief Accounting Officer  
January 29, 2008

/s/ Larry Freedman  
Larry Freedman  
Chief Accounting Officer  
January 29, 2008

/s/\*Richard G. Capen, Jr.  
Richard G. Capen, Jr.  
Director  
January 29, 2008

/s/\*Richard G. Capen, Jr.  
Richard G. Capen, Jr.  
Director  
January 29, 2008

/s/\*Robert H. Dickinson  
Robert H. Dickinson  
Director  
January 29, 2008

/s/\*Robert H. Dickinson  
Robert H. Dickinson  
Director  
January 29, 2008

/s/\*Arnold W. Donald  
Arnold W. Donald  
Director  
January 29, 2008

/s/\*Arnold W. Donald  
Arnold W. Donald  
Director  
January 29, 2008

/s/\*Pier Luigi Foschi  
Pier Luigi Foschi  
Director  
January 29, 2008

/s/\*Pier Luigi Foschi  
Pier Luigi Foschi  
Director  
January 29, 2008

/s/\*Richard J. Glasier  
Richard J. Glasier  
Director  
January 29, 2008

/s/\*Richard J. Glasier  
Richard J. Glasier  
Director  
January 29, 2008

/s/\*Baroness Sarah Hogg  
Baroness Sarah Hogg  
Director  
January 29, 2008

/s/\*Modesto A. Maidique  
Modesto A. Maidique  
Director  
January 29, 2008

/s/\*Sir John Parker  
Sir John Parker  
Director  
January 29, 2008

/s/\*Peter G. Ratcliffe  
Peter G. Ratcliffe  
Director  
January 29, 2008

/s/\*Stuart Subotnick  
Stuart Subotnick  
Director  
January 29, 2008

/s/\*Laura Weil  
Laura Weil  
Director  
January 29, 2008

/s/\*Uzi Zucker  
Uzi Zucker  
Director  
January 29, 2008

\*By: /s/ Arnaldo Perez  
(Arnaldo Perez  
Attorney-in-fact)  
January 29, 2008

/s/\*Baroness Sarah Hogg  
Baroness Sarah Hogg  
Director  
January 29, 2008

/s/\*Modesto A. Maidique  
Modesto A. Maidique  
Director  
January 29, 2008

/s/\*Sir John Parker  
Sir John Parker  
Director  
January 29, 2008

/s/\*Peter G. Ratcliffe  
Peter G. Ratcliffe  
Director  
January 29, 2008

/s/\*Stuart Subotnick  
Stuart Subotnick  
Director  
January 29, 2008

/s/\*Laura Weil  
Laura Weil  
Director  
January 29, 2008

/s/\*Uzi Zucker  
Uzi Zucker  
Director  
January 29, 2008

\*By: /s/ Arnaldo Perez  
(Arnaldo Perez  
Attorney-in-fact)  
January 29, 2008

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
		<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	
<b>Articles of incorporation and by-laws</b>					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation.	8-K	3.1	4/17/03	
3.2	Second Amended and Restated By-Laws of Carnival Corporation.	8-K	3.1	10/19/07	
3.3	Articles of Association of Carnival plc.	8-K	3.3	4/17/03	
3.4	Memorandum of Association of Carnival plc.	8-K	3.4	4/17/03	
<b>Instruments defining the rights of security holders, including indentures</b>					
4.1	Agreement of Carnival Corporation and Carnival plc, dated January 11, 2008 to furnish certain debt instruments to the Securities and Exchange Commission.				X
4.2	Carnival Corporation Deed, dated April 17, 2003, between Carnival Corporation and P&O Princess Cruises plc for the benefit of the P&O Princess Shareholders.	10-Q	4.1	08/31/03	
4.3	Equalization and Governance Agreement, dated April 17, 2003, between Carnival Corporation and P&O Princess Cruises plc.	10-Q	4.2	08/31/03	
4.4	Carnival Corporation Deed of Guarantee, dated as of April 17, 2003, between Carnival Corporation and Carnival plc.	S-4	4.3	5/30/03	
4.5	Carnival plc (formerly P&O Princess Cruises plc) Deed of Guarantee, dated as of April 17, 2003, between Carnival Corporation and Carnival plc.	S-3 & F-3	4.10	6/19/03	
4.6	Specimen Common Stock Certificate.	S-3 & F-3	4.16	6/19/03	
4.7	Pairing Agreement, dated as of April 17, 2003, between Carnival Corporation, The Law Debenture Trust Corporation (Cayman) Limited, as trustee, and Computershare Investor Services (formerly SunTrust Bank), as transfer agent.	8-K	4.1	4/17/03	
4.8	Voting Trust Deed, dated as of April 17, 2003, between Carnival Corporation and The Law Debenture Trust Corporation (Cayman) Limited, as trustee.	8-K	4.2	4/17/03	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
4.9	SVE Special Voting Deed, dated as of April 17, 2003, between Carnival Corporation, DLS SVC Limited, P&O Princess Cruises plc, The Law Debenture Trust Corporation (Cayman) Limited, as trustee, and The Law Debenture Trust Corporation, P.L.C.	8-K	4.3	4/17/03	
4.10	Form of Amended and Restated Deposit Agreement and holders from time to time of receipts issued thereunder.	Post Amend-ment to Form F-6	99-a	4/15/03	
4.11	Indenture, dated as of April 25, 2001, between Carnival Corporation and U.S. Bank Trust National Association, as trustee, relating to unsecured and unsubordinated debt securities.	S-3	4.5	6/13/01	
4.12	Form of Indenture, dated March 1, 1993, between Carnival Cruise Lines, Inc. and First Trust National Association, as Trustee, relating to the Debt Securities, including form of Debt Security.	S-3	4	3/2/93	
4.13	Second Supplemental Indenture, dated December 1, 2003, between Carnival plc and Carnival Corporation to The Bank of New York, as Trustee, relating to 7.875% debentures due 2027.	10-K	4.14	11/30/03	

**Material Contracts**

10.1*	Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees.	10-Q	10.1	8/31/07	
10.2*	Amendment to the Amended and Restated Carnival Corporation 1992 Stock Option Plan.	10-K	10.2	11/30/03	
10.3	Facilities Agreement dated October 21, 2005, between Carnival Corporation, Carnival plc, and certain of Carnival Corporation and Carnival plc subsidiaries, The Royal Bank of Scotland as facilities agent and a syndicate of financial institutions.	10-K	10.3	11/30/05	
10.4*	Amended and Restated Carnival Corporation 1992 Stock Option Plan.	10-K	10.4	11/30/97	
10.5*	Carnival Cruise Lines, Inc. 1993 Restricted Stock Plan adopted on January 15, 1993 and as amended January 5, 1998 and December 21, 1998.	10-K	10.5	11/30/98	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
10.6*	Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-K	10.6	11/30/97	
10.7*	Amendment to the Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees.	10-Q	10.1	2/28/07	
10.8*	Carnival Cruise Lines, Inc. Non-Qualified Retirement Plan.	10-K	10.4	11/30/90	
10.9*	Executive Long-term Compensation Agreement, dated as of January 16, 1998, between Robert H. Dickinson and Carnival Corporation.	10-K	10.2	11/30/97	
10.10*	Consulting Agreement/Registration Rights Agreement, dated June 14, 1991, between Carnival Corporation and Ted Arison.	S-3A	4.3	7/16/91	
10.11*	First Amendment to Consulting Agreement/Registration Rights Agreement between Carnival Corporation and Ted Arison.	10-K	10.40	11/30/92	
10.12*	Director Appointment Letter between Peter G. Ratcliffe and Carnival plc.	10-Q	10.23	5/31/03	
10.13*	Director Appointment Letter, dated August 19, 2004, between Baroness Sarah Hogg and each of Carnival Corporation and Carnival plc.	10-K	10.13	11/30/04	
10.14*	Director's Appointment Letter, dated August 19, 2004, between Richard J. Glasier and each of Carnival Corporation and Carnival plc.	10-K	10.14	11/30/04	
10.15*	Director Appointment Letter, dated August 19, 2004, between Sir John Parker and each of Carnival Corporation and Carnival plc.	10-K	10.15	11/30/04	
10.16*	Amended and Restated Carnival plc 2005 Employee Share Plan.	10-Q	10.2	8/31/05	
10.17*	Executive Long-term Compensation Agreement, dated January 11, 1999, between Carnival Corporation and Micky Arison.	10-K	10.36	11/30/98	
10.18*	Executive Long-term Compensation Agreement, dated January 11, 1999, between Carnival Corporation and Howard S. Frank.	10-K	10.37	11/30/98	
10.19*	Carnival Corporation Supplemental Executive Retirement Plan.	10-K	10.32	11/30/99	
10.20*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	10-K	10.31	11/30/00	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
10.21*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-K	10.33	11/30/99	
10.22*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-Q	10.2	2/28/07	
10.23*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-K	10.34	11/30/00	
10.24*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-K	10.37	11/30/01	
10.25*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	10-Q	10.3	2/28/07	
10.26*	Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.	10-Q	10.1	5/31/05	
10.27*	Amended and Restated Carnival Corporation 2002 Stock Plan.	10-Q	10.1	5/31/03	
10.28*	Agreement with Pier Luigi Foschi.	10-Q	10.4	8/31/05	
10.29	Succession Agreement, dated as of May 28, 2002, to Registration Rights Agreement, dated June 14, 1991, between Carnival Corporation and Ted Arison.	10-Q	10.2	5/31/02	
10.30*	Employment Agreement, dated as of April 17, 2003, by and between POPCIL and Peter Ratcliffe.	10-Q	10.2	5/31/03	
10.31*	Carnival Corporation & plc Non-Executive Board of Director Cruise Benefit Policy.	10-Q	10.1	8/31/05	
10.32*	Indemnification Agreement, dated April 17, 2003, between Micky M. Arison and Carnival Corporation.	10-Q	10.5	5/31/03	
10.33*	Consulting Agreement, dated November 30, 2004, between A. Kirk Lanterman, Holland America Line Inc. and others.	10-K	10.33	2/14/05	
10.34*	Indemnification Agreement, dated April 17, 2003, between Robert H. Dickinson and Carnival Corporation.	10-Q	10.9	5/31/03	
10.35*	Amendment to the Carnival Corporation Nonqualified Retirement Plan For Highly Compensated Employees.	10-Q	10.1	2/28/06	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
10.36*	Indemnification Agreement, dated April 17, 2003, between Pier Luigi Foschi and Carnival Corporation.	10-Q	10.13	5/31/03	
10.37*	Indemnification Agreement, dated April 17, 2003, between Howard S. Frank and Carnival Corporation.	10-Q	10.15	5/31/03	
10.38*	Director Appointment Letter, dated December 1, 2004, between A. Kirk Lanterman and each of Carnival Corporation and Carnival plc.	10-K	10.38	11/30/04	
10.39*	Indemnification Agreement, dated April 17, 2003, between Peter G. Ratcliffe and Carnival Corporation.	10-Q	10.24	5/31/03	
10.40*	Director Appointment Letter, dated April 14, 2003, between Micky M. Arison and Carnival plc.	10-Q	10.4	5/31/03	
10.41*	Director Appointment Letter, dated August 19, 2004, between Richard G. Capen and each of Carnival Corporation and Carnival plc.	10-K	10.41	11/30/04	
10.42*	Director Appointment Letter, dated April 14, 2003, between Robert H. Dickinson and Carnival plc.	10-Q	10.8	5/31/03	
10.43*	Director Appointment Letter, dated August 19, 2004, between Arnold W. Donald and each of Carnival Corporation and Carnival plc.	10-K	10.43	11/30/04	
10.44*	Director Appointment Letter between Pier Luigi Foschi and Carnival plc.	10-Q	10.12	5/31/03	
10.45*	Director Appointment Letter, dated April 14, 2003, between Howard S. Frank and Carnival plc.	10-Q	10.14	5/31/03	
10.46*	Director Appointment Letter, dated August 19, 2004, between Modesto A. Maidique and each of Carnival Corporation and Carnival plc.	10-K	10.46	11/30/04	
10.47*	Amendment No. 1 to the Employment Agreement, dated as of July 19, 2004, by and between P&O Princess International Ltd. and Peter Ratcliffe.	10-Q	10.1	8/31/04	
10.48*	Director Appointment Letter, dated August 19, 2004, between Stuart Subotnick and each of Carnival Corporation and Carnival plc.	10-K	10.48	11/30/04	
10.49*	Director Appointment Letter, dated August 19, 2004, between Uzi Zucker and each of Carnival Corporation and Carnival plc.	10-K	10.49	11/30/04	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
10.50*	Amendment of the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-Q	10.1	2/28/03	
10.51*	Amendment of the Carnival Corporation Nonqualified Retirement Plan For Highly Compensated Employees.	10-Q	10.2	2/28/03	
10.52*	The P&O Princess Cruises Executive Share Option Plan.	20-F	4.9	12/30/01	
10.53*	The P&O Princess Cruises Deferred Bonus and Co-Investment Matching Plan.	20-F	4.10	12/30/01	
10.54*	Amended and Restated Carnival Cruise Lines Management Incentive Plan.	10-Q	10.4	2/28/07	
10.55*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	10-Q	10.1	2/29/04	
10.56*	Amendment to the Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees.	10-Q	10.2	2/29/04	
10.57*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-Q	10.3	2/29/04	
10.58*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-Q	10.1	2/28/05	
10.59*	Form of Nonqualified Stock Option Agreement for the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.	10-Q	10.5	8/31/05	
10.60*	Form of Restricted Stock Award Agreement for the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.				X
10.61*	Form of Restricted Stock Unit Award Agreement for the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.				X
10.62*	Form of Share Option Certificate for the Amended and Restated Carnival plc 2005 Employee Share Plan.	10-Q	10.8	8/31/05	
10.63	Deed of Guarantee, dated October 21, 2005, between Carnival Corporation as guarantor and the Royal Bank of Scotland plc as facilities agent.	10-K	10.63	11/30/05	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
10.64	Deed of Guarantee, dated October 21, 2005, between Carnival plc as guarantor and the Royal Bank of Scotland plc as facilities agent.	10-K	10.64	11/30/05	
10.65*	Corporate Aviation Administrative Policy Statement for the use of Carnival Corporation & plc aircraft.	10-Q	10.2	2/28/06	
10.66*	Form of Restricted Share Unit Award Certificate for the Amended and Restated Carnival plc 2005 Employee Share Plan.	10-Q	10.3	2/28/06	
10.67*	Form of Restricted Stock Unit Agreement for the Amended and Restated Carnival Corporation 2002 Stock Plan.				X
10.68*	Princes Cruises Chief Executive Officer Supplemental Retirement Plan for Peter Ratcliffe.	8-K	10.1	10/20/06	
10.69*	Amendment to the P&O Princess Cruises Executive Share Option Plan.	10-Q	10.5	2/28/07	
10.70*	Amendment to the P&O Princess Cruises Deferred Bonus and Co-Investment Matching Plan.	10-Q	10.6	2/28/07	
10.71*	Amendment to the Carnival plc 2005 Employee Share Plan.	10-Q	10.7	2/28/07	
10.72*	Form of Executive Restricted Stock Agreement for the Amended and Restated Carnival Corporation 2002 Stock Plan.				X
10.73	Amendment Agreement, dated July 21, 2007, to the Facilities Agreement dated October 21, 2005, by and among Carnival Corporation, Carnival plc, and certain of Carnival Corporation and Carnival plc subsidiaries, The Royal Bank of Scotland, as Facilities Agent, and a syndicate of financial institutions.	10-Q	10.2	8/31/07	
10.74*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	8-K	10.1	10/19/07	
10.75*	Amendment to the Carnival Corporation 2001 Outside Director Stock Plan.				X
10.76*	Retirement Agreement between Robert H. Dickinson and Carnival Corporation.				X
10.77*	Form of Executive Restricted Stock Award Agreement with Executive Long-Term Compensation Agreements.				X

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
<b>Statements re computation of ratios</b>					
12	Ratio of Earnings to Fixed Charges				X
<b>Annual report to security holders</b>					
13	Portions of 2007 Annual Report				X
<b>Subsidiaries of the registrants</b>					
21	Significant Subsidiaries of Carnival Corporation and Carnival plc				X
<b>Consents of experts and counsel</b>					
23	Consent of Independent Registered Certified Public Accounting Firm				X
<b>Power of attorney</b>					
24	Powers of Attorney given by certain Directors of Carnival Corporation and Carnival plc to Micky Arison, Howard S. Frank, David Bernstein and Arnaldo Perez authorizing such persons to sign this 2007 joint Annual Report on Form 10-K and any future amendments on their behalf				X
<b>Rule 13a-14(a)/15d-14(a) Certifications</b>					
31.1	Certification of Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Operating Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.3	Certification of Senior Vice President and Chief Financial Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.4	Certification of Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.5	Certification of Chief Operating Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed/Furnished Herewith</u>
31.6	Certification of Senior Vice President and Chief Financial Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X

**Section 1350 Certifications**

32.1**	Certification of Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2**	Certification of Chief Operating Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.3**	Certification of Senior Vice President and Chief Financial Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.4**	Certification of Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.5**	Certification of Chief Operating Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.6**	Certification of Senior Vice President and Chief Financial Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X

\*Indicates a management contract or compensation plan or arrangement.

\*\*These items are furnished and not filed.

January 11, 2008

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Judiciary Plaza  
Washington, DC 20549

RE: Carnival Corporation,  
Commission File No. 1-9610, and Carnival plc, Commission File No. 1-15136

Gentlemen:

Pursuant to Item 601(b)(4)(iii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, Carnival Corporation and Carnival plc (the "Companies") hereby agree to furnish copies of certain long-term debt instruments to the Securities and Exchange Commission upon the request of the Commission, and, in accordance with such regulation, such instruments are not being filed as part of the joint Annual Report on Form 10-K of the Companies for their year ended November 30, 2007.

Very truly yours,

CARNIVAL CORPORATION AND CARNIVAL PLC

/s/ Arnaldo Perez

Senior Vice President, General Counsel  
and Secretary

**CARNIVAL CORPORATION & PLC**  
**Ratio of Earnings to Fixed Charges**  
(in millions, except ratios)

	<b>Years Ended November 30,</b>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income	\$2,408	\$2,279	\$2,253	\$1,809	\$ 1,187
Income tax expense, net	16	39	72	47	29
Income before income taxes	<u>2,424</u>	<u>2,318</u>	<u>2,325</u>	<u>1,856</u>	<u>1,216</u>
Fixed charges					
Interest expense, net	367	312	330	284	195
Interest portion of rent expense (a)	15	16	17	17	16
Capitalized interest	<u>44</u>	<u>37</u>	<u>21</u>	<u>26</u>	<u>49</u>
Total fixed charges	<u>426</u>	<u>365</u>	<u>368</u>	<u>327</u>	<u>260</u>
Fixed charges not affecting earnings:					
Capitalized interest	<u>(44)</u>	<u>(37)</u>	<u>(21)</u>	<u>(26)</u>	<u>(49)</u>
Earnings before fixed charges	<u>\$2,806</u>	<u>\$2,646</u>	<u>\$2,672</u>	<u>\$2,157</u>	<u>\$ 1,427</u>
Ratio of earnings to fixed charges	<u>6.6x</u>	<u>7.2x</u>	<u>7.3x</u>	<u>6.6x</u>	<u>5.5x</u>

(a) Represents one-third of rent expense, which we believe to be representative of the interest portion of rent expense.

**CARNIVAL CORPORATION & PLC**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions, except per share data)

	<u>Years Ended November 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>			
Cruise			
Passenger tickets	\$ 9,792	\$ 8,903	\$ 8,399
Onboard and other	2,846	2,514	2,338
Other	395	422	357
	<u>13,033</u>	<u>11,839</u>	<u>11,094</u>
<b>Costs and Expenses</b>			
Operating			
Cruise			
Commissions, transportation and other	1,941	1,749	1,645
Onboard and other	495	453	412
Payroll and related	1,336	1,158	1,122
Fuel	1,096	935	707
Food	747	644	613
Other ship operating	1,717	1,538	1,465
Other	296	314	254
Total	<u>7,628</u>	<u>6,791</u>	<u>6,218</u>
Selling and administrative	1,579	1,447	1,335
Depreciation and amortization	<u>1,101</u>	<u>988</u>	<u>902</u>
	<u>10,308</u>	<u>9,226</u>	<u>8,455</u>
<b>Operating Income</b>	<u>2,725</u>	<u>2,613</u>	<u>2,639</u>
<b>Nonoperating (Expense) Income</b>			
Interest income	67	25	29
Interest expense, net of capitalized interest	(367)	(312)	(330)
Other expense, net	(1)	(8)	(13)
	<u>(301)</u>	<u>(295)</u>	<u>(314)</u>
<b>Income Before Income Taxes</b>	2,424	2,318	2,325
<b>Income Tax Expense, Net</b>	<u>(16)</u>	<u>(39)</u>	<u>(72)</u>
<b>Net Income</b>	<u>\$ 2,408</u>	<u>\$ 2,279</u>	<u>\$ 2,253</u>
<b>Earnings Per Share</b>			
Basic	<u>\$ 3.04</u>	<u>\$ 2.85</u>	<u>\$ 2.80</u>
Diluted	<u>\$ 2.95</u>	<u>\$ 2.77</u>	<u>\$ 2.70</u>
<b>Dividends Per Share</b>	<u>\$ 1.375</u>	<u>\$ 1.025</u>	<u>\$ 0.80</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CARNIVAL CORPORATION & PLC**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except par values)

	<b>November 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 943	\$ 1,163
Trade and other receivables, net	436	280
Inventories	331	263
Prepaid expenses and other	266	289
Total current assets	1,976	1,995
<b>Property and Equipment, Net</b>	26,639	23,458
<b>Goodwill</b>	3,610	3,313
<b>Trademarks</b>	1,393	1,321
<b>Other Assets</b>	563	465
	<b>\$34,181</b>	<b>\$30,552</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 115	\$ 438
Current portion of long-term debt	1,028	1,054
Convertible debt subject to current put options	1,396	
Accounts payable	561	438
Accrued liabilities and other	1,353	1,149
Customer deposits	2,807	2,336
Total current liabilities	7,260	5,415
<b>Long-Term Debt</b>	6,313	6,355
<b>Other Long-Term Liabilities and Deferred Income</b>	645	572
<b>Commitments and Contingencies (Notes 6 and 7)</b>		
<b>Shareholders' Equity</b>		
Common stock of Carnival Corporation; \$.01 par value; 1,960 shares authorized; 643 shares at 2007 and 641 shares at 2006 issued	6	6
Ordinary shares of Carnival plc; \$1.66 par value; 226 shares authorized; 213 shares at 2007 and 2006 issued	354	354
Additional paid-in capital	7,599	7,479
Retained earnings	12,921	11,600
Accumulated other comprehensive income	1,296	661
Treasury stock; 19 shares at 2007 and 18 shares at 2006 of Carnival Corporation and 50 shares at 2007 and 42 shares at 2006 of Carnival plc, at cost	(2,213)	(1,890)
Total shareholders' equity	19,963	18,210
	<b>\$34,181</b>	<b>\$30,552</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CARNIVAL CORPORATION & PLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

	<u>Years Ended November 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>			
Net income	\$2,408	\$2,279	\$2,253
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,101	988	902
Share-based compensation	64	68	12
Non-cruise investment write-down		10	22
Accretion of original issue discount	10	9	20
Other	16		3
Changes in operating assets and liabilities, excluding businesses acquired and sold			
Receivables	(119)	118	(71)
Inventories	(57)	(5)	(15)
Prepaid expenses and other	(56)	6	(136)
Accounts payable	109	(53)	53
Accrued and other liabilities	163	(11)	155
Customer deposits	430	224	212
Net cash provided by operating activities	<u>4,069</u>	<u>3,633</u>	<u>3,410</u>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	(3,312)	(2,480)	(1,977)
Purchases of short-term investments	(2,098)	(18)	(935)
Sales of short-term investments	2,078	6	943
Acquisition of business, net of cash acquired and sales of businesses	(339)		
Other, net	(75)	49	(1)
Net cash used in investing activities	<u>(3,746)</u>	<u>(2,443)</u>	<u>(1,970)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of long-term debt	2,654	2,241	1,152
Principal repayments of long-term debt	(1,656)	(2,537)	(1,096)
Dividends paid	(990)	(803)	(566)
(Repayments of) proceeds from short-term borrowings, net	(330)	661	(58)
Purchases of treasury stock	(326)	(841)	(386)
Proceeds from exercise of stock options	51	66	63
Other, net	(7)	1	(1)
Net cash used in financing activities	<u>(604)</u>	<u>(1,212)</u>	<u>(892)</u>
Effect of exchange rate changes on cash and cash equivalents	61	7	(13)
Net (decrease) increase in cash and cash equivalents	(220)	(15)	535
Cash and cash equivalents at beginning of year	<u>1,163</u>	<u>1,178</u>	<u>643</u>
Cash and cash equivalents at end of year	<u>\$ 943</u>	<u>\$1,163</u>	<u>\$1,178</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CARNIVAL CORPORATION & PLC**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in millions)

	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	Unearned stock compen- sation	Accumulated other comprehensive income	Treasury stock	Total share- holders' equity
Balances at November 30, 2004	\$6	\$353	\$7,311	\$ 8,535	\$(16)	\$ 541	\$(1,058)	\$15,672
Comprehensive income:								
Net income				2,253				2,253
Foreign currency translation adjustment						(395)		(395)
Minimum pension liability adjustments						(2)		(2)
Changes related to cash flow derivative hedges, net						15		15
Total comprehensive income								<u>1,871</u>
Cash dividends declared				(647)				(647)
Issuance of stock under stock plans			73		(9)			64
Amortization of unearned stock compensation					12			12
Purchases of treasury stock							(386)	(386)
Issuance of common stock upon conversion of convertible debt			(3)				300	297
Balances at November 30, 2005	<u>6</u>	<u>353</u>	<u>7,381</u>	<u>10,141</u>	<u>(13)</u>	<u>159</u>	<u>(1,144)</u>	<u>16,883</u>
Adoption of SFAS No. 123(R)			(13)		13			
Comprehensive income:								
Net income				2,279				2,279
Foreign currency translation adjustment						496		496
Minimum pension liability adjustments						2		2
Changes related to cash flow derivative hedges, net						4		4
Total comprehensive income								<u>2,781</u>
Cash dividends declared				(820)				(820)
Issuance of stock under stock plans		1	133					134
Purchases of treasury stock							(837)	(837)
Issuance of common stock upon conversion of convertible debt			(22)				91	69
Balances at November 30, 2006	<u>6</u>	<u>354</u>	<u>7,479</u>	<u>11,600</u>	<u>—</u>	<u>661</u>	<u>(1,890)</u>	<u>18,210</u>
Comprehensive income:								
Net income				2,408				2,408
Foreign currency translation adjustment						649		649
Unrealized loss on marketable security						(5)		(5)
Minimum pension liability adjustments						(8)		(8)
Changes related to cash flow derivative hedges, net						6		6
Total comprehensive income								<u>3,050</u>
Cash dividends declared				(1,087)				(1,087)
Issuance of stock under stock plans			115					115
Purchases of treasury stock							(326)	(326)
Issuance of common stock upon conversion of convertible debt			5				3	8
Adoption of SFAS No. 158 (Note 12)						(7)		(7)
Balances at November 30, 2007	<u>\$6</u>	<u>\$354</u>	<u>\$7,599</u>	<u>\$12,921</u>	<u>\$—</u>	<u>\$1,296</u>	<u>\$(2,213)</u>	<u>\$19,963</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CARNIVAL CORPORATION & PLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - General**

**Description of Business**

Carnival Corporation is incorporated in Panama, and Carnival plc is incorporated in England and Wales. Carnival Corporation and Carnival plc operate a dual listed company ("DLC"), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation's articles of incorporation and by-laws and Carnival plc's memorandum of association and articles of association. The two companies operate as if they are a single economic enterprise, but each has retained its separate legal identity. Each company's shares are publicly traded; on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange for Carnival plc. In addition, Carnival plc American Depository Shares are traded on the NYSE. See Note 3.

The accompanying consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries. Together with their consolidated subsidiaries they are referred to collectively in these consolidated financial statements and elsewhere in this 2007 Annual Report as "Carnival Corporation & plc," "our," "us," and "we."

We are the largest cruise company and one of the largest vacation companies in the world. As of November 30, 2007, a summary by brand of our passenger capacity, the number of cruise ships we operate, and the primary areas in which they are marketed is as follows:

<u>Cruise Brands</u>	<u>Passenger Capacity(a)</u>	<u>Number of Cruise Ships</u>	<u>Primary Market</u>
Carnival Cruise Lines	50,770	22	North America
Princess Cruises ("Princess")	34,450	16	North America
Costa Cruises ("Costa")	23,196	12	Europe
Holland America Line	18,916	13	North America
P&O Cruises	8,840	5	United Kingdom
Cunard Line ("Cunard")	6,360	3	United Kingdom and North America
AIDA Cruises ("AIDA")	5,762	4	Germany
P&O Cruises Australia	4,070	3	Australia and New Zealand
Ocean Village	3,286	2	United Kingdom
Ibero Cruises	2,078	2	Spain
The Yachts of Seabourn ("Seabourn")	624	3	North America
	<u>158,352</u>	<u>85</u>	

(a) In accordance with cruise industry practice, passenger capacity is calculated based on two passengers per cabin even though some cabins can accommodate three or more passengers.

**Preparation of Financial Statements**

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported and disclosed in our financial statements. Actual results could differ from these estimates. All significant intercompany balances and transactions are eliminated in consolidation.

**NOTE 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

We consolidate entities over which we have control (see Notes 3 and 15), as typically evidenced by a direct ownership interest of greater than 50%. For affiliates where significant influence over financial and operating policies exists, as typically evidenced by a direct ownership interest from 20% to 50%, the investment is accounted for using the equity method.

## Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include investments with maturities of three months or less at acquisition, which are stated at cost. At November 30, 2007 and 2006, cash and cash equivalents are primarily comprised of money market funds, time deposits and commercial paper.

As of November 30, 2007 and 2006, our short-term investments were not significant. Purchases and sales of short-term investments included in our Consolidated Statements of Cash Flows consisted of investments with original maturities greater than three months with variable interest rates, which typically reset every 28 days. Despite the long-term nature of their stated contractual maturities, we generally had the ability to quickly liquidate these securities and, accordingly, they are considered short-term investments. All income generated from these investments is recorded as interest income.

## Inventories

Inventories consist of provisions, gift shop and art merchandise held for resale, fuel and supplies carried at the lower of cost or market. Cost is determined using the weighted-average or first-in, first-out methods.

## Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization were computed using the straight-line method over our estimates of average useful lives and residual values, as a percentage of original cost, as follows:

	<u>Residual Values</u>	<u>Years</u>
Ships	15%	30
Ship improvements	0% or 15%	3-28
Buildings and improvements	0-10%	5-35
Computer hardware and software	0-10%	3-7
Transportation equipment and other	0-15%	2-20
Leasehold improvements, including port facilities		Shorter of lease term or related asset life

Ship improvement costs that we believe add value to our ships are capitalized to the ships, and depreciated over the improvements' estimated useful lives, while costs of repairs and maintenance, including minor improvement costs, are charged to expense as incurred. We capitalize interest as part of acquiring ships and other capital projects during their construction period. The specifically identified or estimated cost and accumulated depreciation of previously capitalized ship components are written off upon replacement or refurbishment.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of our asset based on our estimate of its undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value.

Dry-dock costs primarily represent planned major maintenance activities that are incurred when a ship is taken out of service for scheduled maintenance. These costs are expensed as incurred.

## Goodwill

We review our goodwill for impairment annually, or, when events or circumstances dictate, more frequently. All of our goodwill has been allocated to our cruise reporting units. The significant changes to our goodwill carrying amounts since November 30, 2005 were the changes resulting from using different foreign currency translation rates at each balance

sheet date, the addition of \$161 million of Ibero Cruises goodwill in fiscal 2007 (see Note 15), and the \$20 million reduction to goodwill in fiscal 2006 resulting from the resolution of certain P&O Princess Cruises plc's ("P&O Princess") tax contingency liabilities that existed at the time of the DLC transaction.

Our goodwill impairment reviews consist of a two-step process of first determining the fair value of the reporting unit and comparing it to the carrying value of the net assets allocated to the reporting unit. Fair values of our reporting units were determined based on our estimates of market values. If this fair value exceeds the carrying value, which was the case for our reporting units, no further analysis or goodwill write-down is required. If the fair value of the reporting unit is less than the carrying value of the net assets, the implied fair value of the reporting unit is allocated to all the underlying assets and liabilities, including both recognized and unrecognized tangible and intangible assets, based on their fair value. If necessary, goodwill is then written-down to its implied fair value.

### **Trademarks**

The costs of developing and maintaining our trademarks are expensed as incurred. For certain of our acquisitions we have allocated a portion of the purchase prices to the acquiree's identified trademarks. Trademarks are estimated to have an indefinite useful life and, therefore, are not amortizable, but are reviewed for impairment annually, or, when events or circumstances dictate, more frequently. Our trademarks would be considered impaired if their carrying value exceeds their estimated fair value.

### **Derivative Instruments and Hedging Activities**

We utilize derivative and nonderivative financial instruments, such as foreign currency swaps, foreign currency debt obligations and foreign currency cash balances, to limit our exposure to fluctuations in foreign currency exchange rates, and interest rate swaps to manage our interest rate exposure and to achieve a desired proportion of variable and fixed rate debt (see Notes 5 and 10).

All derivatives are recorded at fair value, and the changes in fair value are immediately included in earnings if the derivatives do not qualify as being effective hedges. If a derivative is a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is a cash flow hedge, then changes in the fair value of the derivative are recognized as a component of accumulated other comprehensive income ("AOCI") until the underlying hedged item is recognized in earnings. If a derivative or a nonderivative financial instrument is designated as a hedge of our net investment in a foreign subsidiary, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is liquidated. We formally document all hedging relationships for all derivative and nonderivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair value of our derivative contracts and the fair value of our offsetting hedged firm commitments as either current or long-term, which are included in prepaid expenses and other assets and accrued and other liabilities, depending on whether the maturity date of the derivative contract is within or beyond one year from our balance sheet dates. The cash flows from derivatives treated as hedges are classified in our Consolidated Statements of Cash Flows in the same category as the item being hedged.

During fiscal 2007, 2006 and 2005, all net changes in the fair value of both our fair value hedges and the offsetting hedged firm commitments and our cash flow hedges were immaterial, as were any ineffective portions of these hedges. No fair value hedges or cash flow hedges were derecognized or discontinued in fiscal 2007, 2006 or 2005. In addition, the amount of realized net losses or gains from cash flow hedges that were reclassified into earnings during fiscal 2007, 2006 and 2005 were not significant. The amount of estimated cash flow hedges unrealized net losses which are expected to be reclassified to earnings in the next twelve months is also not significant.

If any shipyard with which we have contracts to build our ships is unable to perform, we would be required to perform under our foreign currency swaps related to these shipbuilding contracts. Accordingly, based upon the circumstances, we may have to discontinue the accounting for those currency swaps as hedges, if the shipyard cannot perform. However, we believe that the risk of shipyard nonperformance is remote.

### **Revenue and Expense Recognition**

Guest cruise deposits represent unearned revenues and are initially recorded as customer deposit liabilities when received. Customer deposits are subsequently recognized as cruise revenues, together with revenues from onboard and other activities, which include transportation and shore excursion revenues and all associated direct costs of a voyage, upon completion of voyages with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. Future travel discount vouchers issued to guests are typically recorded as a reduction of revenues when such vouchers are utilized. Cancellation fees are recognized in revenues at the time of the cancellation. Revenues and expenses from our tour and travel services are recognized at the time the services are performed or expenses are incurred. Port and other taxes assessed on a per guest basis by a government or quasi-governmental entity are excluded from expenses as they are presented on a net basis against the corresponding amounts collected from our guests, which are excluded from revenues.

Our sale to guests of air and other transportation to and from our ships and the related cost of purchasing this service is recorded as cruise passenger ticket revenues and cruise transportation costs, respectively. The proceeds that we collect from the sale of third party shore excursions and on behalf of onboard concessionaires, net of the amounts remitted to them, are recorded as concession revenues, on a net basis, in onboard and other cruise revenues.

### **Insurance/Self-Insurance**

We use a combination of insurance and self-insurance for a number of risks including claims related to crew and guests, hull and machinery, war risk, workers' compensation, property damage and general liability. Liabilities associated with certain of these risks, including crew and guest claims, are estimated actuarially based on, among other things, historical claims experience, loss development factors and other assumptions. Our expected loss accruals are based on estimates, and while we believe the amounts accrued are adequate, the ultimate loss may differ from the amounts provided.

### **Selling and Administrative Expenses**

Selling expenses include items such as advertising, marketing, promotional and related costs. Advertising costs are charged to expense as incurred except for brochures and media production costs. The brochures and media production costs are recorded as prepaid expenses and charged to expense as consumed or upon the first airing of the advertisement, respectively. Advertising expenses totaled \$508 million, \$464 million and \$455 million in fiscal 2007, 2006 and 2005, respectively. At November 30, 2007 and 2006, the amount of advertising costs included in prepaid expenses was not significant. Administrative expenses represent the costs of our shoreside ship support, reservation and other administrative functions and include items such as salaries and related benefits, professional fees and occupancy costs, which are typically expensed as incurred.

### **Foreign Currency Translations and Transactions**

We translate the assets and liabilities of our foreign subsidiaries that have functional currencies other than the U.S. dollar at exchange rates in effect at the balance sheet dates. Revenues and expenses of these foreign subsidiaries are translated at weighted-average exchange rates for the period. Equity is translated at historical rates and the resulting cumulative foreign currency translation adjustments are included as a component of AOCI. Therefore, the U.S. dollar value of these non-equity translated items in our financial statements will fluctuate from period to period, depending on the changing value of the dollar against these non-U.S. dollar functional currencies.

Exchange gains and losses arising from the remeasurement of monetary assets and liabilities, and foreign currency transactions denominated in a currency other than the functional currency of the entity involved are immediately included in nonoperating earnings, unless such assets and net liabilities have been designated to act as hedges of ship commitments or net investments in our foreign subsidiaries, respectively. In addition, the unrealized exchange gains or losses on our long-term intercompany receivables denominated in a non-functional currency, which are not expected to be repaid in the foreseeable future and are therefore considered to form part of our net investments, are recorded as a foreign currency translation adjustment, which is included as a component of AOCI. Net foreign currency transaction gains or losses recorded in our earnings were insignificant in fiscal 2007, 2006 and 2005.

### **Earnings Per Share**

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock and ordinary shares outstanding during each period. Diluted earnings per share is computed by dividing adjusted net income by the weighted-average number of shares of common stock and ordinary shares, common stock equivalents and other potentially dilutive securities outstanding during each period. For earnings per share purposes, Carnival Corporation common stock and Carnival plc ordinary shares are considered a single class of shares because of their equivalent rights (see Note 3). All shares that are issuable under our outstanding convertible notes that have contingent share conversion features have been considered outstanding for our diluted earnings per share computations, if dilutive, using the "if converted" method of accounting from the date of issuance.

### **Share-Based Compensation**

Effective December 1, 2005, we adopted the provisions of Statement of Financial Accounting Standard ("SFAS") No. 123(revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), which requires us to measure and recognize compensation expense for all share-based compensation awards. We adopted SFAS No. 123(R) using the modified prospective application transition method. Under this method, the share-based compensation cost recognized beginning December 1, 2005 includes compensation cost for (i) all share-based payments granted prior to, but not vested as of, December 1, 2005, based on the grant date fair value originally estimated in accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), and (ii) all share-based payments granted subsequent to November 30, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Prior to December 1, 2005, as allowed under the then outstanding accounting principles, we did not recognize compensation expense for the issuance of stock options with an exercise price equal to or greater than the market price of the underlying shares at the date of grant.

Compensation cost under SFAS No. 123(R) is recognized ratably using the straight-line attribution method over the expected vesting period or to the retirement eligibility date, if less than the vesting period, when vesting is not contingent upon any future performance. In addition, pursuant to SFAS No. 123(R) we are required to estimate the amount of expected forfeitures, which we estimate based on historical forfeiture experience, when calculating compensation cost. If the actual forfeitures that occur are different from the estimate, then we revise our estimates. The effect of adopting SFAS No. 123(R) in 2006 was to reduce our net income by \$57 million and our basic and diluted earnings per share by \$0.07. Fiscal 2005 was not restated under this transition method.

### **Concentrations of Credit Risk**

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Credit risk, including counterparty nonperformance under derivative instruments, contingent obligations and new ship progress payment guarantees, is considered minimal, as we primarily conduct business with large, well-established financial institutions who have long-term credit ratings of A or above, and we seek to diversify our counterparties. In addition, we have established guidelines regarding credit ratings and investment maturities that we follow to maintain safety and liquidity. We do not anticipate nonperformance by any of our significant counterparties.

We also monitor the creditworthiness of foreign travel agencies and tour operators to which we grant credit terms in the normal course of our business. Concentrations of credit risk associated with these receivables are considered minimal primarily due to their short maturities and the large number of accounts within our customer base. We have experienced only minimal credit losses on our trade receivables. We do not normally require collateral or other security to support normal credit sales. However, we do normally require collateral and/or guarantees to support notes receivable on significant asset sales and new ship progress payments to shipyards.

### **NOTE 3 - DLC Structure**

In 2003, Carnival Corporation and Carnival plc (formerly known as P&O Princess) completed a DLC transaction, which implemented Carnival Corporation & plc's DLC structure. The contracts governing the DLC structure provide that Carnival Corporation and Carnival plc each continue to have separate boards of directors, but the boards and senior executive management of both companies are identical. The amendments to the constituent documents of each of the companies also provide that, on most matters, the holders of the common equity of both companies effectively vote as a single body. On specified matters where the interests of Carnival Corporation's shareholders may differ from the interests of Carnival plc's shareholders (a "class rights action"), each shareholder body will vote separately as a class, such as transactions primarily designed to amend or unwind the DLC structure. Generally, no class rights action will be implemented unless approved by both shareholder bodies.

Upon the closing of the DLC transaction, Carnival Corporation and Carnival plc also executed the Equalization and Governance Agreement, which provides for the equalization of dividends and liquidation distributions based on an equalization ratio and contains provisions relating to the governance of the DLC structure. Because the current equalization ratio is 1 to 1, one Carnival plc ordinary share is entitled to the same distributions, subject to the terms of the Equalization and Governance Agreement, as one share of Carnival Corporation common stock. In a liquidation of either company or both companies, if the hypothetical potential per share liquidation distributions to each company's shareholders are not equivalent, taking into account the relative value of the two companies' assets and the indebtedness of each company, to the extent that one company has greater net assets so that any liquidation distribution to its shareholders would not be equivalent on a per share basis, the company with the ability to make a higher net distribution is required to make a payment to the other company to equalize the possible net distribution to shareholders, subject to certain exceptions.

At the closing of the DLC transaction, Carnival Corporation and Carnival plc also executed deeds of guarantee. Under the terms of Carnival Corporation's deed of guarantee, Carnival Corporation has agreed to guarantee all indebtedness and certain other monetary obligations of Carnival plc that are incurred under agreements entered into on or after the closing date of the DLC transaction. The terms of Carnival plc's deed of guarantee are identical to those of Carnival Corporation's. In addition, Carnival Corporation and Carnival plc have each extended their respective deeds of guarantee to the other's pre-DLC indebtedness and certain other monetary obligations, or alternatively have provided standalone guarantees in lieu of utilization of these deeds of guarantee, thus effectively cross guaranteeing all Carnival Corporation and Carnival plc indebtedness and certain other monetary obligations. Each deed of guarantee provides that the creditors to whom the obligations are owed are intended third party beneficiaries of such deed of guarantee.

The deeds of guarantee are governed and construed in accordance with the laws of the Isle of Man. Subject to the terms of the deeds of guarantee, the holders of indebtedness and other obligations that are subject to the deeds of guarantee will have recourse to both Carnival plc and Carnival Corporation though a Carnival plc creditor must first make written demand on Carnival plc and a Carnival Corporation creditor on Carnival Corporation. Once the written demand is made by letter or other form of notice, the holders of indebtedness or other obligations may immediately commence an action against the relevant guarantor. Accordingly, there is no requirement under the deeds of guarantee to obtain a judgment, take other enforcement actions or wait any period of time prior to taking steps against the relevant guarantor. All actions or proceedings arising out of or in connection with the deeds of guarantee must be exclusively brought in courts in England.

Under the terms of the DLC transaction documents, Carnival Corporation and Carnival plc are permitted to transfer assets between the companies, make loans or investments in each other and otherwise enter into intercompany transactions. The companies have entered into some of these types of transactions and may enter into additional transactions in the future to take advantage of the flexibility provided by the DLC structure and to operate both companies as a single unified economic enterprise in the most effective manner. In addition, under the terms of the Equalization and Governance Agreement and the deeds of guarantee, the cash flow and assets of one company are required to be used to pay the obligations of the other company, if necessary.

Given the DLC structure as described above, we believe that providing separate financial statements for each of Carnival Corporation and Carnival plc would not present a true and fair view of the economic realities of their operations. Accordingly, separate financial statements for both Carnival Corporation and Carnival plc have not been presented.

Simultaneously with the completion of the DLC transaction, a partial share offer ("PSO") for 20% of Carnival plc's shares was made and accepted, which enabled 20% of Carnival plc shares to be exchanged for 41.7 million Carnival Corporation shares. The 41.7 million shares of Carnival plc held by Carnival Corporation as a result of the PSO, which cost \$1.05 billion, are being accounted for as treasury stock in the accompanying balance sheets.

#### **NOTE 4 - Property and Equipment**

Property and equipment consisted of the following (in millions):

	<u>November 30,</u>	
	<u>2007</u>	<u>2006</u>
Ships	\$29,324	\$26,054
Ships under construction	<u>1,655</u>	<u>922</u>
	30,979	26,976
Land, buildings and improvements, and port facilities	717	675
Computer hardware and software, transportation equipment and other	<u>844</u>	<u>762</u>
Total property and equipment	32,540	28,413
Less accumulated depreciation and amortization	<u>(5,901)</u>	<u>(4,955)</u>
	<u>\$26,639</u>	<u>\$23,458</u>

Capitalized interest, primarily on our ships under construction, amounted to \$44 million, \$37 million and \$21 million in fiscal 2007, 2006 and 2005, respectively. Amounts related to ships under construction include progress payments for the construction of the ship, as well as design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. At November 30, 2007, six ships with an aggregate net book value of \$2.25 billion were pledged as collateral pursuant to mortgages related to \$950 million of debt and a \$488 million contingent obligation (see Notes 5 and 6).

Repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were \$561 million, \$518 million and \$554 million in fiscal 2007, 2006 and 2005, respectively.

#### **NOTE 5 - Debt**

Long-term debt and short-term borrowings consisted of the following (in millions):

	<u>November 30,</u>	
	<u>2007 (a)</u>	<u>2006 (a)</u>
<b>Secured Long-term Debt</b>		
Floating rate notes, collateralized by four ships, bearing interest from LIBOR plus 1.13% to LIBOR plus 1.29% (5.9% to 6.7% at 2007 and 6.5% to 6.8% at 2006), due through 2015(b)	\$ 556	\$ 672
Fixed rate notes, collateralized by two ships, bearing interest at 5.4% and 5.5%, due through 2016(b)	378	379
Euro floating rate note, collateralized by one ship, bearing interest at EURIBOR plus 0.5% (5.31% at 2007 and 4.0% at 2006), due through 2008	16	43
Euro fixed rate note, collateralized by one ship, bearing interest at 4.74%		134
Other	<u>2</u>	<u>1</u>
<b>Total Secured</b>	<u>952</u>	<u>1,229</u>
<b>Unsecured Long-term Debt and Short-term Borrowings</b>		
Revolving credit facility, bearing interest at LIBOR plus 0.175% (4.5% at 2007) (c)	1,019	
Fixed rate notes, bearing interest at 3.75% to 7.2%, due through 2028(d) (e)	2,793	2,542
Euro fixed rate notes, bearing interest at 4.4% to 4.74% in 2007 and 4.4% in 2006, due through 2013	1,230	985
Euro floating rate notes, bearing interest at EURIBOR plus 0.18% to EURIBOR plus 0.33% (4.47% to 4.83% at 2007 and 3.83% at 2006), due through 2019(e)	879	486
Sterling fixed rate notes, bearing interest at 5.63%, due in 2012	437	415
Sterling floating rate note, bearing interest at GBP LIBOR plus 0.33% (5.52% at 2006)		322
Other	31	34
Convertible notes, bearing interest at 2%, due in 2021, with next put option in 2008	595	599
Convertible notes, bearing interest at 1.75%, net of discount, with a face value of \$889 million, due in 2033, with first put option in 2008	575	575
Zero-coupon convertible notes, net of discount, with a face value of \$378 million at 2007 and \$386 million at 2006, due in 2021, with next put option in 2008	<u>226</u>	<u>222</u>
<b>Total Unsecured Long-term Debt</b>	<u>7,785</u>	<u>6,180</u>
U.S. bank loans and commercial paper, with weighted-average interest rates of 4.8% at 2007 and 5.4% at 2006	15	381
Euro bank loans with weighted-average interest rates of 4.3% at 2007 and 3.6% at 2006	<u>100</u>	<u>57</u>
<b>Total Unsecured Short-term Borrowings</b>	<u>115</u>	<u>438</u>
<b>Total Unsecured</b>	<u>7,900</u>	<u>6,618</u>
<b>Total Debt</b>	<u>8,852</u>	<u>7,847</u>
Less short-term borrowings	(115)	(438)
Less current portion of long-term debt	(1,028)	(1,054)
Less convertible debt subject to current put options	<u>(1,396)</u>	
<b>Total Long-term Debt</b>	<u>\$6,313</u>	<u>\$6,355</u>

- (a) All interest rates are as of year ends. At November 30, 2007, 53%, 37% and 10%, (57%, 29% and 14% at November 30, 2006) of our debt was U.S. dollar, Euro and Sterling-denominated, respectively, including the effect of foreign currency swaps. At November 30, 2007 and 2006, 69% and 31% (68% and 32% at November 30, 2006) of our debt bore fixed and variable interest rates, including the effect of interest rate swaps, respectively.
- (b) A portion of two Princess ships has been financed with borrowings having both fixed and variable interest rate components.

- (c) We do not intend to repay €250 million and €185 million (aggregate of \$645 million U.S. dollars at the November 30, 2007 exchange rate) of our outstanding revolving credit facility debt prior to 2010 and 2012, respectively, and since we have the ability to refinance this on a long-term basis, it has been classified as long-term debt in the accompanying November 30, 2007 balance sheet.
- (d) In fiscal 2007, we borrowed \$360 million, \$380 million, €234 million (\$347 million U.S. dollars at the November 30, 2007 exchange rate) and \$434 million under unsecured term loan facilities, which proceeds were used to pay a portion of the *Carnival Freedom*, *Emerald Princess*, *AIDAdiva* and *Queen Victoria* purchase prices, respectively. These facilities bear an aggregate weighted-average interest rate of 4.5% at November 30, 2007, and are repayable in semi-annual installments through 2019.
- (e) Includes an aggregate \$1.32 billion of debt whose interest rate may increase upon reductions in the senior unsecured credit ratings of Carnival Corporation or Carnival plc.

At November 30, 2007, the scheduled annual maturities of our debt was as follows (in millions): \$2,539, \$329, \$1,342, \$325, \$1,028 and \$3,289 in fiscal 2008 through 2012 and thereafter, respectively.

Debt issuance costs are generally amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the notes or the noteholders first put option date, whichever is earlier. In addition, all debt issue discounts are amortized to interest expense using the effective interest rate method over the term of the notes.

### **Convertible Notes**

Carnival Corporation's 2% convertible notes ("2% Notes"), 1.75% convertible notes ("1.75% Notes") and zero-coupon convertible notes ("Zero-Coupon Notes") are convertible into 15.2 million shares, a maximum of 20.9 million shares (10.8 million shares during fiscal 2007) and 6.3 million shares, respectively, of Carnival Corporation common stock.

The 2% Notes are convertible at a conversion price of \$39.14 per share, subject to adjustment, during any fiscal quarter for which the closing price of the Carnival Corporation common stock is greater than \$43.05 per share for a defined duration of time in the preceding fiscal quarter. The conditions for conversion of the 2% Notes were satisfied throughout 2007 and 2005, and during the first and last quarters of fiscal 2006. In fiscal 2007, \$4 million of our 2% Notes were converted into 0.1 million shares of Carnival Corporation common stock, of which a nominal amount was issued from treasury stock and in fiscal 2006 and 2005 only nominal amounts were converted.

The 1.75% Notes are convertible at a conversion price of \$53.11 per share, subject to adjustment, during any fiscal quarter for which the closing price of the Carnival Corporation common stock is greater than a specified trigger price for a defined duration of time in the preceding fiscal quarter. During the fiscal quarters ending from August 31, 2003 through April 29, 2008, the trigger price is \$63.73 per share. Thereafter, this conversion trigger price increases each quarter based on an annual rate of 1.75%, until maturity. The conditions for conversion of the 1.75% Notes have not yet been satisfied. In addition, holders may also surrender the 1.75% Notes for conversion if their credit rating is Baa3 or lower by Moody's Investors Service and BBB- or lower by Standard & Poor's Rating Services. The 1.75% Notes interest is payable in cash semi-annually in arrears through April 29, 2008. Effective April 30, 2008, the 1.75% Notes no longer require a cash interest payment, but interest will accrete at a 1.75% yield to maturity.

The Zero-Coupon Notes have a 3.75% yield to maturity and are convertible during any fiscal quarter for which the closing price of the Carnival Corporation common stock is greater than a specified trigger price for a defined duration of time in the preceding fiscal quarter. The trigger price increases at an annual rate of 3.75% until maturity. The trigger price of \$39.55 for the 2007 fourth quarter was achieved and, accordingly, the Zero-Coupon Notes are convertible during the 2008 first quarter at a conversion price of \$35.96. During fiscal 2007, 2006 and 2005, \$4 million, \$69 million and \$297 million of our Zero-Coupon Notes were converted at their accreted value into 0.1 million, 2.1 million and 9.0 million shares of Carnival Corporation common stock, respectively, of which a nominal amount, 1.9 million and 6.2 million shares were issued from treasury stock, respectively. No Zero-Coupon Notes were converted prior to fiscal 2005.

At November 30, 2007, our 2% Notes, 1.75% Notes and Zero-Coupon Notes were classified as current liabilities, since we may be required to repurchase all or a portion of these notes at the option of the noteholders on April 15, 2008, April 29, 2008 and October 24, 2008, respectively. If the 2%, 1.75% and Zero-Coupon noteholders do not exercise their options, then we will change the classification of the notes to long-term, as the next holders' optional redemption date does not occur until after November 30, 2008 as noted below.

On April 29 of 2013, 2018, 2023 and 2028 the 1.75% noteholders, on October 24 of 2011 and 2016 the Zero-Coupon noteholders and on April 15, 2011 the 2% noteholders may require us to repurchase all or a portion of the outstanding 1.75% Notes and Zero-Coupon Notes at their accreted values and the 2% Notes at their face value plus any unpaid accrued interest.

Subsequent to April 28, 2008 and October 23, 2008, we may redeem all or a portion of the 1.75% Notes and Zero-Coupon Notes, respectively, at their accreted values and subsequent to April 14, 2008, we may redeem all or a portion of our 2% Notes at their face value plus any unpaid accrued interest, subject to the noteholders' right to convert.

Upon conversion, redemption or repurchase of the 1.75% Notes, the 2% Notes and the Zero-Coupon Notes, we may choose to deliver Carnival Corporation common stock, cash or a combination of cash and common stock with a total value equal to the value of the consideration otherwise deliverable.

### **Revolving Credit and Committed Financing Facilities**

Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries are parties to an unsecured multi-currency revolving credit facility for \$1.2 billion, €400 million and £200 million (aggregating \$2.21 billion U.S. dollars at the November 30, 2007 exchange rates) (the "Facility"). At November 30, 2007, €525 million (\$779 million U.S. dollars at the November 30, 2007 exchange rate) and \$240 million was outstanding under the Facility. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 17.5 basis points ("BPS"). In addition, we are required to pay a commitment fee of 30% of the margin per annum. Both the margin and the commitment fee will vary based on changes to Carnival Corporation's senior unsecured credit ratings. If more than 50% of the Facility is drawn, we will incur an additional 5 BPS utilization fee on the total amount outstanding. Substantially all of this Facility expires in October 2012.

Our multi-currency commercial paper programs are supported by this Facility and, accordingly, any amounts outstanding under our commercial paper programs effectively reduce the aggregate amount available under this Facility. At November 30, 2007, we had no borrowings outstanding under our U.S. or multi-currency commercial paper programs. This Facility also supports £51 million (\$106 million U.S. dollars at the November 30, 2007 exchange rate) of bonds issued by the Facility lenders on behalf of Carnival Corporation & plc. At November 30, 2007, \$1.08 billion was available under the Facility, based on the November 30, 2007 exchange rates.

At November 30, 2007, we had a total of four separate unsecured long-term ship loan financing facilities under which we have the option to borrow up to an aggregate of \$1.78 billion to finance a portion of the purchase price of four new ships currently under contract. These ships are expected to be delivered through 2009. These facilities are repayable semi-annually over a 12 year period. However, we have the option to terminate each facility up until 60 days prior to the underlying ship's delivery date.

The Facility and our other loan and derivative agreements contain covenants that require us, among other things, to maintain minimum debt service coverage and minimum shareholders' equity, and to limit our debt to capital and debt to equity ratios, and the amounts of our secured assets and secured indebtedness. Generally, if an event of default under any loan agreement is triggered, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due and the underlying facilities could be terminated. At November 30, 2007, we believe we were in compliance with all of our debt covenants.

In January 2008, we entered into three separate unsecured \$500 million variable rate revolving credit facilities for an aggregate of \$1.5 billion, each of which will expire on December 31, 2008.

**NOTE 6 - Commitments**

**Ship Commitments**

A description of our ships under contract for construction at November 30, 2007, as adjusted for our new ship orders placed in December 2007, was as follows:

<u>Brand and Ship</u>	<u>Expected Service Date(a)</u>	<u>Passenger Capacity</u>	<u>Estimated Total Cost(b)</u>		
			<u>Euro</u>	<u>Sterling</u>	<u>USD</u>
(in millions)					
<b>Carnival Cruise Lines</b>					
<i>Carnival Splendor(c)</i>	7/08	3,000			\$ 640
<i>Carnival Dream</i>	10/09	3,652	€ 570		
<i>Carnival Magic</i>	6/11	3,652	570		
Total Carnival Cruise Lines		<u>10,304</u>	<u>1,140</u>		<u>640</u>
<b>Holland America Line</b>					
<i>Eurodam</i>	7/08	2,104			480
Newbuild	7/10	2,106	420		
Total Holland America Line		<u>4,210</u>	<u>420</u>		<u>480</u>
<b>Princess</b>					
<i>Ruby Princess</i>	11/08	3,080			<u>595</u>
<b>Seabourn</b>					
<i>Seabourn Odyssey</i>	6/09	450	200		
Newbuild	6/10	450	200		
Newbuild	6/11	450	200		
Total Seabourn		<u>1,350</u>	<u>600</u>		
<b>Costa (d)</b>					
<i>Costa Luminosa</i>	5/09	2,260	430		
<i>Costa Pacifica</i>	6/09	3,000	485		
Newbuild	2/10	2,260	430		
Newbuild	7/11	3,004	520		
Newbuild	5/12	3,004	520		
Total Costa		<u>13,528</u>	<u>2,385</u>		
<b>AIDA (d)</b>					
<i>AIDAbella</i>	4/08	2,050	315		
<i>AIDAluna</i>	4/09	2,050	315		
Newbuild	3/10	2,174	350		
Newbuild(e)	4/11	2,174	380		
Newbuild(e)	6/12	2,174	385		
Total AIDA		<u>10,622</u>	<u>1,745</u>		
<b>Cunard</b>					
<i>Queen Elizabeth</i>	10/10	2,092	500		
<b>P&amp;O Cruises</b>					
<i>Ventura(c)</i>	4/08	3,076		£ 355	
Newbuild	4/10	3,076	545		
Total P&O Cruises		<u>6,152</u>	<u>545</u>	<u>355</u>	
<b>Total Euro Commitments</b>			<u>€7,335</u>		
<b>Total Euro Commitments converted to USD(f)</b>					<u>10,875</u>
<b>Total Sterling Commitment</b>				<u>£ 355</u>	
<b>Total Sterling Commitment converted to USD(f)</b>					<u>740</u>
<b>Grand Total</b>		<u>51,338</u>			<u>\$13,330</u>

- (a) The expected service date is the month in which the ship is currently expected to begin its first revenue generating cruise.
- (b) Estimated total cost of the completed ship includes the contract price with the shipyard, design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. All of our ship construction contracts are with the Fincantieri shipyards in Italy, except for AIDA's and Seabourn's which are with the Meyer Werft shipyard in Germany and T. Mariotti shipyard in Italy, respectively. In addition, the estimated total cost reflects the currency denomination that we are committed to expend, including the effect of foreign currency swaps and nonderivative designated cash equivalent hedge balances.
- (c) These construction contracts are denominated in Euros and, accordingly, the Euro amounts have been fixed into Sterling or U.S. dollars, which are the functional currencies of the cruise brands that are expected to operate the ships, by utilizing foreign currency swaps and designated Euro cash equivalent balances.
- (d) These construction contracts are denominated in Euros, which is the functional currency of the cruise brands that are expected to operate the ships.
- (e) These ship orders were entered into in December 2007.
- (f) The estimated total costs of these contracts denominated in Euros and Sterling have been translated into U.S. dollars using the November 30, 2007 exchange rates.

In connection with our cruise ships under contract for construction listed above, we have paid \$1.01 billion through November 30, 2007 and anticipate paying the remaining estimated total costs as follows: \$2.68 billion, \$2.96 billion, \$3.33 billion, \$2.20 billion and \$1.15 billion in fiscal 2008, 2009, 2010, 2011 and 2012, respectively.

### **Operating Leases**

Rent expense under our operating leases, primarily for office, warehouse and ship operating leases, was \$46 million, \$47 million and \$50 million in fiscal 2007, 2006 and 2005, respectively. At November 30, 2007, minimum annual rentals for our operating leases, with initial or remaining terms in excess of one year, were as follows (in millions): \$38, \$40, \$33, \$31, \$30 and \$158 in fiscal 2008 through 2012 and thereafter, respectively.

### **Port Facilities and Other**

At November 30, 2007, minimum amounts payable for our annual usage of port facilities and other contractual commitments with remaining terms in excess of one year were as follows (in millions): \$111, \$95, \$75, \$51, \$45 and \$184 in fiscal 2008 through 2012 and thereafter, respectively.

## **NOTE 7 - Contingencies**

### **Litigation**

In January 2006, a lawsuit was filed against Carnival Corporation and its subsidiaries and affiliates, and other non-affiliated cruise lines in New York on behalf of a purported class of owners of intellectual property rights to musical plays and other works performed in the U.S. The plaintiffs claim infringement of copyrights to Broadway, off Broadway and other plays. The suit seeks payment of (i) damages, (ii) disgorgement of alleged profits and (iii) an injunction against future infringement. In the event that an award is given in favor of the plaintiffs, the amount of damages, if any, which Carnival Corporation and its subsidiaries and affiliates would have to pay is not currently determinable. The ultimate outcome of this matter cannot be determined at this time. However, we intend to vigorously defend this matter.

In the normal course of our business, various other claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits are covered by insurance and, accordingly, the maximum amount of our liability, net of any insurance recoverables, is typically limited to our self-insurance retention levels. However, the ultimate outcome of these claims and lawsuits which are not covered by insurance cannot be determined at this time.

## **Contingent Obligations**

At November 30, 2007, Carnival Corporation had contingent obligations totaling approximately \$1.07 billion to participants in lease out and lease back type transactions for three of its ships. At the inception of the leases, the entire amount of the contingent obligations was paid by Carnival Corporation to major financial institutions to enable them to directly pay these obligations. Accordingly, these obligations are considered extinguished, and neither the funds nor the contingent obligations have been included on our balance sheets. Carnival Corporation would only be required to make payments for these contingent obligations in the remote event of nonperformance by these major financial institutions, all of which have long-term credit ratings of AA or higher. In addition, Carnival Corporation obtained a direct guarantee from AA or higher rated financial institutions for \$278 million of the above noted contingent obligations, thereby further reducing the already remote exposure to this portion of the contingent obligations. In certain cases, if the credit ratings of the major financial institutions who are directly paying the contingent obligations fall below AA-, which we believe is remote, then Carnival Corporation will be required to move those funds being held by those institutions to other financial institutions whose credit ratings are AA- or above. If such unlikely events were to occur, we would incur costs that we estimate would not be material to our financial statements. If Carnival Corporation's credit rating, which is A-, falls below BBB, it would be required to provide a standby letter of credit for \$77 million, or alternatively provide mortgages in the aggregate amount of \$77 million on two of its ships.

In the unlikely event that Carnival Corporation were to terminate the three lease agreements early or default on its obligations, it would, as of November 30, 2007, have to pay a total of \$179 million in stipulated damages. As of November 30, 2007, \$183 million of standby letters of credit have been issued by a major financial institution in order to provide further security for the payment of these contingent stipulated damages. In addition, we have a \$170 million back-up letter of credit issued under a loan facility in support of these standby letters of credit. Between 2017 and 2022, we have the right to exercise options that would terminate these three lease transactions at no cost to us.

Some of the debt agreements that we enter into include indemnification provisions that obligate us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes, changes in laws that increase lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business. There are no stated or notional amounts included in the indemnification clauses and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. We have not been required to make any material payments under such indemnification clauses in the past and, under current circumstances, we do not believe a request for material future indemnification payments is probable.

## **War Risk Insurance**

We maintain war risk insurance, subject to coverage limits, deductibles and exclusions for claims such as those arising from chemical, nuclear and biological attacks, on all of our ships covering our legal liability to crew, guests and other third parties as well as loss or damage to our vessels arising from war or war-like actions, including terrorist incidents. Under the terms of our war risk insurance coverage, which is typical for war risk policies in the marine industry, underwriters can give seven days notice to the insured that the liability and physical damage policies will be cancelled.

## **NOTE 8 - Income and Other Taxes**

We are foreign corporations primarily engaged in the international operation of vessels. Generally, income from the international operation of vessels is subject to preferential tax regimes in the countries where the vessel owning companies are incorporated and exempt from income tax in other countries where the vessels call due to the application of income tax treaties or, in the case of the U.S., treaties or Section 883 of the Internal Revenue Code. Income we earn that is not associated with the international operation of ships or earned in countries without preferential tax regimes is subject to income tax in the countries where such income is earned.

Regulations have been issued under Section 883 that limit the types of income deemed to be derived from the international operation of a ship. Accordingly, our provision for U.S. federal income taxes includes taxes on a portion of our ship operations in addition to the transportation, hotel and tour businesses of Holland America Tours and Princess Tours. In addition, during the fourth quarter of 2005 and first quarter of 2006 we chartered three ships to the Military Sealift Command in connection with the Hurricane Katrina relief effort. Income from these charters is not considered to be income from the international operation of our ships and, accordingly, approximately \$11 million and \$18 million of income taxes were provided on the net earnings of these charters in fiscal 2006 and 2005, respectively, at a tax rate of approximately 57%.

If we were found not to qualify for exemption pursuant to applicable income tax treaties or under the Internal Revenue Code or if the income tax treaties or Internal Revenue Code were to be changed in a manner adverse to us, a portion of our income would become subject to taxation by the U.S.

AIDA, Costa, Cunard, Ocean Village, P&O Cruises and P&O Cruises Australia are subject to income tax under the tonnage tax regimes of either Italy or the United Kingdom. Under both tonnage tax regimes, shipping profits, as defined under the applicable law, are subject to corporation tax by reference to the net tonnage of qualifying vessels. Income not considered to be shipping profits under tonnage tax rules is taxable under either the Italian tax regime applicable to Italian-registered ships or the normal UK income tax rules. We believe that substantially all of the ordinary income attributable to these brands constitutes shipping profits and, accordingly, Italian and UK income tax expenses for these operations have been and are expected to be minimal under the current tax regimes.

We do not expect to incur income taxes on future distributions of undistributed earnings of foreign subsidiaries and, accordingly, no deferred income taxes have been provided for the distribution of these earnings. All interest expense related to income tax liabilities are classified as income tax expenses. In addition to or in place of income taxes, virtually all jurisdictions where our ships call impose taxes and/or fees based on guest counts, ship tonnage, ship capacity or some other measure.

See Note 16 for additional discussion related to the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48").

#### **NOTE 9 - Shareholders' Equity**

Carnival Corporation's articles of incorporation authorize its Board of Directors, at its discretion, to issue up to 40 million shares of preferred stock, and Carnival plc has 100,000 authorized preference shares. At November 30, 2007 and 2006, no Carnival Corporation preferred stock had been issued and only a nominal amount of Carnival plc preference shares had been issued.

In June 2006, the Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation Common Stock and/or Carnival plc ordinary shares subject to certain restrictions. On September 19, 2007, the Boards of Directors increased the remaining \$578 million authorization back to \$1 billion. During fiscal 2007, 2006 and 2005, we purchased 0.2 million, 18.7 million and 8.0 million shares of Carnival Corporation common stock, respectively, and 7.3 million and 0.6 million shares of Carnival plc ordinary shares in fiscal 2007 and 2006, respectively. At January 28, 2008, the remaining availability pursuant to our repurchase program was \$788 million. No expiration date has been specified for this authorization and the Carnival plc share repurchase authorization requires annual shareholder approval.

At November 30, 2007, there were 71.1 million shares of Carnival Corporation common stock reserved for issuance pursuant to its convertible notes and its employee benefit and dividend reinvestment plans. In addition, Carnival plc shareholders have authorized 12.8 million ordinary shares for future issuance under its employee benefit plans.

At November 30, 2007 and 2006, accumulated other comprehensive income was as follows (in millions):

	<u>2007</u>	<u>2006</u>
Cumulative foreign currency translation adjustments, net	\$1,338	\$689
Minimum pension liability adjustments		(17)
Unrecognized pension expenses	(32)	
Unrealized loss on marketable security	(5)	
Unrealized losses on cash flow derivative hedges, net	(5)	(11)
	<u>\$1,296</u>	<u>\$661</u>

#### **NOTE 10 - Financial Instruments**

Whenever possible, quoted prices in active markets are used to determine the fair value of financial instruments. However, considerable judgment is required in interpreting data to develop estimates for fair values for which there is no active market and, accordingly, amounts are not necessarily indicative of the amounts that we could realize in an active market exchange. Our financial instruments are not held for trading or other speculative purposes.

#### **Cash and Cash Equivalents**

The carrying amounts of our cash and cash equivalents approximate their fair values due to their short maturities.

#### **Other Assets**

At November 30, 2007 and 2006, long-term other assets included notes and other receivables and marketable securities, including those held in rabbi trusts for certain of our nonqualified benefit plans. These assets had carrying and fair values of \$558 million and \$551 million, respectively, at November 30, 2007 and carrying and fair values of \$445 million and \$440 million at November 30, 2006, respectively. Fair values were based on public market prices or estimated discounted future cash flows.

#### **Debt**

The fair values of our non-convertible debt and convertible notes were \$7.41 billion and \$1.60 billion, respectively, at November 30, 2007 and \$6.50 billion and \$1.73 billion at November 30, 2006, respectively. These fair values were (lower) or greater than the related carrying values by \$(49) million and \$205 million, respectively, at November 30, 2007 and greater than the related carrying values by \$50 million and \$338 million at November 30, 2006, respectively. The net difference between the fair value of our non-convertible debt and its carrying value was due primarily to the market interest rates in existence at the respective measurement dates being higher or lower than the rates on our fixed interest rate debt obligations. The net difference between the fair value of our convertible notes and their carrying value is largely due to the impact of changes in the Carnival Corporation common stock price on the value of our convertible notes on those measurement dates. The fair values of our unsecured fixed rate public notes, convertible notes, Sterling notes and unsecured 4.4% Euro notes were based on their public market prices. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

#### **Foreign Currency Swaps and Other Hedging Instruments**

At November 30, 2007, we have foreign currency swaps that are designated as foreign currency fair value hedges for one of our Euro-denominated shipbuilding contracts and a portion of another shipbuilding contract (see Note 6). At November 30, 2007 and 2006, the fair value of the foreign currency swaps related to our shipbuilding commitments was an unrealized gain of \$13 million and an unrealized loss of \$26 million, respectively. These foreign currency swaps mature in 2008.

At November 30, 2007, we have foreign currency swaps totaling \$378 million that are designated as hedges of our net investments in foreign subsidiaries, which have a Euro-denominated functional currency. These foreign currency swaps were entered into to effectively convert U.S. dollar-denominated debt into Euro debt. At November 30, 2007, we also have designated foreign currency cash flow swaps that effectively convert \$438 million of fixed interest rate debt into Sterling fixed interest rate debt. At November 30, 2006, we have foreign currency swaps totaling \$1.25 billion that are designated as hedges of our net investments in foreign subsidiaries, which have Euro and Sterling-denominated functional currencies. Those foreign currency swaps were entered into to effectively convert \$267 million and \$842 million of U.S. dollar-denominated debt into Sterling debt and Euro debt, respectively, at November 30, 2006. In addition, \$143 million of Euro-denominated debt was effectively converted into Sterling debt at November 30, 2006. At November 30, 2007 and 2006, the fair value of these foreign currency swaps was a net unrealized loss of \$26 million and an unrealized loss of \$169 million, respectively, which is included in the cumulative translation adjustment component of AOCI. These currency swaps mature through 2019. Finally, at November 30, 2007 we have €296 million of cash equivalents that are designated as a fair value hedge for a portion of a shipbuilding contract, which resulted in a \$44 million shipbuilding commitment gain as of that date.

The fair values of these foreign currency swaps were estimated based on prices quoted by financial institutions for these instruments based on active market prices for these instruments.

As of November 30, 2007 and 2006 we have designated \$1.89 billion and \$1.02 billion of our Euro and \$457 million and \$431 million of our Sterling debt and other obligations, respectively, which mature through 2019, as nonderivative hedges of our net investments in foreign subsidiaries. Accordingly, we have included \$372 million and \$209 million of cumulative foreign currency transaction losses in the cumulative translation adjustment component of AOCI at November 30, 2007 and 2006, respectively.

#### **Interest Rate Swaps**

We have interest rate swap agreements designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. At November 30, 2007 and 2006, these interest rate swap agreements effectively changed \$204 million and \$932 million, respectively, of fixed rate debt to EURIBOR or LIBOR-based floating rate debt. These interest rate swap agreements mature through 2010. At November 30, 2007 and 2006, the fair value of our interest rate swaps designated as fair value hedges was a net unrealized gain of \$3 million and a net unrealized loss of \$4 million, respectively.

We also had interest rate swap agreements designated as cash flow hedges whereby we received variable interest rate payments in exchange for making fixed interest rate payments. At November 30, 2007 and 2006, these interest rate swap agreements effectively changed \$16 million and \$365 million, respectively, of EURIBOR or LIBOR-based floating rate debt to fixed rate debt. The outstanding interest rate swap agreement matures in 2008. At November 30, 2007 and 2006, the fair value of our interest rate swaps designated as cash flow hedges was an unrealized gain of \$0.2 million and \$2 million, respectively.

The estimated fair values of our interest rate swap agreements were obtained from valuations performed by financial institutions based on active market prices for these instruments.

#### **NOTE 11 - Segment Information**

Our cruise segment includes all of our cruise brands, which have been aggregated as a single reportable segment based on the similarity of their economic and other characteristics, including the products and services they provide. Substantially all of our other segment represents the hotel, tour and transportation operations of Holland America Tours and Princess Tours. The significant accounting policies of our segments are the same as those described in Note 2 - "Summary of Significant Accounting Policies." Information for our cruise and other segments as of and for the years ended November 30 was as follows (in millions):

	<u>Revenues (a)</u>	<u>Operating expenses</u>	<u>Selling and administrative</u>	<u>Depreciation and amortization</u>	<u>Operating income</u>	<u>Capital expenditures</u>	<u>Total assets</u>
<b>2007</b>							
Cruise	\$12,638	\$7,332	\$1,547	\$1,065	\$2,694	\$3,265	\$33,602
Other	553	454	32	36	31	47	579 (b)
Intersegment elimination	(158)	(158)					
	<u>\$13,033</u>	<u>\$7,628</u>	<u>\$1,579</u>	<u>\$1,101</u>	<u>\$2,725</u>	<u>\$3,312</u>	<u>\$34,181</u>
<b>2006</b>							
Cruise	\$11,417	\$6,477	\$1,405	\$954	\$2,581	\$2,395	\$29,968
Other	533	425	42	34	32	85	584 (b)
Intersegment elimination	(111)	(111)					
	<u>\$11,839</u>	<u>\$6,791</u>	<u>\$1,447</u>	<u>\$ 988</u>	<u>\$2,613</u>	<u>\$2,480</u>	<u>\$30,552</u>
<b>2005</b>							
Cruise	\$10,737	\$5,964	\$1,289	\$ 873	\$2,611	\$1,892	\$27,782
Other	461	358	46	29	28	85	567 (b)
Intersegment elimination	(104)	(104)					
	<u>\$11,094</u>	<u>\$6,218</u>	<u>\$1,335</u>	<u>\$ 902</u>	<u>\$2,639</u>	<u>\$1,977</u>	<u>\$28,349</u>

(a) A portion of other segment revenues include revenues for the cruise portion of a tour, when a cruise is sold along with a land tour package by Holland America Tours or Princess Tours, and shore excursion and port hospitality services provided to cruise guests by these tour companies. These intersegment revenues, which are included in full in the cruise segment, are eliminated directly against the other segment revenues and operating expenses in the line "Intersegment elimination."

(b) Other segment assets primarily included hotels and lodges in the state of Alaska and the Canadian Yukon Territory, motorcoaches used for sightseeing and charters and domed rail cars, which run on the Alaska Railroad.

Foreign revenues for our cruise brands represent sales generated from outside the U.S. primarily by foreign tour operators and foreign travel agencies. Substantially all of our long-lived assets are located outside of the U.S. and consist principally of our ships and ships under construction and exclude goodwill and trademarks.

Revenues by geographic area, which is based on where the guest is from, for fiscal 2007, 2006 and 2005 was as follows (in millions):

	<u>2007</u>	<u>2006</u>	<u>2005</u>
North America	\$ 7,803	\$ 7,679	\$ 7,283
Europe	4,355	3,473	3,231
Others	875	687	580
	<u>\$13,033</u>	<u>\$11,839</u>	<u>\$11,094</u>

## NOTE 12 - Benefit Plans

### Stock Incentive Plans

We issue our share-based compensation awards under the Carnival Corporation and Carnival plc stock plans, which have an aggregate of 38.6 million shares available for future grant at November 30, 2007. These plans allow us to issue stock options, restricted stock awards and restricted stock units (collectively "incentive awards"). Incentive awards are primarily granted to management level employees and members of our Board of Directors. The plans are administered by a committee of our independent directors (the "Committee"), that determines who is eligible to participate, the number of shares for which incentive awards are to be granted and the amounts that may be exercised within a specified term. These plans allow us to fulfill our incentive award obligations using shares purchased in the open market, or with unissued or treasury shares. Certain incentive awards provide for accelerated vesting if we have a change in control, as defined.

Effective December 1, 2005 we adopted the provisions of SFAS No. 123(R), which required us to measure and recognize compensation expense for all share-based compensation awards. The total share-based compensation expense was \$64 million and \$68 million for fiscal 2007 and 2006, of which \$57 million and \$60 million has been included in the Consolidated Statements of Operations as selling, general and administrative expenses and \$7 million and \$8 million as cruise payroll expenses, respectively.

In fiscal 2005, we did not recognize compensation expense for the issuance of stock options with an exercise price equal to or greater than the market price of the underlying shares at the date of grant. Had we elected to charge earnings for the estimated fair value of stock options in fiscal 2005, our fiscal 2005 pro forma net income and pro forma earnings per share would have been as follows (in millions, except per share amounts):

Net income, as reported	\$2,253
Share-based compensation expense included in net income, as reported	12
Total share-based compensation expense determined under the fair value-based method for all awards (a)	<u>(86)</u>
Pro forma net income for basic earnings per share	2,179
Interest on dilutive convertible notes	47
Pro forma net income for diluted earnings per share	<u>\$2,226</u>
Earnings per share	
Basic	
As reported	<u>\$ 2.80</u>
Pro forma	<u>\$ 2.70</u>
Diluted	
As reported	<u>\$ 2.70</u>
Pro forma	<u>\$ 2.62</u>

- (a) This amount includes the expensing of stock options made to retirement-eligible employees over the expected vesting period of the option and accounting for the impact of forfeitures as they occur.

As permitted by SFAS No. 123 and SFAS No. 123(R), the fair values of options were estimated using the Black-Scholes option-pricing model. The Black-Scholes weighted-average values and assumptions were as follows:

	<u>Years ended November 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Fair value of options at the dates of grant	<u>\$11.76</u>	<u>\$12.25</u>	<u>\$12.99</u>
Risk-free interest rate (a)	<u>4.9%</u>	<u>4.5%</u>	<u>4.1%</u>
Expected dividend yield	<u>3.3%</u>	<u>2.6%</u>	<u>1.9%</u>
Expected volatility (b)	<u>29.3%</u>	<u>29.2%</u>	<u>27.0%</u>
Expected option life (in years) (c)	<u>5.00</u>	<u>4.75</u>	<u>4.74</u>

- (a) The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected option life assumed at the date of grant.
- (b) The expected volatility is based on a weighting of the implied volatilities derived from our exchange traded options and convertible notes and the historical volatility of our common stock.
- (c) The average expected life was based on the contractual term of the option and expected employee exercise behavior. Based on our assessment of employee groupings and observable behaviors, we determined that a single grouping is appropriate.

## Stock Option Plans

The Committee generally sets stock option exercise prices at 100% or more of the fair market value of the underlying common stock/ordinary shares on the date the option is granted. All stock options granted during fiscal 2007, 2006 and 2005 were granted at an exercise price per share equal to or greater than the fair market value of the Carnival Corporation common stock and Carnival plc ordinary shares on the date of grant. Generally employee options either vest evenly over five years or at the end of three years. Our employee options granted prior to October 2005 have a ten-year term and those options granted thereafter have a seven-year term. In the fourth quarter of fiscal 2007, the Committee decided to cease granting employee stock options, and to grant restricted stock units ("RSUs") or restricted stock awards ("RSAs") to our employees who were previously granted options. This change from options to RSUs/RSAs will enable us to have a more uniform method of granting incentive awards to our employees. Since fiscal 2001, Carnival Corporation director options vest evenly over five years and have a ten-year term.

A combined summary of Carnival Corporation and Carnival plc stock option activity during the year ended November 30, 2007 was as follows:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term</u> (in years)	<u>Aggregate Intrinsic Value(a)</u> (in millions)
Outstanding at				
November 30, 2006	19,521,999	\$42.55		
Granted (b)	289,745	\$49.98		
Exercised	(1,696,029)	\$31.18		
Forfeited or expired	<u>(398,823)</u>	\$48.12		
Outstanding at				
November 30, 2007	<u>17,716,892</u>	\$44.22	<u>5.1</u>	<u>\$87</u>
Exercisable at				
November 30, 2007	<u>11,533,021</u>	\$41.61	<u>4.6</u>	<u>\$76</u>

(a) The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the option exercise price at November 30, 2007.

(b) The October 2007 annual grant of options to certain employees was not made, and it is expected to be replaced with a February 2008 grant of RSUs/RSAs.

As of the dates of exercise, the total intrinsic value of options exercised in fiscal 2007, 2006 and 2005 was \$31 million, \$48 million and \$37 million, respectively. As of November 30, 2007, there was \$47 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 1.7 years.

## Restricted Stock Awards and Restricted Stock Units

RSAs generally have the same rights as Carnival Corporation common stock, except for transfer restrictions and forfeiture provisions. Prior to fiscal 2006, unearned stock compensation was recorded within shareholders' equity at the date of award based on the quoted market price of the Carnival Corporation common stock on the date of grant. In fiscal 2006 upon adoption of SFAS No. 123(R), the \$13 million of unearned stock compensation as of November 30, 2005 was required to be charged against additional paid-in capital. RSAs have been granted to certain officers and non-executive board members and either have three or five-year cliff vesting or vest evenly over five years after the grant date. In addition, Carnival Corporation and Carnival plc grant RSUs that vest evenly over five years or at the end of three or five years after the grant date and accrue dividend equivalents on each outstanding RSU, in the form of additional RSUs, based on dividends declared. The share-based compensation expense associated with RSAs and RSUs is based on the quoted market price of the Carnival Corporation or Carnival plc shares on the date of grant, and is amortized to expense using the straight-line method from the grant date through the earlier of the vesting date or the estimated retirement eligibility date.

During the year ended November 30, 2007, RSA and RSU activity was as follows:

	<u>Restricted Stock Awards</u>		<u>Restricted Stock Units</u>	
		<u>Weighted-Average Grant Date Fair Value</u>		<u>Weighted-Average Grant Date Fair Value</u>
	<u>Shares</u>		<u>Shares</u>	
Outstanding at November 30, 2006	890,711	\$40.20	378,848	\$51.88
Granted	232,846	\$49.98	443,747	\$49.89
Vested	(205,250)	\$28.09	(65,344)	\$47.24
Forfeited			(19,812)	\$51.63
Outstanding at November 30, 2007	<u>918,307</u>	\$45.39	<u>737,439</u>	\$51.10

The total grant date fair value of RSAs and RSUs vested during fiscal 2007, 2006 and 2005 was \$9 million, \$9 million and \$8 million, respectively. As of November 30, 2007, there was \$26 million of total unrecognized compensation cost related to RSAs and RSUs. This cost is expected to be recognized over a weighted-average period of 1.6 years.

### Defined Benefit Pension Plans

We have several defined benefit pension plans, which cover some of our shipboard and shoreside employees. The U.S. and UK shoreside employee plans are closed to new membership and are funded at or above the level required by U.S. or UK regulations. The remaining defined benefit plans are primarily unfunded. In determining all of our plans' benefit obligations at November 30, 2007, we assumed a weighted-average discount rate of 5.84%. The net assets or liabilities related to the obligations under these single employer defined benefit pension plans are not material.

In addition, P&O Cruises, Princess and Cunard participate in an industry-wide British Merchant Navy Officers Pension Fund ("MNOFP"), a defined benefit multiemployer pension plan available to certain of their British shipboard officers. The MNOFP is divided into two sections, the "New Section" and the "Old Section," each of which covers a different group of participants, with the Old Section closed to further benefit accrual and the New Section only closed to new membership. At November 30, 2007, the New Section was estimated to have a funding deficit before taking into account future installments of deficit contributions due from participating employers and the Old Section was estimated to have a funding surplus.

Substantially all of any MNOFP New Section deficit liability which we may have relates to the obligations of P&O Cruises and Princess, which existed prior to the combination in 2003 of Carnival Corporation's and Carnival plc's businesses into a DLC. However, since the MNOFP is a multiemployer plan and it was not probable that we would withdraw from the plan nor was our share of the liability certain, we could not record our estimated share of the ultimate deficit as a Carnival plc acquisition liability that existed at the DLC transaction date. The amount of our share of the fund's ultimate deficit could vary considerably if different pension assumptions and/or estimates were used. Therefore, we expense our portion of any deficit as amounts are invoiced by, and become due and payable to, the fund's trustee. In 2007 and 2005, we received special assessment invoices from the fund for what the trustee calculated to be our additional share of the entire MNOFP liability, based on their most recent actuarial valuations. Accordingly, we recorded the full invoiced liability of \$20 million and \$23 million in payroll and related expense in 2007 and 2005, respectively. It is still possible that the fund's trustee may invoice us for additional amounts in the future for various reasons, including if they believe the fund requires further contributions.

Total expense for all defined benefit pension plans, including multiemployer plans, was \$55 million, \$28 million and \$45 million in fiscal 2007, 2006 and 2005, respectively.

On November 30, 2007, we adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment to FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS No. 158"). SFAS No. 158 required us upon adoption to recognize the

funded status of our defined benefit single employer pension plans. Accordingly, as of November 30, 2007, we recorded an increase in our pension plan assets and liabilities of \$17 million and \$24 million, respectively, and a reduction to AOCI of \$7 million. The adoption of SFAS No. 158 had no effect on our Consolidated Statement of Operations for fiscal 2007, or for any prior period presented, and it will not effect our results of operations in future periods.

### Defined Contribution Plans

We have several defined contribution plans available to most of our employees. We contribute to these plans based on employee contributions, salary levels and length of service. Total expense relating to these plans was \$18 million, \$17 million and \$14 million in fiscal 2007, 2006 and 2005, respectively.

### NOTE 13 - Earnings Per Share

Our basic and diluted earnings per share were computed as follows (in millions, except per share data):

	<u>Years Ended November 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income	\$2,408	\$2,279	\$2,253
Interest on dilutive convertible notes	34	36	47
Net income for diluted earnings per share	<u>\$2,442</u>	<u>\$2,315</u>	<u>\$2,300</u>
Weighted-average common and ordinary shares outstanding	793	801	806
Dilutive effect of convertible notes	33	33	42
Dilutive effect of stock plans	2	2	5
Diluted weighted-average shares outstanding	<u>828</u>	<u>836</u>	<u>853</u>
Basic earnings per share	<u>\$ 3.04</u>	<u>\$ 2.85</u>	<u>\$ 2.80</u>
Diluted earnings per share	<u>\$ 2.95</u>	<u>\$ 2.77</u>	<u>\$ 2.70</u>

Options to purchase 8.3 million, 8.5 million and 2.1 million shares for fiscal 2007, 2006 and 2005, respectively, were excluded from our diluted earnings per share computation since the effect of including them was anti-dilutive.

### NOTE 14 - Supplemental Cash Flow Information

Total cash paid for interest was \$414 million, \$363 million and \$314 million in fiscal 2007, 2006 and 2005, respectively. In addition, cash paid for income taxes was \$14 million, \$47 million and \$15 million in fiscal 2007, 2006 and 2005, respectively. Finally, in 2007, 2006 and 2005, \$8 million, \$69 million and \$297 million of our convertible notes were converted through a combination of the issuance of Carnival Corporation treasury stock and newly issued Carnival Corporation common stock, which represented a noncash financing activity.

### NOTE 15 - Acquisition

In September 2007, we entered into an agreement with Orizonia Corporation, Spain's largest travel company to operate Ibero Cruises, a Spanish cruise line, for an investment of €290 million, which we funded with €105 million of cash and €185 million in proceeds that Ibero Cruises borrowed under a portion of our Facility. Orizonia contributed €35 million of assets, principally trademarks and goodwill, for their 25% interest in the venture. Ibero Cruises operates two contemporary Spanish cruise ships, the 834-passenger capacity *Grand Voyager*, and the 1,244-passenger capacity *Grand Mistral*, which were built in 2000 and 1999, respectively. For reporting purposes, we have included Ibero Cruises' results of operations within our consolidated financial results since September 1, 2007. The pro forma impact of including Ibero Cruises in our results as if the acquisition took place on December 1, 2005 and December 1, 2006 has not been presented due to its immaterial effect.

The acquisition was accounted for as a business purchase combination using the purchase method of accounting under the provisions of SFAS No. 141, "Business Combinations". The purchase price was allocated to tangible and identifiable intangible assets acquired based on their estimated fair values at the acquisition date, with the excess allocated to goodwill. The \$451 million purchase price was allocated as follows: \$254 million to ships, \$161 million to goodwill, \$35 million to trademarks and \$1 million to other.

#### **NOTE 16 - Recent Accounting Pronouncements**

In June 2006, FIN 48 was issued which clarifies, among other things, the accounting for uncertain income tax positions by prescribing a minimum probability threshold that a tax position must meet before a financial statement income tax benefit is recognized. The minimum threshold is defined as a tax position that, based solely on its technical merits, is more likely than not to be sustained upon examination by the relevant taxing authority. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate resolution. FIN 48 must be applied to all existing income tax positions upon adoption. The cumulative effect of applying FIN 48 at adoption is required to be reported separately as an adjustment to the opening balance of retained earnings in the year of adoption. We are required to implement FIN 48 as of the beginning of fiscal 2008.

The adoption of FIN 48 will not have a material impact on our opening December 1, 2007 retained earnings. Based on all known facts and circumstances and current tax law, we believe that the total amount of our uncertain income tax position liabilities and related accrued interest are not material to our November 30, 2007 financial position. However, income tax laws and regulations under which our uncertain income tax position liabilities are determined could change or could be interpreted differently. For example, changes to how Section 883 of the Internal Revenue Code and related regulations are interpreted could result in additional uncertain income tax position liabilities having to be recognized. The Internal Revenue Service is currently auditing our U.S. domestic operations' income tax returns for fiscal 2004 and 2005. Finally, our primary income tax jurisdictions are the U.S. Italy and the UK for which our income tax returns remain subject to examination from the years ended November 30, 2004, 2003 and 2002, respectively.

Report of Independent Registered Certified Public Accounting Firm  
To the Boards of Directors and Shareholders of Carnival Corporation and Carnival plc:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Carnival Corporation & plc (comprising Carnival Corporation and Carnival plc and their respective subsidiaries, the "Company") at November 30, 2007 and November 30, 2006, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A of the 2007 Annual Report on Form 10-K. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, effective December 1, 2005 the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*. In addition, as discussed in Note 12 to the consolidated financial statements, effective November 30, 2007 the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP  
Miami, Florida  
January 28, 2008

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements contained in this 2007 Annual Report are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlook, plans, 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 Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have tried, whenever possible, to identify these statements by using words like "will," "may," "believe," "expect," "anticipate," "forecast," "future," "intends," "plan," and "estimate" and similar expressions.

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this 2007 Annual Report. Forward-looking statements include those statements which may impact the forecasting of our earnings per share, net revenue yields, booking levels, pricing, occupancy, operating, financing and/or tax costs, fuel costs, costs per available lower berth day ("ALBD"), estimates of ship depreciable lives and residual values, outlook or business prospects. These factors include, but are not limited to, the following:

- general economic and business conditions and perceptions of these conditions that may adversely impact the levels of our potential vacationers' discretionary income and this group's confidence in the U.S. and other economies and, consequently reduce our cruise brands' net revenue yields;
- the international political climate, armed conflicts, terrorist attacks and threats thereof, availability and pricing of air service and other world events, and their impact on the demand for cruises;
- conditions in the cruise and land-based vacation industries, including competition from other cruise ship operators and providers of other vacation alternatives and over capacity offered by cruise ship and land-based vacation alternatives;
- accidents, adverse weather conditions or natural disasters, such as hurricanes and earthquakes and other incidents (including machinery and equipment failures or improper operation thereof) which could cause the alteration of itineraries or cancellation of a cruise or series of cruises, and the impact of the spread of contagious diseases, affecting the health, safety, security and/or vacation satisfaction of guests;
- adverse publicity concerning the cruise industry in general, or us in particular, could impact the demand for our cruises;
- lack of acceptance of new itineraries, products and services by our guests;
- changing consumer preferences, which may, among other things, adversely impact the demand for cruises;
- the impact of changes in and compliance with laws and regulations relating to environmental, health, safety, security, tax and other regulatory regimes under which we operate, including the implementation of U.S. regulations requiring U.S. citizens to obtain passports for sea travel to or from additional foreign destinations;
- the impact of increased global fuel demand, a weakening U.S. dollar, fuel supply disruptions and/or other events on our ships' fuel expenses;
- the impact of changes in operating and financing costs, including changes in foreign currency exchange rates and interest rates and food, insurance, payroll and security costs;
- our ability to implement our shipbuilding programs, including purchasing ships for our North American cruise brands from European shipyards on terms that are favorable or consistent with our expectations;
- our ability to implement our brand strategies and to continue to operate and expand our business internationally;
- our future operating cash flow may not be sufficient to fund future obligations, and we may not be able to obtain financing, if necessary, on terms that are favorable or consistent with our expectations;
- our ability to attract and retain qualified shipboard crew and maintain good relations with employee unions;
- continuing financial viability of our travel agent distribution system and air service providers;

- the impact of our self-insuring against various risks or our inability to obtain insurance for certain risks at reasonable rates;
- disruptions and other impairments to our information technology networks;
- lack of continued availability of attractive port destinations;
- risks associated with the DLC structure, including the uncertainty of its tax status;
- the impact of pending or threatened litigation; and
- our ability to successfully implement cost reduction plans.

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 expressly disclaim any obligation to disseminate, after the date of this 2007 Annual Report, 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.

## **Executive Overview**

During most of 2007, the cruise industry continued to experience solid growth for non-Caribbean product offerings. However, there were a number of factors, such as a weaker U.S. economy, including the impact on consumers of higher fuel costs and tighter credit markets and higher U.S. interest rates, which we believe had adverse effects on vacationers' discretionary income and their confidence in the U.S. economy. Some of these factors, as well as the lingering effects of the 2005 hurricane season, contributed to a reduction in North American-sourced demand for Caribbean cruises and, accordingly, resulted in lower pricing for most of our Caribbean cruise itineraries during the first half of 2007. During the second half of fiscal 2007 we experienced a modest increase in most of our North American brands' net revenue yields, while most of our European brands' net revenue yields decreased slightly on a constant dollar basis.

From 2003 through 2007, the cruise industry has been adversely impacted by substantial increases in fuel prices, which reduced earnings per share for the 2007 fiscal year by \$0.10 compared to fiscal 2006. In 2003 our per metric ton of fuel cost was \$179, whereas in 2007, our per metric ton cost of fuel was \$361, an increase of 102%. Partially offsetting this has been the weakening of the U. S. dollar relative to the Euro and Sterling, which benefited us in higher dollar profits from our European operations. It is possible that fuel prices will remain at high levels throughout fiscal 2008 and thereafter. We have recently implemented a new fuel supplement fee across substantially all of our brands, which should help to reduce a portion of the impact of the higher fuel costs. However, we cannot be certain of the ultimate impact of the fuel supplement on our net revenue yields because this increase may be partially offset by a reduction in ticket prices.

Throughout this five year period we generated significant cash flows and remained in a strong financial position, which is a high priority for us and we believe provides us with a competitive advantage in the capital intensive cruise industry. We continued to distribute excess cash to shareholders through increased dividends and opportunistic share repurchases. However, our operations are subject to many risks, as briefly noted under the caption "Cautionary Note Concerning Factors That May Affect Future Results" which could adversely impact our future results.

As of January 29, 2008, we had signed agreements with three shipyards providing for the construction of 22 additional cruise ships, the majority of which have been designated for our European brands (see Note 6 in the accompanying financial statements). These new ships are expected to continue to help us maintain our leadership position within the world-wide cruise industry. The year-over-year percentage increase in our ALBD capacity for fiscal 2008, 2009, 2010, 2011, and 2012, resulting primarily from new ships entering service is currently expected to be 9.0%, 5.6%, 7.8%, 5.4% and 4.0%, respectively. The above percentages exclude any other future ship orders, acquisitions, retirements or sales, however they do include the withdrawal from service of the *Pacific Star* in March 2008 and the *Queen Elizabeth 2* ("QE2") in November 2008.

## **Outlook For Fiscal 2008 ("2008")**

As of December 20, 2007, we said that we expected our 2008 full year earnings per share will be in the range of \$3.10 to \$3.30. We also said that we expected our first quarter 2008 earnings per share to be in the range of \$0.29 to \$0.31. Our guidance was based on the then

current forward fuel price for full year 2008 and the 2008 first quarter of \$486 and \$484 per metric ton, respectively. In addition, this guidance was also based on currency exchange rates of \$1.44 to the Euro and \$2.02 to Sterling.

Our 2008 full year earnings per share guidance remains unchanged based on our most recent internal forecast, as adjusted by our January 22, 2008 full year forward fuel price estimate of \$484 per metric ton and foreign currency exchange rates of \$1.46 to the Euro and \$1.95 to Sterling.

Our 2008 first quarter forward fuel price estimate has increased to \$505 per metric ton compared to our December guidance, which reduced our earnings per share guidance by \$0.02. In addition, our first quarter 2008 results were adversely impacted by \$0.01 per share from AIDAaura's unexpected cruise disruptions. There has also been some softness in onboard revenues at certain of our contemporary brands, which is expected to be offset by other cruise operating items. Accordingly, our earnings per share for the first quarter of 2008 is now expected to be in the range of \$0.26 to \$0.28.

The above forward-looking statements involve risks and uncertainties. Various factors could cause our actual results to differ materially from those expressed above including, but not limited to, fuel costs, economic conditions, weather, regulatory changes, geopolitical factors and other factors that could impact consumer demand or costs. You should read the above forward-looking statements together with the discussion of these and other risks under "Cautionary Note Concerning Factors That May Affect Future Results."

### **Key Performance Indicators**

We use net cruise revenues per ALBD ("net revenue yields") and net cruise costs per ALBD as significant non-GAAP financial measures of our cruise segment financial performance. We believe that net revenue yields are commonly used in the cruise industry to measure a company's cruise segment revenue performance. This measure is also used for revenue management purposes. In calculating net revenue yields, we use "net cruise revenues" rather than "gross cruise revenues." We believe that net cruise revenues is a more meaningful measure in determining revenue yield than gross cruise revenues because it reflects the cruise revenues earned by us net of our most significant variable costs, which are travel agent commissions, cost of air transportation and certain other variable direct costs associated with onboard and other revenues. Substantially all of our remaining cruise costs are largely fixed once our ship capacity levels have been determined, except for the impact of changing prices.

Net cruise costs per ALBD is the most significant measure we use to monitor our ability to control our cruise segment costs rather than gross cruise costs per ALBD. In calculating net cruise costs, we exclude the same variable costs that are included in the calculation of net cruise revenues. This is done to avoid duplicating these variable costs in these two non-GAAP financial measures.

In addition, because a significant portion of our operations utilize the Euro or Sterling to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies, and decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies. Accordingly, we also monitor and report our two non-GAAP financial measures assuming the current period currency exchange rates have remained constant with the prior year's comparable period rates, or on a "constant dollar basis," in order to remove the impact of changes in exchange rates on our non-U.S. dollar cruise operations. We believe that this is a useful measure as it facilitates a comparative view of the growth of our business in a fluctuating currency exchange rate environment.

On a constant dollar basis, net cruise revenues and net cruise costs would be \$9.92 billion and \$6.26 billion for fiscal 2007, respectively. On a constant dollar basis, gross cruise revenues and gross cruise costs would be \$12.27 billion and \$8.62 billion for fiscal 2007, respectively. In addition, our non-U.S. dollar cruise operations' depreciation and net interest expense were impacted by the changes in exchange rates for fiscal 2007 compared to 2006.

## Critical Accounting Estimates

Our critical accounting estimates are those which we believe require our most significant judgments about the effect of matters that are inherently uncertain. A discussion of our critical accounting estimates, the underlying judgments and uncertainties used to make them and the likelihood that materially different estimates would be reported under different conditions or using different assumptions is as follows:

### Ship Accounting

Our most significant assets are our ships and ships under construction, which represent 75% of our total assets. We make several critical accounting estimates dealing with our ship accounting. First, we compute our ships' depreciation expense, which represented approximately 10% of our cruise costs and expenses in fiscal 2007, which requires us to estimate the average useful life of each of our ships, as well as their residual values. Secondly, we account for ship improvement costs by capitalizing those costs which we believe will add value to our ships and depreciate those improvements over their estimated useful lives, while expensing repairs and maintenance and minor improvement costs as they are incurred. Finally, when we record the retirement of a ship component that is included within the ship's cost basis, we may have to estimate its net book value to determine the amount of ship component retired.

We determine the average useful life of our ships and their residual values based primarily on our estimates of the weighted-average useful lives and residual values of the ships' major component systems, such as cabins, main diesels, main electric, superstructure and hull. In addition, we consider, among other things, long-term vacation market conditions and competition and historical useful lives of similarly-built ships. We have estimated our new ships' average useful lives at 30 years and their average residual values at 15% of our original ship cost.

Given the very large and complex nature of our ships, ship accounting estimates require considerable judgment and are inherently uncertain. We do not have cost segregation studies performed to specifically componentize our ships. In addition, since we do not separately componentize our ships, we do not identify and track depreciation of specific original ship components. Therefore, we have to estimate the net book value of components that are replaced or refurbished, based primarily upon their replacement or refurbishment cost and their age.

If materially different conditions existed, or if we materially changed our assumptions of ship lives and residual values, our depreciation expense or loss on replacement or refurbishment of ship assets and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance costs could increase, partially offset by a decrease in depreciation expense, as less costs would have been initially capitalized to our ships. Our fiscal 2007 ship depreciation expense would have increased by approximately \$26 million for every year we reduced our estimated average 30 year ship useful life. In addition, if our ships were estimated to have no residual value, our fiscal 2007 depreciation expense would have increased by approximately \$133 million.

We believe that the estimates we made for ship accounting purposes are reasonable and our methods are consistently applied in all material respects and, accordingly, result in depreciation expense that is based on a rational and systematic method to equitably allocate the costs of our ships to the periods during which services are obtained from their use. In addition, we believe that the estimates we made are reasonable and our methods consistently applied in all material respects (1) in determining the average useful life and average residual values of our ships; (2) in determining which ship improvement costs add value to our ships; and (3) in determining the net book value of ship component assets being replaced or refurbished. Finally, we believe our critical ship accounting estimates are generally comparable with those of other major cruise companies.

## **Asset Impairment**

The impairment reviews of our ships, goodwill and trademarks, which has been allocated to our cruise line reporting units, require us to make significant estimates to determine the fair values of these assets or reporting units.

The determination of fair value includes numerous uncertainties, unless a viable actively traded market exists for the asset or for a comparable reporting unit, which is usually not the case for cruise ships, cruise lines and trademarks. For example, in determining fair values of ships utilizing discounted forecasted cash flows, significant judgments are made concerning, among other things, future net revenue yields, net cruise costs per ALBD, interest and discount rates, cruise itineraries, technological changes, consumer demand, governmental regulations and the effects of competition. In addition, third party appraisers are sometimes used to determine fair values of ships and cruise lines and some of their valuation methodologies are also subject to similar types of uncertainties. Also, the determination of fair values of cruise line reporting units using a price earnings multiple approach also requires significant judgments, such as determining reasonable multiples. Finally, determining trademark fair values also requires significant judgments in determining both the estimated trademark cash flows, and the appropriate royalty rates to be applied to those cash flows to determine their fair value. We believe that we have made reasonable estimates and judgments in determining whether our ships, goodwill and trademarks have been impaired. However, if there is a material change in the assumptions used in our determination of fair value or if there is a material change in the conditions or circumstances influencing fair value, we could be required to recognize a material impairment charge.

## **Contingencies**

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, guest and crew, and tax matters. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, we make estimates of the amount of probable insurance recoveries, if any, which are recorded as assets. We accrue a liability when we believe a loss is probable and the amount of the loss can be reasonably estimated, in accordance with the provisions of SFAS No. 5, "Accounting for Contingencies," as amended. Such accruals are typically based on developments to date, management's estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar matters, historical claims experience and actuarially determined assumptions of liabilities, and any related insurance coverage. See Note 7 in the accompanying financial statements for additional information concerning our contingencies.

Given the inherent uncertainty related to the eventual outcome of these matters and potential insurance recoveries, it is possible that all or some of these matters may be resolved for amounts materially different from any provisions or disclosures that we may have made with respect to their resolution. In addition, as new information becomes available, we may need to reassess the amount of probable liability that needs to be accrued related to our contingencies. All such revisions in our estimates could materially impact our results of operations and financial position.

## Results of Operations

We earn our cruise revenues primarily from the following:

- sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from our ships. The cruise ticket price includes accommodations, most meals, some non-alcoholic beverages, entertainment and many onboard activities, and
- the sale of goods and/or services primarily onboard our ships (which include bar and some beverage sales, casino gaming, shore excursions, gift shop and spa sales and photo and art sales) and pre and post-cruise land packages. These goods and services are either provided directly by us or by independent concessionaires, from which we receive a percentage of their revenues or a fee.

We incur cruise operating costs and expenses for the following:

- the costs of passenger cruise bookings, which represent costs that vary directly with passenger cruise ticket revenues, and include travel agent commissions, air and other travel related costs,
- onboard and other cruise costs, which represent costs that vary directly with onboard and other revenues, and include the costs of liquor and some beverages, costs of tangible goods sold by us from our gift, photo and art auction activities, pre and post-cruise land packages and credit card fees. Concession revenues do not have any significant amount of costs associated with them, as the costs and services incurred for these activities are provided by our concessionaires,
- payroll and related costs, which represent costs for all our shipboard personnel, including deck and engine officers and crew and hotel and administrative employees,
- fuel costs, which include fuel delivery costs,
- food costs, which include both our guest and crew food costs, and
- other ship operating costs, which include repairs and maintenance, including minor improvements and dry-dock expenses, port costs, entertainment, insurance, and all other shipboard operating costs and expenses.

For segment information related to our revenues, expenses, operating income and other financial information see Note 11 in the accompanying financial statements.

## Selected Information and Non-GAAP Financial Measures

Selected information was as follows:

	<u>Years Ended November 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Passengers carried (in thousands)	<u>7,672</u>	<u>7,008</u>	<u>6,848</u>
Occupancy percentage	<u>105.6%</u>	<u>106.0%</u> (a)	<u>105.6%</u> (a)
Fuel cost per metric ton (b)	<u>\$ 361</u>	<u>\$ 334</u>	<u>\$ 259</u>

(a) Occupancy percentage includes the three ships chartered to the Military Sealift Command in connection with our Hurricane Katrina relief efforts in the first quarter of 2006 and the fourth quarter of 2005 at 100%.

(b) Fuel cost per metric ton is calculated by dividing the cost of our fuel by the number of metric tons consumed.

Gross and net revenue yields were computed by dividing the gross or net revenues, without rounding, by ALBDs as follows:

	<u>Years Ended November 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(in millions, except ALBDs and yields)		
Cruise revenues			
Passenger tickets	\$ 9,792	\$ 8,903	\$ 8,399
Onboard and other	<u>2,846</u>	<u>2,514</u>	<u>2,338</u>
Gross cruise revenues	12,638	11,417	10,737
Less cruise costs			
Commissions, transportation and other	(1,941)	(1,749)	(1,645)
Onboard and other	<u>(495)</u>	<u>(453)</u>	<u>(412)</u>
Net cruise revenues	<u>\$10,202</u>	<u>\$ 9,215</u>	<u>\$ 8,680</u>
ALBDs (a)	<u>54,132,927</u>	<u>49,945,184</u>	<u>47,754,627</u>
Gross revenue yields	<u>\$233.47</u>	<u>\$228.58</u>	<u>\$224.84</u>
Net revenue yields	<u>\$188.48</u>	<u>\$184.50</u>	<u>\$181.77</u>

Gross and net cruise costs per ALBD were computed by dividing the gross or net cruise costs, without rounding, by ALBDs as follows:

	<u>Years Ended November 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(in millions, except ALBDs and costs per ALBD)		
Cruise operating expenses	\$ 7,332	\$ 6,477	\$ 5,964
Cruise selling and administrative expenses	<u>1,547</u>	<u>1,405</u>	<u>1,289</u>
Gross cruise costs	8,879	7,882	7,253
Less cruise costs included in net cruise revenues			
Commissions, transportation and other	(1,941)	(1,749)	(1,645)
Onboard and other	<u>(495)</u>	<u>(453)</u>	<u>(412)</u>
Net cruise costs	<u>\$ 6,443</u>	<u>\$ 5,680</u>	<u>\$ 5,196</u>
ALBDs (a)	<u>54,132,927</u>	<u>49,945,184</u>	<u>47,754,627</u>
Gross cruise costs per ALBD	<u>\$164.02</u>	<u>\$157.81</u>	<u>\$151.89</u>
Net cruise costs per ALBD	<u>\$119.03</u>	<u>\$113.73</u>	<u>\$108.81</u>

(a) ALBDs is a standard measure of passenger capacity for the period. It assumes that each cabin we offer for sale accommodates two passengers. ALBDs are computed by multiplying passenger capacity by revenue-producing ship operating days in the period.

## **Fiscal 2007 ("2007") Compared to Fiscal 2006 ("2006")**

Net cruise revenues increased \$987 million, or 10.7%, to \$10.20 billion in 2007 from \$9.22 billion in 2006. The 8.4% increase in ALBDs between 2007 and 2006 accounted for \$772 million of the increase, and the remaining \$215 million was from increased net revenue yields, which increased 2.2% in 2007 compared to 2006 (gross revenue yields increased by 2.1%). Net revenue yields increased in 2007 primarily due to the weaker U.S. dollar relative to the Euro and Sterling and higher onboard guest spending, partially offset by slightly lower occupancy. Net revenue yields as measured on a constant dollar basis decreased 0.7% in 2007 compared to 2006. This decrease in constant dollar net revenue yields was primarily driven by the softer cruise ticket pricing from North American-sourced contemporary Caribbean cruises especially in the first half of 2007. We believe this decrease in yields was primarily the result of a weaker U.S. economy, including the impact of higher fuel costs and interest rates, which impacted demand and the lingering effects of the 2005 hurricane season, which was partially offset by the higher prices we achieved from our European brands, also mostly in the first half of 2007. Gross cruise revenues increased \$1.22 billion, or 10.7%, to \$12.64 billion in 2007 from \$11.42 billion in 2006 for largely the same reasons as net cruise revenues.

Onboard and other revenues included concessionaire revenues of \$830 million in 2007 and \$694 million in 2006. Onboard and other revenues increased in 2007 compared to 2006, primarily because of the 8.4% increased ALBDs and increased guest spending on our ships.

Other non-cruise revenues increased \$20 million, or 3.8%, to \$553 million in 2007 from \$533 million in 2006 primarily due to the increase in the number of cruise/tours sold and higher cruise/tour prices.

### **Costs and Expenses**

Net cruise costs increased \$763 million, or 13.4%, to \$6.44 billion in 2007 from \$5.68 billion in 2006. The 8.4% increase in ALBDs between 2007 and 2006 accounted for \$476 million of the increase. The balance of \$287 million was from increased net cruise costs per ALBD, which increased 4.7% in 2007 compared to 2006 (gross cruise costs per ALBD increased 3.9%). Net cruise costs per ALBD increased in 2007 primarily due to a weaker U.S. dollar relative to the Euro and Sterling, a \$27 per metric ton increase in fuel cost to \$361 per metric ton in 2007, which resulted in an increase in fuel expense of \$82 million compared to 2006, a \$20 million Merchant Navy Officers Pension Fund expense and higher repair costs from ship incidents. These increases were partially offset by \$21 million of lower dry-dock costs as fewer ships went into dry-dock in 2007 compared to 2006. Net cruise costs per ALBD as measured on a constant dollar basis increased 1.7% in 2007 compared to 2006. On a constant dollar basis, net cruise costs per ALBD, excluding fuel costs were up 1.0%, compared to 2006. Gross cruise costs increased \$997 million, or 12.6%, in 2007 to \$8.88 billion from \$7.88 billion in 2006 for largely the same reasons as net cruise costs.

Other non-cruise operating and selling and administrative expenses increased \$19 million, or 4.1%, to \$486 million in 2007 from \$467 million in 2006 primarily due to the increase in the number of cruise/tours sold.

Depreciation and amortization expense increased \$113 million, or 11.4%, to \$1.10 billion in 2007 from \$988 million in 2006 largely due to the 8.4% increase in ALBDs through the addition of new ships, the weaker U.S. dollar compared to the Euro and Sterling and additional ship improvement expenditures.

### **Nonoperating (Expense) Income**

Net interest expense, excluding capitalized interest, increased \$21 million to \$344 million in 2007 from \$323 million in 2006. This increase was primarily due to a \$57 million increase in interest expense from a higher level of average borrowings and a \$6 million increase from higher average interest rates on average borrowings, partially offset by \$33 million of higher interest income due to a higher average level of invested cash and \$9 million due to higher average interest rates on invested balances. Capitalized interest increased \$7 million during 2007 compared to 2006 primarily due to higher average levels of investment in ship construction projects.

Other expenses in 2006 included a \$10 million expense for the write-down of a non-cruise investment, partially offset by a \$4 million gain on the subsequent sale of this investment.

### **Income Taxes**

Income tax expense decreased by \$23 million to \$16 million in 2007 from \$39 million in 2006 primarily because 2006 included \$11 million of income tax expense for the Military Sealift Command charters and the reversal in 2007 of some uncertain income tax position liabilities, partially offset by higher state income taxes in Alaska.

### **Fiscal 2006 ("2006") Compared to Fiscal 2005 ("2005")**

#### **Revenues**

Net cruise revenues increased \$535 million, or 6.2%, to \$9.22 billion in 2006 from \$8.68 billion in 2005. The 4.6% increase in ALBDs between 2006 and 2005 accounted for \$398 million of the increase, and the remaining \$137 million was from increased net revenue yields, which increased 1.5% on both a current and constant dollar basis in 2006 compared to 2005 (gross revenue yields increased by 1.7% in current dollars). Net revenue yields increased in 2006 primarily from higher cruise ticket prices, higher onboard revenues and, to a lesser extent, a 0.4% increase in occupancy. Gross cruise revenues increased \$680 million, or 6.3%, in 2006 to \$11.42 billion from \$10.74 billion in 2005 for largely the same reasons as net cruise revenues.

Our 2006 cruise ticket prices for Caribbean itineraries were lower than in 2005, which were offset by price increases we achieved primarily from our Alaska and European cruises. We believe that this reduction in Caribbean pricing was the result of weaker consumer demand caused primarily from the lingering effects of the unusually strong 2005 hurricane season and higher fuel and other costs' adverse impacts on our customers' discretionary income.

Onboard and other revenues included concession revenues of \$694 million in 2006 and \$638 million in 2005. Onboard and other revenues increased in 2006 compared to 2005, primarily because of the 4.6% increased ALBDs and increased guest spending on our ships.

Other non-cruise revenues increased \$72 million, or 15.6%, to \$533 million in 2006 from \$461 million in 2005 primarily due to the increase in the number of cruise/tours sold.

#### **Costs and Expenses**

Net cruise costs increased \$484 million, or 9.3%, to \$5.68 billion in 2006 from \$5.20 billion in 2005. The 4.6% increase in ALBDs between 2005 and 2006 accounted for \$238 million of the increase whereas \$246 million was from increased net cruise costs per ALBD, which increased 4.5% in 2006 compared to 2005 (gross cruise costs per ALBD increased 3.9%). Net cruise costs per ALBD increased primarily due to a \$75 increase in fuel cost per metric ton, or 29.0%, to \$334 per metric ton in 2006, which resulted in an additional \$209 million of expense, and a \$57 million increase in share-based compensation expense, which was as the result of our adoption of SFAS No. 123(R) (see Notes 2 and 12 in the accompanying financial statements). This increase was partially offset by the non-recurrence in 2006 of a \$23 million MNOFF expense. Net cruise costs per ALBD as measured on a constant dollar basis increased 4.8% in 2006 compared to 2005. On a constant dollar basis, net cruise costs per ALBD, excluding increased fuel prices and incremental share-based compensation expenses were flat compared to 2005. Gross cruise costs increased \$629 million, or 8.7%, in 2006 to \$7.88 billion from \$7.25 billion in 2005 for largely the same reasons as net cruise costs.

Other non-cruise operating and selling and administrative expenses increased \$63 million, or 15.6%, to \$467 million in 2006 from \$404 million in 2005 primarily due to the increase in the number of cruise/tours sold.

Depreciation and amortization expense increased by \$86 million, or 9.5%, to \$988 million in 2006 from \$902 million in 2005 largely due to the 4.6% increase in ALBDs through the addition of new ships, and additional ship improvement expenditures.

## **Nonoperating (Expense) Income**

Net interest expense, excluding capitalized interest, was \$323 million in both 2006 and 2005. This flat interest expense was primarily due to lower average borrowings offsetting the impact of higher average interest rates on borrowings. Capitalized interest increased \$16 million during 2006 compared to 2005 primarily due to higher average levels of investment in ship construction projects and higher average interest rates on borrowings.

## **Income Taxes**

Income tax expense decreased by \$33 million to \$39 million in 2006 from \$72 million in 2005 primarily as a result of lower U.S. income taxes related to the MSC charter in 2006 compared to 2005, and the reversal in 2006 of previously recorded tax liabilities and deferred tax valuation allowances, which were no longer required based upon the results of tax authority audits and other factors.

## **Liquidity and Capital Resources**

### **Sources and Uses of Cash**

Our business provided \$4.07 billion of net cash from operations during fiscal 2007, an increase of \$436 million, or 12.0%, compared to fiscal 2006. We continue to generate substantial cash from operations and remain in a strong financial position, thus providing us with substantial financial flexibility in meeting operating, investing and financing needs.

During fiscal 2007, our net expenditures for capital projects were \$3.31 billion, of which \$2.77 billion was spent for our ongoing new shipbuilding program, including \$2.06 billion for the final delivery payments for *Carnival Freedom*, *Emerald Princess*, *AIDAdiva*, *Costa Serena* and *Queen Victoria*. In addition to our new shipbuilding program, we had capital expenditures of \$383 million for ship improvements and refurbishments and \$161 million for Alaska tour assets, cruise port facility developments and information technology assets.

During fiscal 2007, we borrowed \$2.65 billion of long-term debt, which included \$1.49 billion to pay part of *Carnival Freedom*, *Emerald Princess*, *AIDAdiva* and *Queen Victoria* purchase prices and Ibero Cruises borrowed €185 million (\$274 million U.S. dollars at November 30, 2007, exchange rate) under our Facility to finance a portion of its purchase price. In addition during fiscal 2007, we repaid \$1.66 billion of long-term debt, which included \$323 million for the early repayment of £165 million of debt and \$835 million upon maturity of our 3.75% Senior and other fixed rate notes. We also repaid net short-term borrowings of \$330 million under our commercial paper programs and short-term bank loans during fiscal 2007. Finally, we paid cash dividends of \$990 million and purchased \$326 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions during fiscal 2007.

### **Future Commitments and Funding Sources**

At November 30, 2007, our contractual cash obligations, including new ship orders placed in December 2007, and the effects such obligations are expected to have on our liquidity and cash flow in future periods were as follows (in millions):

**Payments Due by Fiscal Year**

<b>Contractual Cash Obligations</b>	<b>Total</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Thereafter</b>
<b>Recorded Contractual Obligations</b>							
Debt (a)	\$ 8,852	\$ 2,539	\$ 329	\$1,342	\$ 325	\$1,028	\$3,289
Other long-term liabilities reflected on the balance sheet (b)	499	32	59	52	38	30	288
<b>Unrecorded Contractual Obligations</b>							
Shipbuilding (a)	12,328	2,680	2,964	3,334	2,202	1,148	
Port facilities and other (a)	561	111	95	75	51	45	184
Operating leases (a)	330	38	40	33	31	30	158
Purchase obligations (c)	747	650	56	29	5	2	5
Fixed-rate interest payments (d)	1,884	251	226	217	204	191	795
Variable rate interest payments (d)	<u>379</u>	<u>110</u>	<u>93</u>	<u>72</u>	<u>34</u>	<u>29</u>	<u>41</u>
Total contractual cash obligations (e)	<u>\$25,580</u>	<u>\$ 6,411</u>	<u>\$3,862</u>	<u>\$5,154</u>	<u>\$2,890</u>	<u>\$2,503</u>	<u>\$4,760</u>

- (a) See Notes 5 and 6 in the accompanying financial statements for additional information regarding these contractual cash obligations.
- (b) Represents cash outflows for certain of our long-term liabilities that could be reasonably estimated. The primary outflows are for estimates of our employee benefit plan obligations, crew and guest claims, certain deferred income taxes, derivative contracts payable, and other long-term liabilities. Other long-term liabilities, such as deferred income and certain deferred income taxes, have been excluded from the table as they do not require cash settlement in the future or the timing of the cash outflow cannot be reasonably estimated.
- (c) Represents legally-binding commitments to purchase inventory and other goods and services made in the normal course of business to meet operational requirements. Many of our contracts contain clauses that allow us to terminate the contract with notice, and with or without a termination penalty. Termination penalties are generally an amount less than the original obligation. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for termination of our contractual obligations.
- (d) Fixed-rate interest payments represent cash outflows for fixed interest payments, including interest swapped from a variable-rate to a fixed-rate. Variable-rate interest payments represent forecasted cash outflows for interest payments on variable-rate debt, including interest swapped from a fixed-rate to a variable-rate, using the November 30, 2007 interest rates for the remaining terms of the loans.
- (e) Foreign currency payments are based on the November 30, 2007 exchange rates.

In June 2006, the Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares subject to certain restrictions. On September 19, 2007, the Boards of Directors increased the remaining \$578 million authorization back to \$1 billion. The repurchase program does not have an expiration date and may be discontinued by our Boards of Directors at any time. The Carnival plc share repurchase authorization requires annual shareholder approval. During the 2007 fourth quarter and from December 1, 2007 through January 28, 2008 we purchased 4.8 million and 1.3 million ordinary shares of Carnival plc, which are not registered under Section 12 of the Securities Exchange Act at an average price of \$43.28 and \$43.77, respectively, and 0.2 million and 0.6 million shares, respectively of Carnival Corporation common stock at an average share price of \$44.58 and \$44.63, respectively. Carnival plc ordinary shares are listed on the London Stock Exchange. At January 28, 2008 the remaining availability pursuant to our repurchase program was \$788 million.

At November 30, 2007, as adjusted for the \$1.50 billion short-term revolving credit facilities we entered into in January 2008, we had liquidity of \$5.31 billion, which consisted of \$943 million of cash and cash equivalents, \$1.08 billion available for borrowing under our Facility, \$1.50 billion under our short-term revolving credit facilities and \$1.78 billion under committed ship financing facilities. Substantially all of our Facility matures in 2012. In addition, in June 2007 we entered into an agreement to sell Cunard Line's *QE2* for delivery to the buyer in November 2008 for \$100 million. A key to our access to liquidity is the maintenance of our strong credit ratings.

Based primarily on our historical results, current financial condition and future forecasts, we believe that our existing liquidity and cash flow from future operations will be sufficient to fund most of our expected capital projects, debt service requirements, convertible debt redemptions, dividend payments, working capital and other firm commitments over the next several years. In addition, based on our future forecasted operating results and cash flows for fiscal 2008, we expect to be in compliance with our debt covenants during 2008. However, our forecasted cash flow from future operations, as well as our credit ratings, may be adversely affected by various factors including, but not limited to, those factors noted under "Cautionary Note Concerning Factors That May Affect Future Results." To the extent that we are required, or choose, to fund future cash requirements, including our future shipbuilding commitments, from sources other than as discussed above, we believe that we will be able to secure such financing from banks or through the issuance of debt and/or offering of equity securities in the public or private markets. However, we cannot be certain that our future operating cash flow will be sufficient to fund future obligations or that we will be able to obtain additional financing, if necessary.

#### **Off-Balance Sheet Arrangements**

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, certain derivative instruments and variable interest entities, that either have, or are reasonably likely to have, a current or future material effect on our financial statements.

#### **Foreign Currency Exchange Rate Risks**

Our growing international business operations are conducted primarily through AIDA in Germany, Costa in Southern Europe and China, Ibero Cruises in Spain, P&O Cruises, Ocean Village and Cunard in the UK and P&O Cruises Australia in Australia, which subject us to an increasing level of foreign currency exchange risk related to the Euro, Sterling and Australian dollar because these operations have either the Euro, Sterling or Australian dollar as their functional currency. Accordingly, exchange rate fluctuations of the Euro, Sterling or Australian dollar against the U.S. dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar and the functional currency for our international operations is generally the local currency. Any weakening of the U.S. dollar against these local functional currencies has the financial statement effect of increasing the U.S. dollar values reported for cruise revenues and cruise expenses in our Consolidated Statements of Operations. Strengthening of the U.S. dollar has the opposite effect.

We seek to minimize the impact of fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and nonderivative financial instruments. The financial impacts of these hedging instruments are generally offset by corresponding changes in the underlying exposures being hedged. Our policy is to not use any financial instruments for trading or other speculative purposes.

One of our primary foreign currency exchange rate risks is related to our outstanding commitments under ship construction contracts denominated in a currency other than the functional currency of the cruise brand that is expected to be operating the ship. These foreign currency commitments are affected by fluctuations in the value of the functional currency as compared to the currency in which the shipbuilding contract is denominated. We use foreign currency swaps and nonderivative financial instruments to manage foreign currency exchange rate risk from some of our ship construction contracts (see Notes 2, 6 and 10 in the

accompanying financial statements). Accordingly, increases and decreases in the fair value of these foreign currency swaps offset changes in the fair value of the foreign currency denominated ship construction commitments, thus resulting in the elimination of such risk.

Specifically, we have foreign currency swaps for one of our Euro-denominated shipbuilding contracts and a portion of another shipbuilding contract. At November 30, 2007, the fair value of these foreign currency swaps was an unrealized gain of \$13 million which is recorded, along with an offsetting \$13 million fair value liability related to our shipbuilding firm commitments, on our accompanying 2007 balance sheet. Based upon a 10% strengthening or weakening of the Sterling and U.S. dollar compared to the Euro as of November 30, 2007, assuming no changes in comparative interest rates, the estimated fair value of these foreign currency swaps would decrease or increase by \$66 million, which would be offset by a decrease or increase of \$66 million in the U.S. dollar value of the related foreign currency ship construction commitments resulting in no net dollar impact to us.

In addition, we have €296 million of cash equivalents that are designated as a fair value hedge for a portion of a ship that is expected to operate in a U.S. dollar functional currency brand, which has resulted in a \$44 million firm commitment gain. Based upon a 10% strengthening or weakening of the U.S. dollar compared to the Euro cash equivalent balance as of November 30, 2007, assuming no changes in comparative interest rates, the estimated fair value of this cash equivalent balance would decrease or increase by \$44 million, which would be offset by a decrease or increase of \$44 million in the U.S. dollar balance of the related foreign currency ship construction commitment resulting in no net dollar impact to us.

At November 30, 2007, we have six Euro-denominated shipbuilding commitments (for delivery between June 2009 and May 2011) aggregating €2.16 billion assigned to three of our U.S. dollar functional currency brands for which we have not entered into any foreign currency swaps. Therefore, the U.S. dollar cost of these ships will increase or decrease based upon changes in the exchange rate until the payments are made under the shipbuilding contracts or we enter into foreign currency hedges. A portion of our net investment in Euro-denominated cruise operations effectively act as an economic hedge against a portion of these Euro commitments. Accordingly, a portion of any increase or decrease in our ship costs resulting from changes in the exchange rates will be offset by a corresponding change in the net assets of our Euro-denominated cruise operations. Based upon a 10% hypothetical increase or decrease in the November 30, 2007 U.S. dollar to the Euro foreign currency exchange rate, the cost of these ships would decrease or increase by \$320 million.

In addition, at November 30, 2007 we have two Euro-denominated shipbuilding commitments (for delivery in March and September 2010) aggregating €1.05 billion assigned to two of our Sterling functional currency brands for which we have not entered into any foreign currency swaps. Therefore, the Sterling cost of these ships will increase or decrease based upon changes in the exchange rate until the payments are made under the shipbuilding contracts or we enter into foreign currency hedges. Since the Euro to Sterling exchange rate has traded in a narrow band for most of the last three years, we have not yet hedged these Euro-denominated commitments. Based upon a 10% hypothetical increase or decrease in the November 30, 2007 Sterling to Euro foreign currency exchange rate, assuming the U.S. dollar exchange rate remains constant, the cost of these ships would decrease or increase by \$155 million.

Our decisions regarding whether or not to hedge a given ship commitment are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility, exchange rate correlation, economic trends and other offsetting risks.

The cost of shipbuilding orders that we may place in the future for our cruise lines who generate their cash flows in a currency that is different than the shipyard's operating currency, generally the Euro, is expected to be affected by foreign currency exchange rate fluctuations. Given the decline in the U.S. dollar relative to the Euro over the past several years, the U.S. dollar cost to order new cruise ships at current exchange rates has increased significantly. If the U.S. dollar remains at current levels or declines further, this may affect our ability to order future new cruise ships for U.S. dollar functional currency brands.

We consider our investments in foreign subsidiaries to be denominated in relatively stable currencies and of a long-term nature. In addition to the net investment hedging

strategy discussed above, we also partially address these net investment currency exposures by denominating a portion of our debt including the effect of foreign currency swaps, in our subsidiaries' functional currencies (generally the Euro or Sterling). Specifically, we have debt of \$1.89 billion in Euros and \$457 million in Sterling and have \$378 million of foreign currency swaps, whereby we have converted \$378 million of U.S. dollar debt into Euro debt, thus partially offsetting these foreign currency exchange rate risks. At November 30, 2007, the fair value of these foreign currency swaps was an unrealized loss of \$30 million, which is recorded in AOCI and offsets a portion of the gains recorded in AOCI upon translating these foreign subsidiaries net assets into U.S. dollars. Based upon a 10% hypothetical increase or decrease in the November 30, 2007 foreign currency exchange rates, assuming no changes in comparative interest rates, we estimate that these derivative contracts' fair values would increase or decrease by \$38 million, which would be offset by a decrease or increase of \$38 million in the U.S. dollar value of our net investments.

Finally, during 2007, we entered into cash flow foreign currency swaps that effectively converted \$438 million of U.S. dollar fixed interest rate debt into £210 million fixed interest rate debt that is the functional currency of our operation that has the obligation to repay this debt. At November 30, 2007, the fair value of these foreign currency swaps was an unrealized gain of \$3 million.

### **Interest Rate Risks**

We seek to minimize the impact of fluctuations in interest rates through our investment and debt portfolio management strategies, which includes purchasing high quality short-term investments with variable interest rates, and issuing substantial amounts of fixed rate debt instruments. We continuously evaluate our debt portfolio, and make periodic adjustments to the mix of floating rate and fixed rate debt based on our view of interest rate movements, through the use of interest rate swaps. At November 30, 2007 and 2006, 69% and 68% of the interest cost on our debt was fixed and 31% and 32% was variable, including the effect of our interest rate swaps, respectively.

Specifically, we have interest rate swaps at November 30, 2007, which effectively changed \$204 million of fixed rate debt to LIBOR-based floating rate debt. In addition, we have interest rate swaps at November 30, 2007 which effectively changed \$16 million of EURIBOR-based floating rate debt to fixed rate debt. The fair value of our debt and interest rate swaps at November 30, 2007 was \$9.01 billion. Based upon a hypothetical 10% decrease or increase in the November 30, 2007 market interest rates, assuming no change in currency exchange rates, the fair value of our debt and interest rate swaps would increase or decrease by approximately \$143 million. In addition, based upon a hypothetical 10% decrease or increase in the November 30, 2007 interest rates, our annual interest expense on variable rate debt, including the effect of our interest rate swaps, would decrease or increase by approximately \$13 million.

In addition, based upon a hypothetical 10% increase or decrease in Carnival Corporation's November 30, 2007 common stock price, the fair value of our convertible notes would increase or decrease by approximately \$102 million.

These hypothetical amounts are determined by considering the impact of the hypothetical interest rates and common stock price on our existing debt and interest rate swaps. This analysis does not consider the effects of the changes in the level of overall economic activity that could exist in such environments or any relationships which may exist between interest rate and stock price movements. Furthermore, since substantially all of our fixed rate debt cannot currently be called or prepaid it is unlikely we would be able to take any significant steps in the short-term to mitigate our exposure in the event of a significant decrease in market interest rates.

### **Bunker Fuel Price Risks**

We do not use financial instruments to hedge our exposure to the bunker fuel price market risk. We estimate that our fiscal 2008 fuel cost would increase or decrease by approximately \$3.3 million for each \$1 per metric ton increase or decrease in our average bunker fuel price.

## Selected Financial Data

The selected consolidated financial data presented below for fiscal 2003 through 2007 and as of the end of each such year, are derived from our audited financial statements and should be read in conjunction with those financial statements and the related notes.

	<u>Years Ended November 30,</u>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in millions, except per share and other operating data)				
<b>Statement of Operations and Cash Flow Data (a)</b>					
Revenues	\$13,033	\$11,839	\$11,094	\$ 9,727	\$ 6,718
Operating income	\$ 2,725	\$ 2,613	\$ 2,639	\$ 2,128	\$ 1,376
Net income	\$ 2,408	\$ 2,279	\$ 2,253	\$ 1,809	\$ 1,187
Earnings per share					
Basic	\$ 3.04	\$ 2.85	\$ 2.80	\$ 2.25	\$ 1.65
Diluted	\$ 2.95	\$ 2.77	\$ 2.70	\$ 2.18	\$ 1.62
Dividends declared per share	\$ 1.375	\$ 1.025	\$ 0.800	\$ 0.525	\$ 0.440
Cash from operations	\$ 4,069	\$ 3,633	\$ 3,410	\$ 3,216	\$ 1,933
Capital expenditures	\$ 3,312	\$ 2,480	\$ 1,977	\$ 3,586	\$ 2,516
Dividends paid	\$ 990	\$ 803	\$ 566	\$ 400	\$ 292
<b>Other Operating Data (a)</b>					
Available lower berth days	54,132,927	49,945,184	47,754,627	44,009,061	33,309,785
Passengers carried (in thousands)	7,672	7,008	6,848	6,306	5,038
Occupancy percentages (b)	105.6%	106.0%	105.6%	104.5%	103.4%
Fuel cost per metric ton	\$ 361	\$ 334	\$ 259	\$ 194	\$ 179

	<u>As of November 30,</u>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in millions, except percentages)				
<b>Balance Sheet and Other Data (a)</b>					
Total assets	\$34,181	\$30,552	\$28,349	\$27,548	\$24,450
Total debt	\$ 8,852	\$ 7,847	\$ 7,352	\$ 7,953	\$ 7,404
Total shareholders' equity	\$19,963	\$18,210	\$16,883	\$15,672	\$13,752
Total debt to capital (c)	30.7%	30.1%	30.3%	33.7%	35.0%
EBITDA (d)	\$ 3,825	\$ 3,593	\$ 3,528	\$ 2,935	\$ 1,969

(a) Includes the results of Carnival plc since April 17, 2003. Accordingly, the information for 2003 is not comparable to other periods. In addition, the 2006 net income was reduced by \$57 million of share-based compensation expense related to the expensing of stock options and RSUs as a result of our adoption of SFAS No. 123(R) in 2006 (see Note 2).

(b) In accordance with cruise industry practice, occupancy percentage is calculated using a denominator of 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.

(c) Percentage of total debt to the sum of total debt and shareholders' equity.

(d) Net income plus interest, taxes, depreciation and amortization.

## Market Price for Common Stock and Ordinary Shares

Carnival Corporation's common stock, together with paired trust shares of beneficial interest in the P&O Princess Special Voting Trust (which holds a Special Voting Share of Carnival plc) is traded on the NYSE under the symbol "CCL." Carnival plc's ordinary shares trade on the London Stock Exchange under the symbol "CCL." Carnival plc's American Depositary Shares ("ADSs"), each one of which represents one Carnival plc ordinary share, are traded on the NYSE under the symbol "CUK." The depository for the ADSs is JPMorgan Chase Bank. The high and low stock sales price for the periods indicated was as follows:

**Carnival Corporation****Carnival plc**

	<u>Carnival Corporation</u>		<u>Carnival plc</u>			
	<u>High</u>	<u>Low</u>	<u>Price per Ordinary Share (GBP)</u>		<u>Price per ADS (USD)</u>	
<u>Fiscal 2007</u>			<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Fourth Quarter	\$52.10	\$42.06	£25.00	£19.83	\$50.65	\$40.92
Third Quarter	\$51.85	\$41.70	£26.51	£20.32	\$52.68	\$40.73
Second Quarter	\$50.77	\$44.39	£26.74	£23.53	\$52.16	\$45.66
First Quarter	\$52.73	\$45.75	£28.40	£23.50	\$55.45	\$47.20
<u>Fiscal 2006</u>						
Fourth Quarter	\$50.99	\$41.63	£26.68	£22.21	\$50.78	\$42.65
Third Quarter	\$42.14	\$36.40	£23.34	£19.62	\$43.49	\$37.00
Second Quarter	\$52.16	\$39.36	£31.57	£21.02	\$55.64	\$40.01
First Quarter	\$56.14	\$50.81	£34.16	£30.85	\$59.47	\$54.40

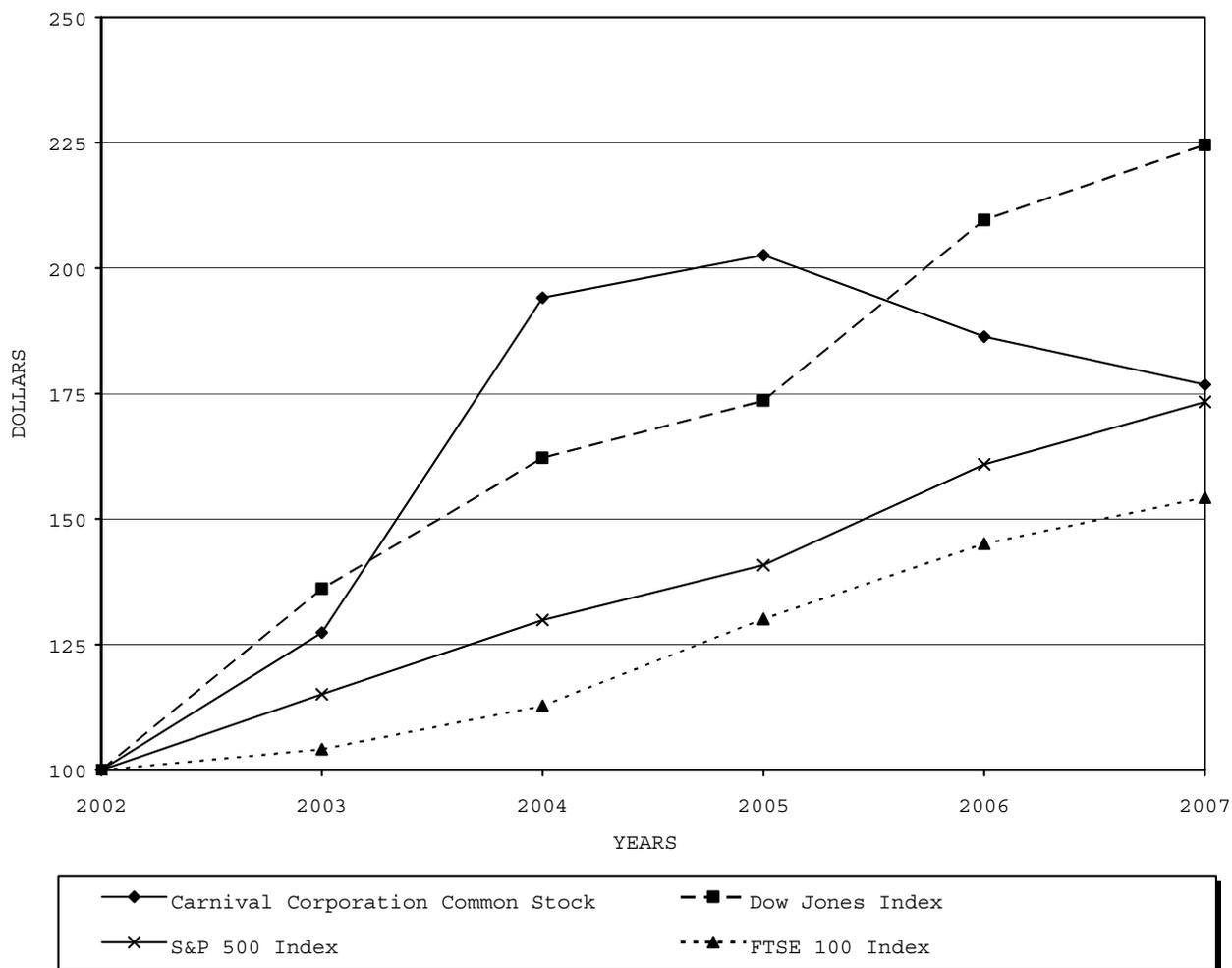
As of January 22, 2008, there were 3,690 holders of record of Carnival Corporation common stock and 42,342 holders of record of Carnival plc ordinary shares and 97 holders of record of Carnival plc ADSs. The past performance of our stock prices cannot be relied on as a guide to their future performance.

All dividends for both Carnival Corporation and Carnival plc are declared in U.S. dollars. Holders of Carnival Corporation common stock and Carnival plc ADSs receive a dividend payable in U.S. dollars. The dividends payable for Carnival plc ordinary shares are payable in Sterling, unless the shareholders elect to receive the dividends in U.S. dollars. Dividends payable in Sterling will be converted from U.S. dollars into Sterling at the U.S. dollar/Sterling exchange rate quoted by the Bank of England in London at 12:00 p.m. on the next combined U.S. and UK business day that follows the quarter end.

**Stock Performance Graphs****Carnival Corporation**

The following graph compares the Price Performance of \$100 if invested in Carnival Corporation common stock with the Price Performance of \$100 if invested in each of the S&P 500 Index, the Dow Jones U.S. Travel and Leisure Index (the "Dow Jones Index") and the FTSE 100 Index. The Price Performance, as used in the Performance Graph, is calculated by assuming \$100 is invested at the beginning of the period in Carnival Corporation common stock at a price equal to the market value. At the end of each fiscal year the total value of the investment is computed by taking the number of shares owned, assuming Carnival Corporation dividends are reinvested on an annual basis, multiplied by the market price of the shares at the end of each fiscal year.

### 5-YEAR CUMULATIVE TOTAL RETURNS



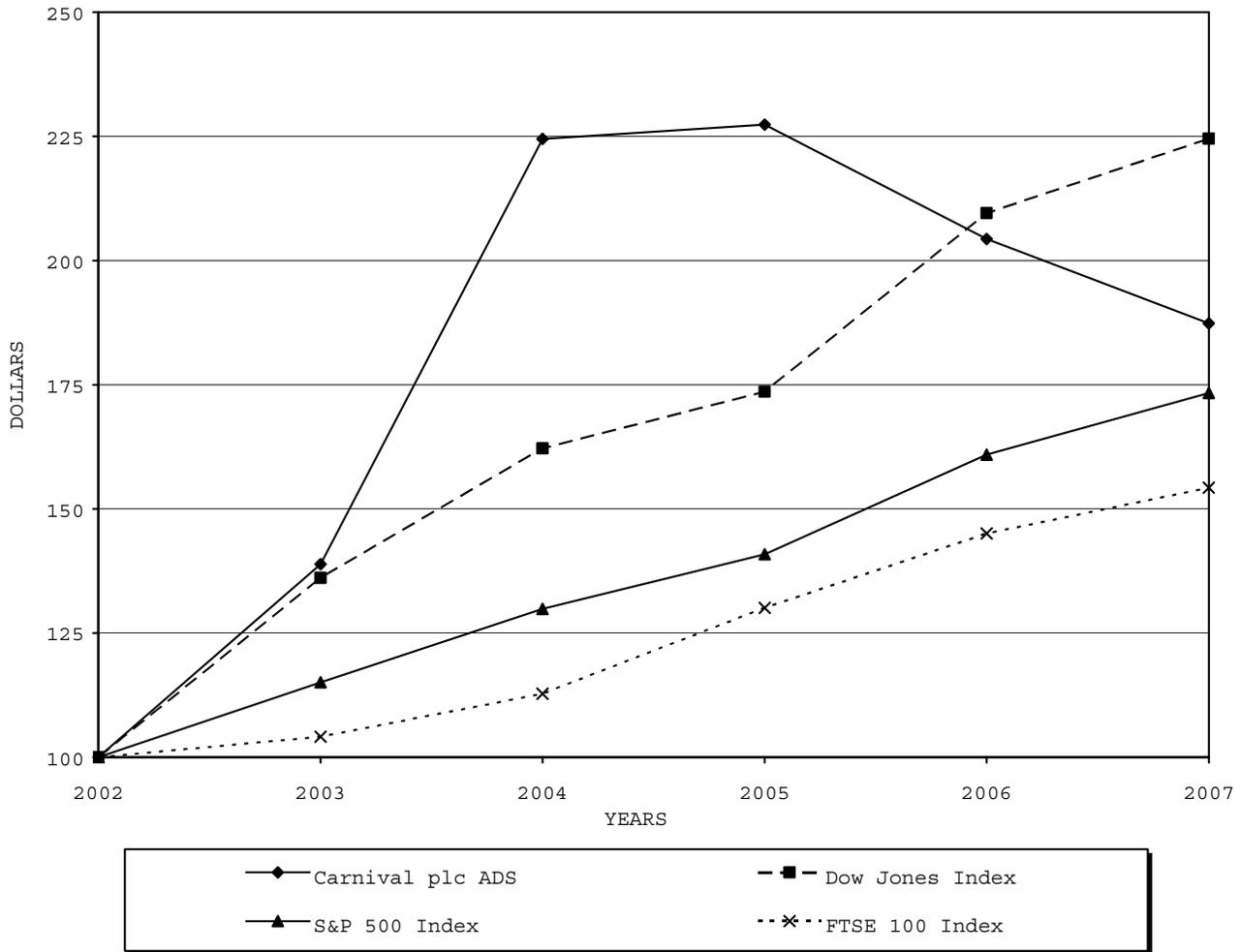
Assumes \$100 Invested on December 1, 2002  
Assumes Dividends Reinvested  
Years Ended November 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Carnival Corporation Common Stock	\$100	\$127	\$194	\$203	\$186	\$177
Dow Jones Index	\$100	\$136	\$162	\$174	\$210	\$225
S&P 500 Index	\$100	\$115	\$130	\$141	\$161	\$173
FTSE 100 Index	\$100	\$104	\$113	\$130	\$145	\$154

#### **Carnival plc**

The following graph compares the Price Performance of \$100 invested in Carnival plc ADSs, each representing one ordinary share of Carnival plc (prior to April 17, 2003 each ADS represented four ordinary shares of Carnival plc), with the Price Performance of \$100 invested in each of the indexes noted below. The Price Performance is calculated in a similar manner as noted above.

**5-YEAR CUMULATIVE TOTAL RETURNS**



Assumes \$100 Invested on December 1, 2002  
Assumes Dividends Reinvested  
Years Ended November 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Carnival plc ADS	\$100	\$139	\$224	\$227	\$204	\$187
Dow Jones Index	\$100	\$136	\$162	\$174	\$210	\$225
S&P 500 Index	\$100	\$115	\$130	\$141	\$161	\$173
FTSE 100 Index	\$100	\$104	\$113	\$130	\$145	\$154

**Selected Quarterly Financial Data (Unaudited)**

Our revenues from the sale of passenger tickets are seasonal. Historically, demand for cruises has been greatest during our third fiscal quarter, which includes the Northern Hemisphere summer months, and holidays. This higher demand during the third quarter results in higher net revenue yields and, accordingly, the largest share of our net income is earned during this period. The seasonality of our results is increased due to ships being taken out of service for maintenance, which we typically schedule during non-peak demand periods. Substantially all of Holland America Tours' and Princess Tours' revenues and net income are generated from May through September in conjunction with the Alaska cruise season.

Quarterly financial results for fiscal 2007 were as follows:

	<b>Quarters Ended</b>			
	<b><u>February 28</u></b>	<b><u>May 31</u></b>	<b><u>August 31</u></b>	<b><u>November 30</u></b>
	(in millions, except per share data)			
Revenues	\$2,688	\$2,900	\$4,321	\$3,124
Operating income	\$ 353	\$ 459	\$1,490	\$ 423
Net income	\$ 283	\$ 390	\$1,377	\$ 358
Earnings per share				
Basic	\$ 0.36	\$ 0.49	\$ 1.73	\$ 0.45
Diluted	\$ 0.35	\$ 0.48	\$ 1.67	\$ 0.44
Dividends declared per share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.40

Quarterly financial results for fiscal 2006 were as follows:

	<b>Quarters Ended</b>			
	<b><u>February 28</u></b>	<b><u>May 31</u></b>	<b><u>August 31</u></b>	<b><u>November 30</u></b>
	(in millions, except per share data)			
Revenues	\$2,463	\$2,662	\$3,905	\$ 2,809
Operating income	\$ 349	\$ 448	\$1,340	\$ 476
Net income	\$ 251	\$ 380	\$1,232	\$ 416
Earnings per share				
Basic	\$ 0.31	\$ 0.47	\$ 1.55	\$ 0.53
Diluted	\$ 0.31	\$ 0.46	\$ 1.49	\$ 0.51
Dividends declared per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.275

## Significant Subsidiaries of Carnival Corporation and Carnival plc(1)

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation or Organization</u>
Costa Crociere, S.p.A. (2)	Italy
HAL Antillen N.V.	Netherlands Antilles
Holland America Line N.V. (3)	Netherlands Antilles
Princess Bermuda Holdings Ltd.	Bermuda
Princess Cruise Lines Ltd. (4)	Bermuda
Sunshine Shipping Corporation Ltd. ("Sunshine") (5)	Bermuda

(1) Carnival Corporation, incorporated in the Republic of Panama, and Carnival plc, incorporated in England and Wales, are separate legal entities, which have entered into a DLC structure as discussed in Notes 1 and 3 to the Consolidated Financial Statements in Exhibit 13 to the joint Annual Report on Form 10-K. We have accounted for the DLC transaction under U.S. GAAP as an acquisition by Carnival Corporation of Carnival plc. Accordingly, we have determined the significant subsidiaries based upon the consolidated results of operations and financial position of Carnival Corporation & plc.

(2) Subsidiary of Carnival plc.

(3) Subsidiary of HAL Antillen N.V.

(4) Subsidiary of Sunshine.

(5) Subsidiary of Princess Bermuda Holdings Ltd.

Consent of Independent Registered Certified Public Accounting Firm

We hereby consent to the incorporation by reference in the joint Registration Statements on Form S-3 of Carnival Corporation and Carnival plc (File Nos. 333-113310, 333-106850, 333-106553, 333-72729, 333-68999, 333-43269 and 333-132306), the Registration Statements on Form S-8 of Carnival Corporation (File Nos. 333-125418, 333-105672, 333-87036, 333-67394, 333-60558, 333-43885, 33-53099, 33-51195, 33-45287 and 33-26898) and the Registration Statements on Form S-8 of Carnival plc (File Nos. 333-125418, 333-124640, 333-104609, 333-84968, 333-13794 and 333-12742), of our report, dated January 28, 2008, relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this joint Annual Report on Form 10-K.

/s/PricewaterhouseCoopers LLP

Miami, Florida  
January 28, 2008

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that the undersigned directors of Carnival Corporation, a company incorporated under the laws of the Republic of Panama, and Carnival plc, a company organized and existing under the laws of England and Wales, do and each of them does, hereby constitute and appoint Micky Arison, Howard S. Frank, David Bernstein and Arnaldo Perez, his or her true and lawful attorneys-in-fact and agents, and each of them with full power to act without the others, for him or her and in his or her name, place and stead, to sign the Carnival Corporation and Carnival plc joint Annual Report on Form 10-K ("Form 10-K") for the year ended November 30, 2007 and any and all future amendments thereto; and to file said Form 10-K and any such amendments with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals as of the 21st day of December 2007.

CARNIVAL CORPORATION

/s/ Richard G. Capen, Jr.  
Richard G. Capen, Jr.  
Director

/s/ Robert H. Dickinson  
Robert H. Dickinson  
Director

/s/ Arnold W. Donald  
Arnold W. Donald  
Director

/s/ Pier Luigi Foschi  
Pier Luigi Foschi  
Director

/s/ Richard J. Glasier  
Richard J. Glasier  
Director

/s/ Baroness Sarah Hogg  
Baroness Sarah Hogg  
Director

/s/ Dr. Modesto A. Maidique  
Dr. Modesto A. Maidique  
Director

/s/ Sir John Parker  
Sir John Parker  
Director

/s/ Peter G. Ratcliffe  
Peter G. Ratcliffe  
Director

/s/ Stuart Subotnick  
Stuart Subotnick  
Director

CARNIVAL PLC

/s/ Richard G. Capen, Jr.  
Richard G. Capen, Jr.  
Director

/s/ Robert H. Dickinson  
Robert H. Dickinson  
Director

/s/ Arnold W. Donald  
Arnold W. Donald  
Director

/s/ Pier Luigi Foschi  
Pier Luigi Foschi  
Director

/s/ Richard J. Glasier  
Richard J. Glasier  
Director

/s/ Baroness Sarah Hogg  
Baroness Sarah Hogg  
Director

/s/ Dr. Modesto A. Maidique  
Dr. Modesto A. Maidique  
Director

/s/ Sir John Parker  
Sir John Parker  
Director

/s/ Peter G. Ratcliffe  
Peter G. Ratcliffe  
Director

/s/ Stuart Subotnick  
Stuart Subotnick  
Director

/s/ Laura Weil

Laura Weil  
Director

/s/ Uzi Zucker

Uzi Zucker  
Director

/s/ Laura Weil

Laura Weil  
Director

/s/ Uzi Zucker

Uzi Zucker  
Director

I, Micky Arison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Carnival Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2008

By:/s/ Micky Arison

Micky Arison

Chairman of the Board of Directors  
and Chief Executive Officer

I, Howard S. Frank, certify that:

1. I have reviewed this Annual Report on Form 10-K of Carnival Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2008

By:/s/ Howard S. Frank

Howard S. Frank

Vice Chairman of the Board of

Directors and Chief Operating Officer

I, David Bernstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Carnival Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2008

By:/s/ David Bernstein  
David Bernstein  
Senior Vice President and  
Chief Financial Officer

I, Micky Arison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Carnival plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2008

By:/s/ Micky Arison

Micky Arison

Chairman of the Board of Directors  
and Chief Executive Officer

I, Howard S. Frank, certify that:

1. I have reviewed this Annual Report on Form 10-K of Carnival plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2008

By:/s/ Howard S. Frank

Howard S. Frank

Vice Chairman of the Board of

Directors and Chief Operating Officer

I, David Bernstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Carnival plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2008

By:/s/ David Bernstein  
David Bernstein  
Senior Vice President and  
Chief Financial Officer

**Exhibit 32.1**

In connection with the Annual Report on Form 10-K for the year ended November 30, 2007 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: January 29, 2008

By: /s/ Micky Arison  
Micky Arison  
Chairman of the Board of Directors  
and Chief Executive Officer

**Exhibit 32.2**

In connection with the Annual Report on Form 10-K for the year ended November 30, 2007 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: January 29, 2008

By: /s/ Howard S. Frank  
Howard S. Frank  
Vice Chairman of the Board of Directors  
and Chief Operating Officer

**Exhibit 32.3**

In connection with the Annual Report on Form 10-K for the year ended November 30, 2007 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: January 29, 2008

By: /s/ David Bernstein  
David Bernstein  
Senior Vice President and  
Chief Financial Officer

**Exhibit 32.4**

In connection with the Annual Report on Form 10-K for the year ended November 30, 2007 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: January 29, 2008

By: /s/ Micky Arison  
Micky Arison  
Chairman of the Board of Directors  
and Chief Executive Officer

**Exhibit 32.5**

In connection with the Annual Report on Form 10-K for the year ended November 30, 2007 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: January 29, 2008

By: /s/ Howard S. Frank  
Howard S. Frank  
Vice Chairman of the Board of Directors  
and Chief Operating Officer

**Exhibit 32.6**

In connection with the Annual Report on Form 10-K for the year ended November 30, 2007 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: January 29, 2008

By: /s/ David Bernstein  
David Bernstein  
Senior Vice President and  
Chief Financial Officer