
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2014

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: 001-9610

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)

None

(Former name, former address and former fiscal year, if changed since last report)



Commission file number: 001-15136

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)

None

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filers

Accelerated filers

Non-accelerated filers

Smaller reporting companies

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

At March 24, 2014, Carnival Corporation had outstanding 592,622,537 shares of Common Stock, \$0.01 par value.

At March 24, 2014, Carnival plc had outstanding 215,713,772 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 592,622,537 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

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CARNIVAL CORPORATION & PLC

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended February 28,	
	2014	2013
Revenues		
Cruise		
Passenger tickets	\$ 2,727	\$ 2,740
Onboard and other	850	844
Tour and other	8	9
	<u>3,585</u>	<u>3,593</u>
Operating Costs and Expenses		
Cruise		
Commissions, transportation and other	620	617
Onboard and other	114	127
Fuel	523	559
Payroll and related	481	460
Food	245	243
Other ship operating	590	579
Tour and other	15	14
	<u>2,588</u>	<u>2,599</u>
Selling and administrative	521	460
Depreciation and amortization	404	389
	<u>3,513</u>	<u>3,448</u>
Operating Income	<u>72</u>	<u>145</u>
Nonoperating (Expense) Income		
Interest income	2	2
Interest expense, net of capitalized interest	(72)	(83)
Losses on fuel derivatives, net	(16)	(28)
Other income, net	-	3
	<u>(86)</u>	<u>(106)</u>
(Loss) Income Before Income Taxes	<u>(14)</u>	<u>39</u>
Income Tax Expense, Net	<u>(1)</u>	<u>(2)</u>
Net (Loss) Income	<u>\$ (15)</u>	<u>\$ 37</u>
(Loss) Earnings Per Share		
Basic	<u>\$ (0.02)</u>	<u>\$ 0.05</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ 0.05</u>
Dividends Declared Per Share	<u>\$ 0.25</u>	<u>\$ 0.25</u>

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(in millions)

	Three Months Ended	
	February 28,	
	<u>2014</u>	<u>2013</u>
Net (Loss) Income	\$ (15)	\$ 37
Items Included in Other Comprehensive Income (Loss)		
Change in foreign currency translation adjustment	116	(208)
Other	<u>(4)</u>	<u>16</u>
Other Comprehensive Income (Loss)	<u>112</u>	<u>(192)</u>
Total Comprehensive Income (Loss)	<u>\$ 97</u>	<u>\$(155)</u>

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

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

	February 28, 2014	November 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 421	\$ 462
Trade and other receivables, net	258	405
Insurance recoverables	269	381
Inventories	381	374
Prepaid expenses and other	316	315
Total current assets	<u>1,645</u>	<u>1,937</u>
Property and Equipment, Net	32,991	32,905
Goodwill	3,226	3,210
Other Intangibles	1,296	1,292
Other Assets	747	760
	<u>\$ 39,905</u>	<u>\$ 40,104</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 406	\$ 60
Current portion of long-term debt	1,212	1,408
Accounts payable	554	639
Claims reserve	352	456
Accrued liabilities and other	1,084	1,126
Customer deposits	3,080	3,031
Total current liabilities	<u>6,688</u>	<u>6,720</u>
Long-Term Debt	7,992	8,092
Other Long-Term Liabilities	755	736
Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 652 shares at 2014 and 651 shares at 2013 issued	7	7
Ordinary shares of Carnival plc, \$1.66 par value; 216 shares at 2014 and 2013 issued	358	358
Additional paid-in capital	8,333	8,325
Retained earnings	18,573	18,782
Accumulated other comprehensive income	273	161
Treasury stock, 59 shares at 2014 and 2013 of Carnival Corporation and 32 shares at 2014 and 2013 of Carnival plc, at cost	(3,074)	(3,077)
Total shareholders' equity	<u>24,470</u>	<u>24,556</u>
	<u>\$ 39,905</u>	<u>\$ 40,104</u>

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

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

	Three Months Ended	
	February 28,	
	2014	2013
OPERATING ACTIVITIES		
Net (loss) income	\$ (15)	\$ 37
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization	404	389
Losses on fuel derivatives, net	16	28
Share-based compensation	13	18
Other, net	5	19
Changes in operating assets and liabilities		
Receivables	146	(134)
Inventories	(5)	5
Insurance recoverables, prepaid expenses and other	103	76
Accounts payable	(88)	23
Claims reserves and accrued and other liabilities	(125)	(23)
Customer deposits	23	(39)
Net cash provided by operating activities	<u>477</u>	<u>399</u>
INVESTING ACTIVITIES		
Additions to property and equipment	(353)	(241)
Proceeds from sale of ships	-	70
Other, net	4	4
Net cash used in investing activities	<u>(349)</u>	<u>(167)</u>
FINANCING ACTIVITIES		
Proceeds from short-term borrowings, net	344	67
Principal repayments of long-term debt	(312)	(612)
Proceeds from issuance of long-term debt	-	1,000
Dividends paid	(194)	(582)
Purchases of treasury stock	-	(113)
Sales of treasury stock	-	35
Other, net	-	2
Net cash used in financing activities	<u>(162)</u>	<u>(203)</u>
Effect of exchange rate changes on cash and cash equivalents	(7)	(18)
Net (decrease) increase in cash and cash equivalents	(41)	11
Cash and cash equivalents at beginning of period	462	465
Cash and cash equivalents at end of period	<u>\$ 421</u>	<u>\$ 476</u>

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

CARNIVAL CORPORATION & PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – General

The 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 joint Quarterly Report on Form 10-Q as “Carnival Corporation & plc,” “our,” “us” and “we.”

The Consolidated Balance Sheet at February 28, 2014 and the Consolidated Statements of Operations, the Consolidated Statements of Comprehensive Income (Loss) and the Consolidated Statements of Cash Flows for the three months ended February 28, 2014 and 2013 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2013 joint Annual Report on Form 10-K (“Form 10-K”). Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year. Certain prior period amounts have been reclassified in the Consolidated Balance Sheets to conform to the current period presentation.

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. The portion of these fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were \$137 million and \$139 million for the three months ended February 28, 2014 and 2013, respectively.

During the three months ended February 28, 2014 and 2013, repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were \$248 million and \$225 million, respectively, and are substantially all included in other ship operating expenses.

NOTE 2 – Unsecured Debt

At February 28, 2014, substantially all of our short-term borrowings consisted of euro-denominated commercial paper with an aggregate weighted average interest rate of 0.4%.

In December 2013, we entered into a five-year \$150 million floating rate bank loan due five years after the draw date. We plan to draw under this loan by September 2014 and use the proceeds for general corporate purposes.

In January 2014, we repaid \$200 million of a floating rate bank loan prior to its October 2014 maturity date.

In March 2014, we repaid \$139 million of a floating rate euro-denominated bank loan prior to its September 2014 maturity date.

NOTE 3 – Contingencies

Litigation

As a result of the January 2012 *Costa Concordia* incident, litigation claims, enforcement actions, regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The existing assertions are ongoing and there are significant jurisdictional uncertainties. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims.

Additionally, in the normal course of our business, various 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. Management believes the ultimate outcome of these claims and lawsuits will not have a material adverse impact on our consolidated financial statements.

Contingent Obligations – Lease Out and Lease Back Type (“LILO”) Transactions

At February 28, 2014, Carnival Corporation had estimated contingent obligations totaling \$389 million, excluding termination payments as discussed below, to participants in LILO transactions for two of its ships. At the inception of these leases, the aggregate of the net present value of these obligations was paid by Carnival Corporation to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished and neither the funds nor the contingent obligations have been included in our Consolidated Balance Sheets.

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In the event that Carnival Corporation were to default on its contingent obligations and assuming performance by all other participants, we estimate that it would, as of February 28, 2014, be responsible for a termination payment of \$30 million. In 2017, Carnival Corporation has the right to exercise options that would terminate these LILO transactions at no cost to it.

In certain cases, if the credit ratings of the financial institutions who are directly paying the contingent obligations fall below AA-, then Carnival Corporation will be required to replace these financial institutions with other financial institutions whose credit ratings are at least AA or meet other specified credit requirements. In such circumstances, it would incur additional costs, although we estimate that they would not be material to our consolidated financial statements. For the two financial institution payment undertakers subject to this AA- credit rating threshold, one has a credit rating of AA and the other has a credit rating of AA-. If Carnival Corporation's credit rating, which is BBB+, falls below BBB, it will be required to provide a standby letter of credit for \$34 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

Contingent Obligations – Indemnifications

Some of the debt contracts 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 and 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.

NOTE 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities

Fair Value Measurements

U.S. accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.
- Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.
- Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable market participants at the measurement date. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that we believe market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at February 28, 2014 and November 30, 2013. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair values presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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Financial Instruments that are not Measured at Fair Value on a Recurring Basis

The estimated carrying and fair values and basis of valuation of our financial instrument assets and liabilities that are not measured at fair value on a recurring basis were as follows (in millions):

	February 28, 2014				November 30, 2013			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents (a)	\$ 233	\$ 233	\$ -	\$ -	\$ 349	\$ 349	\$ -	\$ -
Long-term other assets (b)	114	1	56	52	110	1	58	50
Total	<u>\$ 347</u>	<u>\$ 234</u>	<u>\$ 56</u>	<u>\$ 52</u>	<u>\$ 459</u>	<u>\$ 350</u>	<u>\$ 58</u>	<u>\$ 50</u>
Liabilities								
Fixed rate debt (c)	\$ 5,508	\$ -	\$ 5,901	\$ -	\$ 5,574	\$ -	\$ 5,941	\$ -
Floating rate debt (c)	4,102	-	4,086	-	3,986	-	3,997	-
Total	<u>\$ 9,610</u>	<u>\$ -</u>	<u>\$ 9,987</u>	<u>\$ -</u>	<u>\$ 9,560</u>	<u>\$ -</u>	<u>\$ 9,938</u>	<u>\$ -</u>

- (a) Cash and cash equivalents are comprised of cash on hand, and at November 30, 2013, also include time deposits and, due to their short maturities, the carrying values approximate their fair values.
- (b) At February 28, 2014 and November 30, 2013, substantially all of our long-term other assets were comprised of notes and other receivables. The fair values of our Level 1 and Level 2 notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.
- (c) The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at February 28, 2014 and November 30, 2013 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At February 28, 2014 and November 30, 2013, the net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at February 28, 2014 and November 30, 2013, being higher and slightly lower, respectively, than the floating interest rates on these debt obligations, including the impact of any changes in our credit ratings. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

Financial Instruments that are Measured at Fair Value on a Recurring Basis

The estimated fair value and basis of valuation of our financial instrument assets and liabilities that are measured at fair value on a recurring basis were as follows (in millions):

	February 28, 2014			November 30, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash equivalents (a)	\$ 188	\$ -	\$ -	\$ 113	\$ -	\$ -
Restricted cash (b)	29	-	-	28	-	-
Marketable securities held in rabbi trusts (c)	112	10	-	113	10	-
Derivative financial instruments (d)	-	37	-	-	60	-
Long-term other assets (e)	-	-	20	-	-	17
Total	<u>\$ 329</u>	<u>\$ 47</u>	<u>\$ 20</u>	<u>\$ 254</u>	<u>\$ 70</u>	<u>\$ 17</u>
Liabilities						
Derivative financial instruments (d)	\$ -	\$ 31	\$ -	\$ -	\$ 31	\$ -
Total	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>

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- (a) Cash equivalents are comprised of money market funds.
- (b) Restricted cash is primarily comprised of money market funds.
- (c) At February 28, 2014, marketable securities held in rabbi trusts were substantially comprised of Level 1 bonds and frequently-priced mutual funds invested in common stocks and Level 2 other investments. At November 30, 2013, marketable securities held in rabbi trusts were principally comprised of Level 1 frequently-priced mutual funds invested in common stocks and Level 2 other investments. Their use is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.
- (d) See “Derivative Instruments and Hedging Activities” section below for detailed information regarding our derivative financial instruments.
- (e) Long-term other assets are comprised of an auction-rate security. The fair value was based on a broker quote in an inactive market, which is considered a Level 3 input. During the three months ended February 28, 2014, there were no purchases or sales pertaining to this auction-rate security and, accordingly, the change in its fair value was based solely on the strengthening of the underlying credit.

We measure our derivatives using valuations that are calibrated to the initial trade prices. Subsequent valuations are based on observable inputs and other variables included in the valuation models such as interest rate, yield and commodity price curves, forward currency exchange rates, credit spreads, maturity dates, volatilities and netting arrangements. We use the income approach to value derivatives for foreign currency options and forwards, interest rate swaps and fuel derivatives using observable market data for all significant inputs and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated, but not compelled to transact. We also corroborate our fair value estimates using valuations provided by our counterparties.

Nonfinancial Instruments that are Measured at Fair Value on a Nonrecurring Basis

Valuation of Goodwill and Other Intangibles

The reconciliation of the changes in the carrying amounts of our goodwill, which goodwill has been allocated to our North America and Europe, Australia & Asia (“EAA”) cruise brands, was as follows (in millions):

	<u>North America Cruise Brands</u>	<u>EAA Cruise Brands</u>	<u>Total</u>
Balance at November 30, 2013	\$ 1,898	\$ 1,312	\$ 3,210
Foreign currency translation adjustment	-	16	16
Balance at February 28, 2014	<u>\$ 1,898</u>	<u>\$ 1,328</u>	<u>\$ 3,226</u>

At July 31, 2013, all of our cruise brands carried goodwill, except for Ibero Cruises (“Ibero”) and Seabourn. As of that date, we performed our annual goodwill impairment reviews and no goodwill was impaired. At February 28, 2014, accumulated goodwill impairment charges were \$153 million.

The reconciliation of the changes in the carrying amounts of our intangible assets not subject to amortization, which represent trademarks that have been allocated to our North America and EAA cruise brands, was as follows (in millions):

	<u>North America Cruise Brands</u>	<u>EAA Cruise Brands</u>	<u>Total</u>
Balance at November 30, 2013	\$ 927	\$ 359	\$ 1,286
Foreign currency translation adjustment	-	4	4
Balance at February 28, 2014	<u>\$ 927</u>	<u>\$ 363</u>	<u>\$ 1,290</u>

As of July 31, 2013, we also performed our annual trademark impairment reviews for our cruise brands that have significant trademarks recorded, which are AIDA Cruises (“AIDA”), P&O Cruises (Australia), P&O Cruises (UK) and Princess Cruises (“Princess”). No trademarks were considered to be impaired at that time.

At February 28, 2014 and November 30, 2013, our intangible assets subject to amortization are not significant to our consolidated financial statements.

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The determination of our cruise brand, cruise ship and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments in determining whether our goodwill, cruise ships and trademarks have been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognize an impairment charge.

There have not been any events or circumstances subsequent to July 31, 2013, which we believe would require us to perform an interim goodwill or trademark impairment test.

Derivative Instruments and Hedging Activities

We utilize derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates, and interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. In addition, we utilize our fuel derivatives program to mitigate a portion of the risk to our future cash flows attributable to potential fuel price increases, which we define as our “economic risk.” Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. The changes in fair value are recognized currently in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is designated as 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 designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income (“AOCI”) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a nonderivative financial instrument is designated as a hedge of our net investment in a foreign operation, 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 sold or liquidated. We formally document 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 values of all our derivative contracts as either current or long-term, depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. 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. Our cash flows related to fuel derivatives are classified within investing activities.

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The estimated fair values of our derivative financial instruments and their location on the Consolidated Balance Sheets were as follows (in millions):

	Balance Sheet Location	February 28, 2014	November 30, 2013
Derivative assets			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Other assets – long-term	\$ 1	\$ 2
Foreign currency zero cost collars (b)	Prepaid expenses and other	6	-
	Other assets – long-term	-	8
Interest rate swaps (c)	Prepaid expenses and other	1	1
	Other assets – long-term	-	5
		<u>8</u>	<u>16</u>
Derivatives not designated as hedging instruments			
Fuel (d)	Prepaid expenses and other	10	14
	Other assets – long-term	19	30
		<u>29</u>	<u>44</u>
Total derivative assets		<u>\$ 37</u>	<u>\$ 60</u>
Derivative liabilities			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Accrued liabilities and other	\$ -	\$ 4
Interest rate swaps (c)	Accrued liabilities and other	14	13
	Other long-term liabilities	15	13
		<u>29</u>	<u>30</u>
Derivatives not designated as hedging instruments			
Fuel (d)	Other long-term liabilities	2	1
		<u>2</u>	<u>1</u>
Total derivative liabilities		<u>\$ 31</u>	<u>\$ 31</u>

- (a) At February 28, 2014 and November 30, 2013, we had foreign currency forwards totaling \$103 million and \$578 million, respectively, that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At February 28, 2014, these outstanding foreign currency forwards mature through July 2017.
- (b) At February 28, 2014 and November 30, 2013, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See “Newbuild Currency Risks” below for additional information regarding these derivatives.
- (c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At February 28, 2014 and November 30, 2013, these interest rate swap agreements effectively changed \$900 million and \$909 million, respectively, of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025. In addition, at February 28, 2014 and November 30, 2013 we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. These interest rate swap agreements effectively changed \$500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settle through February 2016.
- (d) At February 28, 2014, we had fuel derivatives consisting of zero cost collars on Brent crude oil (“Brent”) to cover a portion of our estimated fuel consumption through 2018. See “Fuel Price Risks” below for additional information regarding these fuel derivatives. At November 30, 2013, we had fuel derivatives consisting of zero cost collars on Brent to cover a portion of our estimated fuel consumption through 2017.

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Our derivative contracts include rights of offset with our counterparties. We have elected to net certain of our derivative assets and liabilities within counterparties. The amounts recognized within assets and liabilities were as follows (in millions):

	February 28, 2014				
	<u>Gross Amounts</u>	<u>Gross Amounts Offset in the Balance Sheet</u>	<u>Total Net Amounts Presented in the Balance Sheet</u>	<u>Gross Amounts not Offset in the Balance Sheet</u>	<u>Net Amounts</u>
Assets	\$ 110	\$ (73)	\$ 37	\$ (3)	\$ 34
Liabilities	\$ 104	\$ (73)	\$ 31	\$ (3)	\$ 28

	November 30, 2013				
	<u>Gross Amounts</u>	<u>Gross Amounts Offset in the Balance Sheet</u>	<u>Total Net Amounts Presented in the Balance Sheet</u>	<u>Gross Amounts not Offset in the Balance Sheet</u>	<u>Net Amounts</u>
Assets	\$ 137	\$ (77)	\$ 60	\$ (7)	\$ 53
Liabilities	\$ 108	\$ (77)	\$ 31	\$ (7)	\$ 24

The effective portions of our derivatives qualifying and designated as hedging instruments recognized in other comprehensive income (loss) were as follows (in millions):

	Three Months Ended February 28,	
	2014	2013
Net investment hedges	\$ 2	\$ (3)
Foreign currency zero cost collars – cash flow hedges	\$ (3)	\$ 13
Interest rate swaps – cash flow hedges	\$ (4)	\$ 2

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require interest-bearing, non-restricted cash to be posted or received as collateral to the extent the fuel derivative fair value payable to or receivable from an individual counterparty, respectively, exceeds \$100 million. At February 28, 2014 and November 30, 2013, no collateral was required to be posted to or received from our fuel derivative counterparties.

The amount of estimated cash flow hedges' unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of February 28, 2014 and November 30, 2013 and for the three months ended February 28, 2014 and 2013 where such impacts were not significant.

Foreign Currency Exchange Rate Risks

Overall Strategy

We manage our exposure to 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. Our primary focus is to manage the economic foreign currency exchange risks faced by our operations, which are the ultimate foreign currency exchange risks that would be realized by us if we exchanged one currency for another, and not accounting risks. Accordingly, we do not currently hedge foreign currency exchange accounting risks with derivative financial instruments. The financial impacts of the hedging instruments we do employ generally offset the changes in the underlying exposures being hedged.

Operational and Investment Currency Risks

Our European and Australian cruise brands subject us to foreign currency translation risk related to the euro, sterling and Australian dollar because these brands generate significant revenues and incur significant expenses in euro, sterling or the Australian dollar. Accordingly, exchange rate fluctuations of the euro, sterling and 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. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for cruise revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Most of our brands also have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and primarily includes the euro, sterling and Australian, Canadian and U.S. dollars. In addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, these brands' revenues and expenses in non-functional currencies create some degree of natural offset for recognized transactional currency gains and losses due to currency exchange movements.

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We consider our investments in foreign operations to be denominated in relatively stable currencies and of a long-term nature. We partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations' functional currencies, principally sterling. As of February 28, 2014 and November 30, 2013, we have designated \$2.2 billion of our foreign currency intercompany payables as nonderivative hedges of our net investments in foreign operations. Accordingly, we have included \$194 million and \$234 million of cumulative foreign currency transaction nonderivative gains in the cumulative translation adjustment component of AOCI at February 28, 2014 and November 30, 2013, respectively, which offsets a portion of the losses recorded in AOCI upon translating our foreign operations' net assets into U.S. dollars. During the three months ended February 28, 2014 and 2013, we recognized foreign currency nonderivative transaction (losses) gains of \$(40) million and \$89 million, respectively, in the cumulative translation adjustment component of AOCI.

Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decisions regarding whether or not to hedge a non-functional currency ship commitment for our cruise brands are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility, currency exchange rate correlation, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts and have used nonderivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

In July 2012, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of P&O Cruises (UK) *Britannia's* euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling rate of £0.83 to the euro, or \$306 million and a weighted-average floor rate of £0.77 to the euro, or \$284 million. If the spot rate is between these two rates on the date of maturity, then we would not owe or receive any payments under these collars.

At February 28, 2014, substantially all of our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild construction payments for *Regal Princess*, the Seabourn newbuild, and a portion of *Britannia*, which represent a total commitment of \$1.3 billion.

The cost of shipbuilding orders that we may place in the future that is denominated in a different currency than our cruise brands' or the shipyards' functional currency is expected to be affected by foreign currency exchange rate fluctuations. These foreign currency exchange rate fluctuations may affect our desire to order new cruise ships.

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our investment and debt portfolio management strategies. These strategies include purchasing high quality short-term investments with floating interest rates, and evaluating our debt portfolio as to whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. At February 28, 2014, 62% and 38% (59% and 41% at November 30, 2013) of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relate to the consumption of fuel on our ships. We use our fuel derivatives program to mitigate a portion of our economic risk attributable to potential fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity and our program currently consists of zero cost collars on Brent.

All of our derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices. We will not realize any economic gain or loss upon the monthly maturities of our zero cost collars unless the average monthly price of Brent is above the ceiling price or below the floor price. We believe that these derivatives will act as economic hedges, however hedge accounting is not applied. As part of our fuel derivatives program, we will continue to evaluate various derivative products and strategies.

At February 28, 2014, our outstanding fuel derivatives consisted of zero cost collars on Brent to cover a portion of our estimated fuel consumption as follows:

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Maturities ^(a)	Transaction Dates	Barrels (in thousands)	Weighted-Average Floor Prices	Weighted-Average Ceiling Prices	Percent of Estimated Fuel Consumption Covered
Fiscal 2014 (Q2-Q4)					
	November 2011	1,584	\$ 85	\$ 114	
	February 2012	1,584	\$ 88	\$ 125	
	June 2012	1,782	\$ 71	\$ 116	
	May 2013	1,296	\$ 85	\$ 108	
		<u>6,246</u>			46%
Fiscal 2015					
	November 2011	2,160	\$ 80	\$ 114	
	February 2012	2,160	\$ 80	\$ 125	
	June 2012	1,236	\$ 74	\$ 110	
	April 2013	1,044	\$ 80	\$ 111	
	May 2013	1,884	\$ 80	\$ 110	
		<u>8,484</u>			46%
Fiscal 2016					
	June 2012	3,564	\$ 75	\$ 108	
	February 2013	2,160	\$ 80	\$ 120	
	April 2013	3,000	\$ 75	\$ 115	
		<u>8,724</u>			47%
Fiscal 2017					
	February 2013	3,276	\$ 80	\$ 115	
	April 2013	2,028	\$ 75	\$ 110	
	January 2014	1,800	\$ 75	\$ 114	
		<u>7,104</u>			38%
Fiscal 2018					
	January 2014	<u>2,700</u>	\$ 75	\$ 110	15%

(a) Fuel derivatives mature evenly over each month within the above fiscal periods.

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. Our maximum exposure under foreign currency and fuel derivative contracts and interest rate swap agreements that are in-the-money, which were not material at February 28, 2014, is the replacement cost, net of any collateral received or contractually allowed offset, in the event of nonperformance by the counterparties to the contracts, all of which are currently our lending banks. We seek to minimize credit risk exposure, including counterparty nonperformance primarily associated with our cash equivalents, investments, committed financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, by normally conducting business with large, well-established financial institutions, insurance companies and export credit agencies, and by diversifying our counterparties. In addition, we have guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimize risk. We normally do require collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards. We currently believe the risk of nonperformance by any of our significant counterparties is remote.

We also monitor the creditworthiness of travel agencies and tour operators in Europe and credit card providers to which we extend credit in the normal course of our business. Our credit exposure includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in most of Europe where we are obligated to extend credit in a like amount to these guests even if we do not receive payment from the travel agents and tour operators. Concentrations of credit risk associated with these receivables and contingent obligations are not considered to be material, primarily due to the large number of unrelated accounts within our customer base, the amount of these contingent obligations and their short maturities. We have experienced only minimal credit losses on our trade receivables and related contingent obligations. We do not normally require collateral or other security to support normal credit sales.

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NOTE 5 – Segment Information

We have three reportable cruise segments that are comprised of our (1) North America cruise brands, (2) EAA cruise brands and (3) Cruise Support. In addition, we have a Tour and Other segment. Our segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker (“CODM”), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. Decisions to allocate resources and assess performance for Carnival Corporation & plc are made by the CODM upon review of the segment results across all of our cruise brands and other segments.

Our North America cruise segment includes Carnival Cruise Lines, Holland America Line, Princess and Seabourn. Our EAA cruise segment includes AIDA, Costa Cruises, Cunard, Ibero, P&O Cruises (Australia) and P&O Cruises (UK). These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, maintenance requirements, supporting systems and processes and products and services they provide. Our Cruise Support segment represents certain of our port and related facilities and other corporate-wide services that are provided for the benefit of our cruise brands. Our Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours. During the three months ended February 28, 2013, our Tour and Other segment also included two ships that we chartered to an unaffiliated entity. In April 2013, we sold one of these two ships and, accordingly, subsequent to this 2013 sale our Tour and Other segment includes only one ship.

Selected information for our segments was as follows (in millions):

	Three months ended February 28,				
	Revenues	Operating expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
2014					
North America Cruise Brands	\$ 2,119	\$ 1,533	\$ 297	\$ 235	\$ 54
EAA Cruise Brands	1,433	1,039	187	152	55
Cruise Support	25	1	35	9	(20)
Tour and Other	8	15	2	8	(17)
	<u>\$ 3,585</u>	<u>\$ 2,588</u>	<u>\$ 521</u>	<u>\$ 404</u>	<u>\$ 72</u>
2013					
North America Cruise Brands	\$ 2,124	\$ 1,530	\$ 261	\$ 228	\$ 105
EAA Cruise Brands	1,434	1,052	164	146	72
Cruise Support	26	3	33	5	(15)
Tour and Other	9	14	2	10	(17)
	<u>\$ 3,593</u>	<u>\$ 2,599</u>	<u>\$ 460</u>	<u>\$ 389</u>	<u>\$ 145</u>

NOTE 6 – (Loss) Earnings Per Share

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

	Three Months Ended February 28,	
	2014	2013
Net (loss) income for basic and diluted (loss) earnings per share	\$ (15)	\$ 37
Weighted-average common and ordinary shares outstanding	776	776
Dilutive effect of equity plans	-	2
Diluted weighted-average shares outstanding	776	778
Basic and diluted (loss) earnings per share	<u>\$ (0.02)</u>	<u>\$ 0.05</u>
Anti-dilutive equity awards excluded from diluted (loss) earnings per share computations	<u>6</u>	<u>5</u>

NOTE 7 – Subsequent Event

In March 2014, we sold *Costa Voyager* and will recognize a \$37 million gain as a reduction of other ship operating expenses during the second quarter of 2014. In July 2013, we recognized a \$73 million impairment charge related to this ship, and in November 2013 it was taken out of service.

Item 2. 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, estimates or projections contained in this joint Quarterly Report on Form 10-Q are “forward-looking statements” that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlooks, 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. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and the beliefs and assumptions of our management. We have tried, whenever possible, to identify these statements by using words like “will,” “may,” “could,” “should,” “would,” “believe,” “depends,” “expect,” “goal,” “anticipate,” “forecast,” “project,” “future,” “intend,” “plan,” “estimate,” “target,” “indicate” and similar expressions of future intent or the negative of such terms.

Forward-looking statements include those statements that may impact, among other things, the forecasting of our non-GAAP earnings per share; net revenue yields; booking levels; pricing; occupancy; operating, financing and tax costs, including fuel expenses; net cruise costs per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill and trademark fair values and outlook. 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 joint Quarterly Report on Form 10-Q. These factors include, but are not limited to, the following:

- general economic and business conditions;
- increases in fuel prices;
- incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and other incidents affecting the health, safety, security and satisfaction of guests and crew;
- the international political climate, armed conflicts, terrorist and pirate attacks, vessel seizures, and threats thereof, and other world events affecting the safety and security of travel;
- negative publicity concerning the cruise industry in general or us in particular, including any adverse environmental impacts of cruising;
- litigation, enforcement actions, fines or penalties;
- economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- changes in and compliance with laws and regulations relating to the protection of persons with disabilities, employment, environment, health, safety, security, tax and other regulations under which we operate;
- our inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations;
- increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;
- continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the prices for, the services and products provided by these vendors;
- disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- failure to keep pace with developments in technology;
- competition from and overcapacity in the cruise ship and land-based vacation industry;
- loss of key personnel or our ability to recruit or retain qualified personnel;
- union disputes and other employee relation issues;
- disruptions in the global financial markets or other events may negatively affect the ability of our counterparties and others to perform their obligations to us;
- the continued strength of our cruise brands and our ability to implement our brand strategies;
- our international operations are subject to additional risks not generally applicable to our U.S. operations;
- geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect;
- our decisions to self-insure against various risks or our inability to obtain insurance for certain risks at reasonable rates;
- fluctuations in foreign currency exchange rates;
- whether our future operating cash flow will be sufficient to fund future obligations and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations;
- risks associated with the dual listed company arrangement and
- uncertainties of a foreign legal system as Carnival Corporation and Carnival plc are not U.S. corporations.

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 stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this joint Quarterly Report on Form 10-Q, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

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Outlook

On March 25, 2014, we said that we expected our non-GAAP diluted earnings (loss) per share for the 2014 second quarter and full year would be in the ranges of \$(0.02) to \$0.02 and \$1.50 to \$1.70, respectively (see “Key Performance Non-GAAP Financial Indicators”). Our 2014 second quarter and full year guidance was based on fuel prices of \$649 per metric ton and \$653 per metric ton, respectively. In addition, our guidance was based on 2014 second quarter and full year currency rates of \$1.39 and \$1.38 to the euro, \$0.91 and \$0.90 to the Australian dollar, respectively, and \$1.67 to sterling. The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions.

We believe it is more meaningful to evaluate our earnings performance by excluding, among other things, the impact of unrealized gains and losses on fuel derivatives from non-GAAP diluted earnings per share. Therefore, we do not include any future estimates of unrealized gains and losses on fuel derivatives in our non-GAAP earnings per share guidance. However, we do forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period.

The above forward-looking statements involve risks, uncertainties and assumptions with respect to us. There are many factors that could cause our actual results to differ materially from those expressed above including, but not limited to, general economic and business conditions, increases in fuel prices, incidents, spread of contagious diseases, adverse weather conditions, geo-political events, negative publicity and other factors that could adversely impact our revenues, costs and expenses. You should read the above forward-looking statement together with the discussion of these and other risks under “Cautionary Note Concerning Factors That May Affect Future Results.”

Critical Accounting Estimates

For a discussion of our critical accounting estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that is included in the 2013 Form 10-K.

Seasonality

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

Statistical Information

	Three Months Ended February 28,	
	2014	2013
Available lower berth days (“ALBDs”) (in thousands) (a) (b)	18,286	17,979
Occupancy percentage (c)	102.9%	104.0%
Passengers carried (in thousands)	2,408	2,305
Fuel consumption in metric tons (in thousands)	800	827
Fuel consumption in metric tons per ALBD	0.044	0.046
Fuel cost per metric ton consumed	\$ 654	\$ 677
Currencies		
U.S. dollar to €1	\$ 1.37	\$ 1.33
U.S. dollar to £1	\$ 1.65	\$ 1.58
U.S. dollar to Australian dollar	\$ 0.89	\$ 1.04

- (a) ALBD is a standard measure of passenger capacity for the period, which we use to perform rate and capacity variance analyses to determine the main non-capacity driven factors that cause our cruise revenues and expenses to vary. ALBDs assume that each cabin we offer for sale accommodates two passengers and is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.
- (b) For the three months ended February 28, 2014, we had a 1.7% capacity increase in ALBDs compared to the three months ended February 28, 2013 comprised of a 2.9% capacity increase in our North America brands, partially offset by a slight capacity decrease in our EAA brands. Our North America brands’ capacity increase was caused by the full quarter impact from one Princess 3,560-passenger capacity ship delivered in 2013. Our EAA brands’ capacity decrease was caused by more ship dry-dock days in 2014 compared to 2013 and the full quarter impact from the removal from service of *Costa Voyager* in 2013, partially offset by the full quarter impact from one AIDA 2,194-passenger capacity ship delivered in 2013.
- (c) In accordance with cruise industry practice, occupancy is calculated using a denominator of ALBDs, which assumes 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.

Three Months Ended February 28, 2014 (“2014”) Compared to Three Months Ended February 28, 2013 (“2013”)

Revenues

Consolidated

Cruise passenger ticket revenues made up 76% of our 2014 total revenues. Cruise passenger ticket revenues decreased slightly by \$13 million and remained at \$2.7 billion in both 2014 and 2013.

This decrease was caused by:

- \$71 million – decrease in cruise ticket pricing and
- \$29 million – 1.1 percentage point decrease in occupancy.

These decreases were partially offset by:

- \$47 million – 1.7% capacity increase in ALBDs;
- \$24 million – translation impact from a weaker U.S. dollar against the euro and sterling, net of a stronger U.S. dollar against the Australian dollar (“net currency impact”) and
- \$19 million – increase in air transportation revenues from guests who purchased their tickets from us.

The remaining 24% of 2014 total revenues were substantially all comprised of onboard and other cruise revenues, which increased slightly by \$6 million to \$850 million in 2014 from \$844 million in 2013. This increase was caused by our 1.7% capacity increase in ALBDs, which accounted for \$14 million, partially offset by a 1.1 percentage point decrease in occupancy, which accounted for \$9 million. Onboard and other revenues included concession revenues of \$241 million in 2014 and \$249 million in 2013.

North America Brands

Cruise passenger ticket revenues made up 73% of our 2014 total revenues. Cruise passenger ticket revenues decreased slightly by \$12 million and remained at \$1.6 billion in both 2014 and 2013. This decrease was caused by a decrease in cruise ticket pricing, which accounted for \$27 million, and a 1.8 percentage point decrease in occupancy, which accounted for \$26 million, partially offset by our 2.9% capacity increase in ALBDs, which accounted for \$46 million.

The remaining 27% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$7 million, or 1.2%, to \$568 million in 2014 from \$561 million in 2013. This increase was caused by our 2.9% capacity increase in ALBDs, which accounted for \$16 million, offset by a 1.8 percentage point decrease in occupancy, which accounted for \$9 million. Onboard and other revenues included concession revenues of \$158 million in 2014 and \$163 million in 2013.

EAA Brands

Cruise passenger ticket revenues made up 82% of our 2014 total revenues. Cruise passenger ticket revenues of \$1.2 billion in 2014 were essentially flat compared to 2013. Cruise passenger ticket revenues decreased due to a decrease in cruise ticket pricing, which accounted for \$44 million, offset by increases in net currency impact, which accounted for \$24 million, and air transportation revenues from guests who purchased their tickets from us, which accounted for \$20 million.

The remaining 18% of 2014 total revenues were comprised of \$256 million of onboard and other cruise revenues in 2014, which were essentially flat compared to 2013. Onboard and other revenues included concession revenues of \$83 million in 2014 and \$86 million in 2013.

Costs and Expenses

Consolidated

Operating costs and expenses decreased slightly by \$11 million and remained at \$2.6 billion in both 2014 and 2013.

This decrease was caused by:

- \$27 million – lower fuel consumption per ALBD;
- \$18 million – lower fuel prices;
- \$11 million – 1.1 percentage point decrease in occupancy and
- \$16 million – various other operating expenses, net.

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These decreases were partially offset by:

- \$44 million – 1.7% capacity increase in ALBDs and
- \$17 million – net currency impact.

Selling and administrative expenses increased \$61 million, or 13%, to \$521 million in 2014 from \$460 million in 2013. The increase was principally due to higher advertising spend, which accounted for \$41 million, and our 1.7% capacity increase in ALBDs, which accounted for \$8 million.

Depreciation and amortization expenses increased \$15 million, or 3.8%, to \$404 million in 2014 from \$389 million in 2013.

Our total costs and expenses as a percentage of revenues increased to 98% in 2014 from 96% in 2013.

North America Brands

Operating costs and expenses of \$1.5 billion in 2014 were essentially flat compared to 2013.

There was an increase caused by:

- \$45 million – 2.9% capacity increase in ALBDs.

This increase was mainly offset by:

- \$16 million – lower fuel consumption per ALBD;
- \$12 million – lower fuel prices and
- \$11 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions.

Selling and administrative expenses increased \$36 million, or 14%, to \$297 million in 2014 from \$261 million in 2013. The increase was substantially due to higher advertising spend, which accounted for \$27 million, and our 2.9% capacity increase in ALBDs, which accounted for \$8 million.

Our total costs and expenses as a percentage of revenues increased to 97% in 2014 from 95% in 2013.

EAA Brands

Operating costs and expenses decreased by \$13 million, or 1.2%, to \$1.0 billion in 2014 from \$1.1 billion in 2013.

This decrease was caused by:

- \$12 million – lower fuel consumption per ALBD;
- \$6 million – lower fuel prices and
- \$12 million – various other operating expenses, net.

These decreases were partially offset by:

- \$17 million – net currency impact.

Selling and administrative expenses increased \$23 million, or 14%, to \$187 million in 2014 from \$164 million in 2013. The increase was driven by higher advertising spend, which accounted for \$14 million.

Our total costs and expenses as a percentage of revenues increased to 96% in 2014 from 95% in 2013.

Operating Income

Our consolidated operating income decreased \$73 million, or 50%, to \$72 million in 2014 from \$145 million in 2013. Our North America brands' operating income decreased \$51 million, or 49%, to \$54 million in 2014 from \$105 million in 2013, and our EAA brands' operating income decreased \$17 million, or 24%, to \$55 million in 2014 from \$72 million in 2013. These changes were primarily due to the reasons discussed above.

Nonoperating Expense

Net interest expense decreased \$11 million, or 13%, to \$72 million in 2014 from \$83 million in 2013. Net losses on fuel derivatives decreased \$12 million, or 43%, to \$16 million in 2014 from \$28 million in 2013.

Key Performance Non-GAAP Financial Indicators

We use net cruise revenues per ALBD (“net revenue yields”), net cruise costs per ALBD and net cruise costs excluding fuel per ALBD as significant non-GAAP financial measures of our cruise segment financial performance. These measures enable us to separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business and gains and losses on ship sales including impairments, net that are not part of our core operating business. We believe these non-GAAP measures provide useful information to investors and expanded insight to measure our revenue and cost performance as a supplement to our U.S. generally accepted accounting principles (“U.S. GAAP”) consolidated financial statements.

Net revenue yields are commonly used in the cruise industry to measure a company’s cruise segment revenue performance and for revenue management purposes. We use “net cruise revenues” rather than “gross cruise revenues” to calculate net revenue yields. 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 net of our most significant variable costs, which are travel agent commissions, cost of air and other transportation, certain other costs that are directly associated with onboard and other revenues and credit card fees. Substantially all of our remaining cruise costs are largely fixed, except for the impact of changing prices and food expenses, once our ship capacity levels have been determined.

Net passenger ticket revenues reflect gross cruise revenues, net of (1) onboard and other revenues and (2) commissions, transportation and other costs. Net onboard and other revenues reflect gross cruise revenues, net of (1) passenger ticket revenues and (2) onboard and other cruise costs. Net passenger ticket revenue yields and net onboard and other revenue yields are computed by dividing net passenger ticket revenues and net onboard and other revenues by ALBDs.

Net cruise costs per ALBD and net cruise costs excluding fuel per ALBD are the most significant measures we use to monitor our ability to control our cruise segment costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs with and without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. In addition, we exclude gains and losses on ship sales including impairments, net from our calculation of net cruise costs with and without fuel as they are not considered part of our core operating business and, therefore, are not an indication of our future earnings performance. As such, we also believe it is more meaningful for gains and losses on ship sales including impairments, net to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these items. Accordingly, we have changed our previously reported net cruise costs per ALBD and net cruise costs excluding fuel per ALBD for the three months ended February 28, 2013 from \$127.85 to \$127.74 and \$96.73 to \$96.63, respectively, to exclude losses on ship sales, net. In addition, we have changed our previously reported non-GAAP net income for the three months ended February 28, 2013 from \$65 million to \$67 million to exclude losses on ship sales, net. We have made these changes in order to be consistent with our treatment of these types of charges.

In addition, because our EAA cruise brands utilize the euro, sterling and Australian dollar to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report these non-GAAP financial measures assuming the 2014 period currency exchange rates have remained constant with the 2013 period rates, or on a “constant dollar basis,” in order to remove the impact of changes in exchange rates on the translation of our EAA brands. We believe that this is a useful measure since it facilitates a comparative view of the changes in our business in a fluctuating currency exchange rate environment.

Under U.S. GAAP, the realized and unrealized gains and losses on fuel derivatives not qualifying as fuel hedges are recognized currently in earnings. We believe that unrealized gains and losses on fuel derivatives are not an indication of our earnings performance since they relate to future periods and may not ultimately be realized in our future earnings. Therefore, we believe it is more meaningful for the unrealized gains and losses on fuel derivatives to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these unrealized gains and losses. For the three months ended February 28, 2014, non-GAAP diluted weighted-average shares outstanding were 777 million, which include the dilutive effect of equity plans.

We have not included in our earnings guidance the impact of unrealized gains and losses on fuel derivatives because these unrealized amounts involve a significant amount of uncertainty, and we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on a non-GAAP basis only. As a result, we did not present a reconciliation between forecasted non-GAAP diluted earnings per share guidance and forecasted U.S. GAAP diluted earnings per share guidance, since we do not believe that the reconciliation information would be meaningful.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The presentation of our non-GAAP financial information is not intended to be considered in isolation or as substitute for, or superior to, the financial information prepared in accordance with U.S. GAAP. There are no specific rules for determining our non-GAAP current and constant dollar financial measures and, accordingly, they are susceptible to varying calculations, and it is possible that they may not be exactly comparable to the like-kind information presented by other companies, which is a potential risk associated with using these measures to compare us to other companies.

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Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues, without rounding, by ALBDs as follows (dollars in millions, except yields):

	Three Months Ended February 28,		
	2014	2014 Constant Dollar	2013
Passenger ticket revenues	\$ 2,727	\$ 2,703	\$ 2,740
Onboard and other revenues	850	848	844
Gross cruise revenues	3,577	3,551	3,584
Less cruise costs			
Commissions, transportation and other	(620)	(611)	(617)
Onboard and other	(114)	(113)	(127)
	<u>(734)</u>	<u>(724)</u>	<u>(744)</u>
Net passenger ticket revenues	2,107	2,092	2,123
Net onboard and other revenues	736	735	717
Net cruise revenues	\$ 2,843	\$ 2,827	\$ 2,840
ALBDs	18,286,305	18,286,305	17,979,235
Gross revenue yields	\$ 195.61	\$ 194.20	\$ 199.34
% decrease vs. 2013	(1.9)%	(2.6)%	
Net revenue yields	\$ 155.48	\$ 154.59	\$ 157.95
% decrease vs. 2013	(1.6)%	(2.1)%	
Net passenger ticket revenue yields	\$ 115.18	\$ 114.38	\$ 118.07
% decrease vs. 2013	(2.5)%	(3.1)%	
Net onboard and other revenue yields	\$ 40.31	\$ 40.21	\$ 39.88
% increase vs. 2013	1.1%	0.8%	

Consolidated gross and net cruise costs and net cruise costs excluding fuel per ALBD were computed by dividing the gross and net cruise costs and net cruise costs excluding fuel, without rounding, by ALBDs as follows (dollars in millions, except costs per ALBD):

	Three Months Ended February 28,		
	2014	2014 Constant Dollar	2013
Cruise operating expenses	\$ 2,573	\$ 2,556	\$ 2,585
Cruise selling and administrative expenses	519	516	458
Gross cruise costs	3,092	3,072	3,043
Less cruise costs included above			
Commissions, transportation and other	(620)	(611)	(617)
Onboard and other	(114)	(113)	(127)
Losses on ship sales, net	-	-	(2)
Net cruise costs	2,358	2,348	2,297
Less fuel	(523)	(523)	(559)
Net cruise costs excluding fuel	\$ 1,835	\$ 1,825	\$ 1,738
ALBDs	18,286,305	18,286,305	17,979,235
Gross cruise costs per ALBD	\$ 169.11	\$ 167.98	\$ 169.24
% decrease vs. 2013	(0.1)%	(0.7)%	
Net cruise costs per ALBD	\$ 128.98	\$ 128.37	\$ 127.74
% increase vs. 2013	1.0%	0.5%	
Net cruise costs excluding fuel per ALBD	\$ 100.38	\$ 99.77	\$ 96.63
% increase vs. 2013	3.9%	3.3%	

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Non-GAAP diluted earnings per share was computed as follows (in millions, except per share data):

	Three Months Ended February 28,	
	2014	2013
Net income - diluted		
U.S. GAAP net (loss) income	\$ (15)	\$ 37
Losses on ship sales, net	-	2
Unrealized losses on fuel derivatives, net	17	28
Non-GAAP net income	\$ 2	\$ 67
Weighted-average shares outstanding - diluted	776	778
Earnings per share - diluted		
U.S. GAAP (loss) earnings per share	\$ (0.02)	\$ 0.05
Losses on ship sales, net	-	-
Unrealized losses on fuel derivatives, net	0.02	0.03
Non-GAAP earnings per share	\$ 0.00	\$ 0.08

Net cruise revenues of \$2.8 billion in 2014 were essentially flat compared to 2013. Our 1.7% capacity increase in ALBDs, which accounted for \$49 million, and the increase due to the net currency impact, which accounted for \$16 million, were mainly offset by a 2.1% decrease in constant dollar net revenue yields, which accounted for \$61 million. The 2.1% decrease in net revenue yields on a constant dollar basis was caused by a 3.1% decrease in net passenger ticket revenue yields, partially offset by a slight increase in net onboard and other revenue yields. The 3.1% decrease in net passenger ticket revenue yields was comprised of a 3.5% and 2.5% net yield decrease from our North America and EAA brands, respectively. Although Costa's net passenger ticket revenue yields increased resulting from the continuing brand recovery, they were more than offset by decreases at our other major European brands. Gross cruise revenues decreased slightly by \$7 million and remained at \$3.6 billion in both 2014 and 2013 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased \$97 million, or 5.6%, to \$1.8 billion in 2014 from \$1.7 billion in 2013. The increase was caused by a 3.3% increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for \$57 million, our 1.7% capacity increase in ALBDs, which accounted for \$30 million, and the net currency impact, which accounted for \$11 million. The 3.3% increase in constant dollar net cruise costs excluding fuel per ALBD was caused by higher advertising spend, which accounted for \$41 million, and various other operating expenses, net, which accounted for \$16 million.

Fuel costs decreased \$36 million, or 6.4%, to \$523 million in 2014 from \$559 million in 2013. This was caused by lower fuel consumption per ALBD, which accounted for \$27 million, and lower fuel prices, which accounted for \$18 million, partially offset by our 1.7% capacity increase in ALBDs, which accounted for \$10 million.

Gross cruise costs increased \$49 million, or 1.6%, to \$3.1 billion in 2014 from \$3.0 billion in 2013 for principally the same reasons as discussed above.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital, while maintaining a strong balance sheet. Our ability to generate significant operating cash flows allows us to internally fund all of our capital investments. Over time, we expect to have higher levels of free cash flow, which we intend to return to shareholders in the form of additional dividends and opportune share buybacks. We are also committed to maintaining our strong investment grade credit ratings. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability in most financial credit market environments to obtain debt financing, as needed. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, those noted under "Cautionary Note Concerning Factors That May Affect Future Results." If our long-term senior unsecured credit ratings were to be downgraded, our access to, and cost of, debt financing may be negatively impacted.

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At February 28, 2014, we had a working capital deficit of \$5.0 billion. This deficit included \$3.1 billion of current customer deposits, which represent the passenger revenues we collect within a year in advance of sailing dates and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our February 28, 2014 working capital deficit also included \$1.6 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our February 28, 2014 working capital deficit balance, our non-GAAP adjusted working capital deficit was \$345 million. Our business model, along with our unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future.

At November 30, 2013, the U.S. dollar was \$1.63 to sterling, \$1.36 to the euro and \$0.91 to the Australian dollar. Had these November 30, 2013 currency exchange rates been used to translate our February 28, 2014 non-U.S. dollar functional currency operations' assets and liabilities instead of the February 28, 2014 U.S. dollar exchange rates of \$1.67 to sterling, \$1.37 to the euro and \$0.90 to the Australian dollar, our total assets and liabilities would have been lower by \$160 million and \$55 million, respectively.

Sources and Uses of Cash

Our business provided \$477 million of net cash from operations during the three months ended February 28, 2014, an increase of \$78 million, or 20%, compared to \$399 million for the same period in 2013. This increase was caused by less cash being used for our working capital needs, partially offset by less cash being provided from our operating results.

During the three months ended February 28, 2014, our expenditures for capital projects were \$353 million, of which \$93 million was spent on our ongoing new shipbuilding program. In addition to our new shipbuilding program, we had capital expenditures of \$187 million for ship improvements and replacements and \$73 million for information technology, buildings and improvements and other assets.

During the three months ended February 28, 2014, we borrowed a net \$344 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period. In addition, during the three months ended February 28, 2014 we repaid \$312 million of long-term debt, including a \$200 million early repayment of a bank loan. Finally, during the three months ended February 28, 2014 we paid cash dividends of \$194 million.

Future Commitments and Funding Sources

Our contractual cash obligations as of February 28, 2014 have changed compared to November 30, 2013 primarily as a result of our debt borrowings and repayments and ship progress payments as noted above under "Sources and Uses of Cash."

The year-over-year percentage increases in our capacity for the second, third and fourth quarters of 2014 are expected to be 4.9%, 2.2% and 2.6%, respectively. The year-over-year percentage increases in our annual capacity for 2014, 2015 and 2016 are currently expected to be 2.8%, 4.0% and 3.9%, respectively. These percentage increases are expected to result primarily from contracted new ships entering service, net of *Costa Voyager's* removal from service in November 2013 and *Seabourn Pride*, *Seabourn Spirit* and *Seabourn Legend* leaving the fleet by May 2015.

At February 28, 2014, we had liquidity of \$6.6 billion. Our liquidity consisted of \$188 million of cash and cash equivalents, which excludes \$233 million of cash used for current operations, \$2.6 billion available for borrowing under an undrawn bank loan and our revolving credit facilities, net of our commercial paper borrowings, and \$3.8 billion under our committed future financings, substantially all of which are ship export credit facilities. Of this \$3.8 billion, \$1.4 billion, \$1.0 billion and \$1.4 billion are scheduled to be funded in 2014, 2015 and 2016, respectively. Substantially all of our revolving credit facilities are scheduled to mature in 2016, except for \$300 million that matures in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants as described in Note 5 – "Unsecured Debt" in the annual consolidated financial statements, which is included within our 2013 Form 10-K. At February 28, 2014, we believe we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

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 consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

At February 28, 2014, 66% and 34% (69% and 31% at November 30, 2013) of our debt was U.S. dollar and euro-denominated, respectively, including the effect of foreign currency swaps.

During the three months ended February 28, 2014, we entered into zero cost collar fuel derivatives for 4.5 million barrels of Brent to cover a portion of our estimated fuel consumption for 2017 and 2018. See “Note 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements for additional discussion of these fuel derivatives. At February 28, 2014, the estimated fair value of our outstanding fuel derivative contracts was a net asset of \$27 million.

For a further discussion of our hedging strategies and market risks, see “Note 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations within our 2013 Form 10-K.

Item 4. Controls and Procedures.

A. 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 under the Securities Exchange Act of 1934, 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 President and Chief Executive Officer and our Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of February 28, 2014, that they are effective as described above.

B. Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended February 28, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The plaintiffs have filed a notice of appeal of the dismissal of the order in the case of Scimone v. Carnival Corp. The defendants have also filed a notice of appeal from the denial of its motion to dismiss the claims of the U.S. plaintiffs. Oral arguments on the appeal occurred on January 15, 2014, and we are awaiting a decision. A motion to dismiss the claims of the U.S. plaintiffs based on forum selection clauses in the Passage Ticket Contracts was heard on December 5, 2013. The court has asked for some additional briefing in the matter, which the defendants filed on March 7, 2014.

On January 9, 2013, an action was filed in the Circuit Court serving Miami-Dade County naming as defendants Carnival Corporation, Carnival plc, Costa Crociere S.p.A. and Costa Cruise Lines, Inc. (Gual v. Carnival Corp.). The matter was settled on February 5, 2014 and the parties are filing the motion to have the matter dismissed with the court.

Item 1A. Risk Factors.

The risk factors that affect our business and financial results are discussed in “Item 1A. Risk Factors,” included in the 2013 Form 10-K, and there has been no material change to these risk factors since the 2013 Form 10-K filing. We wish to caution the reader that the risk factors discussed in “Item 1A. Risk Factors,” included in the 2013 Form 10-K, and those described elsewhere in this report or other Securities and Exchange Commission filings, could cause future results to differ materially from those stated in any forward-looking statements. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

A. Repurchase Authorizations

In September 2007, our Boards of Directors authorized, subject to certain restrictions, the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the “Repurchase Program”). In January 2013, the Boards of Directors increased the remaining \$165 million under the Repurchase Program 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. During the three months ended February 28, 2014, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program was \$975 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs described below. At March 24, 2014, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2014 annual general meeting or October 16, 2014. Depending on market conditions and other factors, we may purchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently.

B. Stock Swap Programs

We use the Stock Swap programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program.

In the event Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell shares of Carnival Corporation common stock through a sales agent, from time to time at prevailing market prices in ordinary brokers’ transactions, and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in October 2008, Carnival Corporation was authorized to issue and sell up to 19.2 million shares of its common stock in the U.S. market and had 18.1 million shares remaining at March 24, 2014. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act.

In the event Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Corporation or Carnival Investments Limited through a sales agent, from time to time at prevailing market prices in ordinary brokers’ transactions, and use the sale proceeds to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in January 2013, Carnival Corporation or Carnival Investments Limited was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and had 32.0 million shares remaining at March 24, 2014. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act.

During the three months ended February 28, 2014, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap programs.

Item 5. Other Information.

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Securities Exchange Act of 1934, as amended, we are required to provide disclosures as set forth below.

On October 17, 2012, Costa Crociere S.p.A. (“Costa”), an Italian subsidiary of Carnival plc, entered into a general sales agent agreement with Boutimar Travel Co. Ltd (“Boutimar”), an Iranian corporation. The agreement with Boutimar, which was entered into contrary to our compliance policy, was terminated on January 27, 2014 immediately upon discovery. None of the guests who purchased Costa’s cruises through Boutimar were on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Office of Foreign Assets Control. Since the filing of our 2013 Form 10-K, the aggregate cruise ticket payments received by Costa from the Iranian guests were approximately \$10,000, net of \$2,000 of retained commissions. We do not expect any more cruise ticket payments from Iranian guests pursuant to this terminated contract.

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Item 6. Exhibits.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	Exhibit	Filing Date	
<u>Articles of incorporation and by-laws</u>					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation.	8-K	3.1	4/17/03	
3.2	Third Amended and Restated By-Laws of Carnival Corporation.	8-K	3.1	4/20/09	
3.3	Articles of Association of Carnival plc.	8-K	3.3	4/20/09	
3.4	Memorandum of Association of Carnival plc.	8-K	3.2	4/20/09	
<u>Material contracts</u>					
10.1*	Employment Contract between Costa Crociere S.p.A and Michael Olaf Thamm effective June 30, 2012.				X
10.2*	Addendum to Employment Contract between Costa Crociere S.p.A. and Michael Olaf Thamm dated January 24, 2013.				X
10.3*	Form of Performance-Based Restricted Stock Unit Agreement for Special Executive Award for the Carnival Corporation 2011 Stock Plan.				X
10.4*	Form of Performance-Based Restricted Stock Unit Agreement for Special Executive Award for the Carnival plc 2005 Employee Share Plan.				X
10.5*	Separation Agreement between Carnival Corporation and Carnival plc and Howard S. Frank dated January 27, 2014.				X
10.6*	Consulting Agreement between Carnival Corporation and Carnival plc and Howard S. Frank dated January 27, 2014.				X
10.7*	Amended and Restated Carnival Corporation & plc Management Incentive Plan for the CEO, COO and CFO.				X
10.8*	Carnival Corporation & plc Brand Management Incentive Plan.				X
<u>Statement regarding computations of ratios</u>					
12	Ratio of Earnings to Fixed Charges.				X
<u>Rule 13a-14(a)/15d-14(a) Certifications</u>					
31.1	Certification of President and 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 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
31.3	Certification of President and 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

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Item 6. Exhibits.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			<u>Filed/ Furnished Herewith</u>
		<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	
31.4	Certification of 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
<u>Section 1350 Certifications</u>					
32.1**	Certification of President and 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 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
32.3**	Certification of President and 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
32.4**	Certification of 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
<u>Interactive Data File</u>					
101	The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended February 28, 2014, as filed with the SEC on April 2, 2014 formatted in XBRL, are as follows: (i) the Consolidated Statements of Operations for the three months ended February 28, 2014 and 2013; (ii) the Consolidated Statements of Comprehensive Income (Loss) for the three months ended February 28, 2014 and 2013; (iii) the Consolidated Balance Sheets at February 28, 2014 and November 30, 2013; (iv) the Consolidated Statements of Cash Flows for the three months ended February 28, 2014 and 2013 and (v) the notes to the consolidated financial statements, tagged in summary and detail.				X X X X X

* Indicates a management contract or compensation plan or arrangement.

** These items are furnished and not filed.

SIGNATURES

Pursuant to the requirements 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

By: /s/ Arnold W. Donald
Arnold W. Donald
President and Chief Executive Officer

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer

Date: April 2, 2014

CARNIVAL PLC

By: /s/ Arnold W. Donald
Arnold W. Donald
President and Chief Executive Officer

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer

Date: April 2, 2014

EMPLOYMENT CONTRACT

between

Costa Crociere S.p.A., an Italian company with registered office at Piazza Piccapietra 48, 16121 Genoa (Italy) (hereinafter referred to as the "Company")

and

Mr. Michael Olaf Thamm, German citizen, resident in Huebenerstrasse 1, 20457 Hamburg (Germany) (hereinafter referred to as "Mr. Thamm") and, together with the Company, the "Parties")

WHEREAS

(a) Mr. Thamm has been employed by the Company since March 12, 1984, lately with a position of President of the AIDA Cruises German Branch, according to an employment agreement dated December 1, 2004 regulated by German law;

(b) in view of Mr. Thamm's new role in the Company and his relocation to the Company's headquarters in Genoa (Italy), the Parties hereby wish to terminate the employment agreement under point (a) above upon mutual consent, effective June 30, 2012, and to set out the terms and conditions which will regulate Mr. Thamm's relationship with the Company in the future.

Now, therefore, it is hereby agreed as follows:

1. Roles and duties

1.1 The Parties confirm that the employment agreement under point (a) in the preamble is terminated upon mutual consent effective June 30, 2012, with full reciprocal waiver of any claims and/or rights of action in connection with its performance and early termination.

1.2 Effective July 1, 2012 Mr. Thamm shall be hired by the Company with qualification as "*Dirigente*", pursuant to the National Collective Labor Agreement of the Dirigenti of the Industrial Sector (hereinafter, the "*CLA*"). Within the frame of his employment Mr. Thamm shall be in charge of the supervision and strategic direction of the Company's AIDA Cruises and Iberocruceros businesses. Mr. Thamm shall consequently be part of the AIDA Cruises and Iberocruceros Management Committees.

1.3 Mr. Thamm shall report hierarchically to the Board of Directors of the Company and, functionally, to Mr. Howard S. Frank, Vice Chairman and COO of Carnival Corporation & Plc, and Mr. Michael M. Arison, Chairman and CEO of Carnival Corporation & Plc.

1.4 Mr. Thamm shall also hold the different role of Managing Director and CEO of the Company, to be exercised within the limits of the authorities and powers assigned to him by the Board of Directors of the Company by resolution dated June 27, 2012 and in compliance with the guidelines provided by the Board.

1.5 Mr. Thamm shall be based at the Company's headquarters in Genoa.

1.6 Mr. Thamm hereby undertakes to provide his best efforts, capacity and time in performing his duties, and to serve faithfully and honestly the Company, by using his energies for the benefit of the latter.

1.7 Mr. Thamm shall at all times observe and act in accordance with all Company rules, policies, standards, procedures and directives, as amended from time to time. Mr. Thamm confirms that he has received a copy of, and agrees to comply with, the Carnival Corporation & Plc Code of Business Conduct and Ethics and related policies.

2. Compensation for 2012

Fixed salary

2.1 For the remainder of 2012 Mr. Thamm shall receive an annual fixed salary of Euro 570.000 gross, on a pro-rata basis.

2.2 Mr. Thamm's annual fixed salary shall be paid in 13 monthly instalments, as per the CLA.

2.3 The amount of Mr. Thamm's annual fixed salary in excess of the minimum established by the CLA shall be considered an advance payment of any future increase in the minimum salary, including the "scatti di anzianità" (seniority increases), provided for by the CLA as subsequently amended, and shall therefore absorb and include such increases, except for those increases expressly declared as "non assorbibili".

Variable salary

2.4 In 2012 Fiscal Year (hereinafter FY) Mr. Thamm will continue to participate in the AIDA Cruises MBO program, which shall not exceed in the overall 60% of the fixed salary under para 2.1 above. In particular the bonus shall be quantified as follows:

(i) 30% of the fixed salary, as guaranteed minimum bonus;

(ii) an additional 10% of the fixed salary, upon achievement by AIDA Cruises, in a given year, of an Operating Income not lower than the Operating Income achieved in the previous year;

(iii) an additional 1% of the fixed salary for each 1% increase in the Operating Income in a given year compared with the Operating Income of the previous year, up to a 20% increase.

In the event the Operating Income in a given year should exceed 120% of the Operating Income of the previous year, the bonus quota thus exceeding the 60% threshold will be set aside and paid to Mr. Thamm in the following year. It is understood that in any year, including when Mr. Thamm receives a bonus quota set aside in the previous year, the bonus shall not exceed in the overall 60% of the fixed salary.

The payment of the bonus shall be made after approval, in March, of the Financial Statements regarding the year of reference. In the event Mr. Thamm's employment should terminate in the course of a given year the bonus will be payable on a pro rata basis.

2.5 In addition, at the end of 2012 FY Mr. Thamm shall receive a one-off entry bonus in the Euro equivalent of \$250,000 gross.

2.6 Mr. Thamm shall be eligible to participate in the stock option and/or restricted stock unit schemes of Carnival Corporation & Plc from time to time in force, at the discretion of the Compensation Committee of Carnival Corporation & Plc, under terms and conditions to be established at the time of implementation of such schemes.

2.7 Mr. Thamm's rights under the Carnival Plc stock option plan and restricted stock unit plan currently in force shall continue to be regulated by the respective plans and regulations, to which reference is hereby expressly made, it being agreed that upon appointment in the role as Managing Director and CEO of the Company Mr. Thamm will be granted the equivalent of \$250,000 additional restricted stock units, according to the terms and conditions of the above-mentioned restricted stock unit plan.

2.8 By payment of the fixed salary and, if payable, the variable salary, as above regulated and as reviewed effective 2013 FY, any and all services performed or to be performed by Mr. Thamm under this contract, including as Managing Director and CEO of the Company and - if so requested – as director of other companies of the Costa Group, shall be deemed to have been fully remunerated.

3. Compensation effective as of 2013 FY

As of December 1, 2012 the Parties shall agree, by executing an addendum to this employment contract, on a new compensation plan for Mr. Thamm, subject to the approval of the Compensation Committee of Carnival Corporation & Plc and confirmation by the Board of Directors of the Company.

The Parties hereby acknowledge and agree that when defining the new compensation plan for Mr. Thamm also the economic terms of the non-competition and non-solicitation covenant under point 8. below may be revised.

4. Other benefits

4.1 The Company shall bear the costs of the insurance policies provided by the CLA, covering the risk of death and permanent disability. The Company shall also bear the costs for an health insurance covering also your partner and children. The Company shall also maintain appropriate directors' and officers' liability insurance for Mr. Thamm's benefit.

4.2 The Company shall pay up to Euro 150,000 annual housing allowance for Mr. Thamm's accommodation in Genoa or nearby.

4.3 The Company shall also make available to Mr. Thamm a car with driver as well as a jet private charter for business use within Europe.

4.4 The Company shall also reimburse Mr. Thamm's relocation expenses from Hamburg to Genoa.

5. Reimbursement of business-related expenses

Upon presentation of appropriate receipts Mr. Thamm shall be entitled to be reimbursed for any necessary travelling, hotel and other costs and outlays incurred by him in connection with the discharge of his duties to the extent that such costs and outlays comply with the applicable provisions of Italian tax law and with the Company's guidelines for travel expenses.

6. Duration

Mr. Thamm's employment relationship shall be deemed for an indefinite period of time, commencing July 1, 2012. However, for all contractual purposes, including under the CLA, Mr. Thamm will be granted a conventional seniority dating back to March 12, 1984.

7. Duties of loyalty and confidentiality

7.1 Mr. Thamm shall provide the Company with his professional expertise and his best efforts in discharging his duties. Without the prior written consent of the Company, during the employment relationship Mr. Thamm cannot engage into any other activity whether as independent contractor or employee, as well as to hold a participation in other companies, except for holding of up to 3% of the issued capital of any class of securities of listed companies, or to accept any directorship outside the Carnival Group or to engage into similar offices.

7.2 Mr. Thamm hereby undertakes, during the terms of his employment and thereafter, not to use, disclose or disseminate, either directly or indirectly, to any other person, organization or entity or otherwise employ in any manner whatsoever any privileged information in any way acquired in the performance of his duties. In particular, Mr. Thamm shall not disclose any technical or financial information, design, process, procedure, formula or improvement that is valuable and not generally known to the Company's competitors. Such information shall include, without limitation, all information and documentation, whether or not subject to copyright, pertaining to product development, methods of operation, cost and pricing structures, marketing information, corporate strategy, product source and customer information, and other private, confidential business matters relating to the Company or any of its affiliates and/or subsidiaries.

7.3 All of the Company's and/or its affiliates' and/or its subsidiaries' documents, even those signed by Mr. Thamm, are and shall remain property of the Company, and shall be safely preserved and made available to the Board of Directors of the Company at any time, in particular in case of termination of the relationship. In any event, Mr. Thamm will not be entitled to retain or to make a copy of the aforesaid documentation which shall be, at any time, at Company's disposal.

8. Non-competition and non-solicitation covenant

8.1 While working with the Company and after termination of the relationship with the Company for whatever reasons Mr. Thamm undertakes (a) not to operate - either directly or indirectly - as principal, agent, owner, director, employee, partner or advisor in favour of companies in competition with the Company, which deal with ownership, management and commercial operation

of cruise vessels, and not to acquire a shareholding in the aforesaid companies, except for participations not exceeding 2% in listed companies (b) not to endeavour to entice away from the Company or any of its affiliates or subsidiaries, any person, firm, company or organization (i) who or which in the preceding 12 months has been a supplier of goods or services to the Company or any of its affiliates or subsidiaries and (ii) with whom or which Mr. Thamm had, during the term of the employment, direct dealings or personal contact, so as to harm the goodwill or, or so as to compete with, the Company or any of its subsidiaries; (c) not to induce any employee of the Company or any of its affiliates and/or subsidiaries to resign in order to enter into an employment or independent contractor relationships in favour of third parties engaged in the ownership, management and commercial operation of cruise vessels.

The above obligations shall be effective for a period of 12 months from termination Mr. Thamm's relationship with the Company for whatever reasons.

8.2 The above non-competition and non-solicitation obligations apply to the territory of: the Italian Republic, the French Republic, the Federal Republic of Germany, the Republic of Austria, the Swiss Confederation, the Kingdom of Spain, the United States of America, the Federative Republic of Brazil, the Argentine Republic, Dubai and the United Arab Emirates, the Republic of China. The Parties acknowledge that the above mentioned territorial extension is justified by (i) the multinational character of the Company, (ii) the fact that the business activity of the Company is carried out not only in Italy but also throughout Europe, the Americas and Asia and (iii) the international scope of Mr. Thamm's role. It ensues that during the term of validity of this covenant Mr. Thamm shall abstain from performing, directly or indirectly, working or cooperation activities to the benefit of third parties in the geographical areas mentioned above.

8.3 In order to enable the Company to properly verify Mr. Thamm's compliance with the above non-competition and non-solicitation obligations, Mr. Thamm shall inform the Company in writing of the working activities he will perform during the term of validity of this covenant, before the commencement of any such activity. Mr. Thamm also hereby undertakes to inform in advance any new partner, employer and/or principal of the existence of this non-competition and non-solicitation covenant.

8.4 As specific consideration for this non-competition and non-solicitation covenant, Mr. Thamm shall be paid an amount equal to 100% of his annual fixed salary and target bonus as it will be in force at the time of termination. Such compensation is considered fair and reasonable in consideration of the diversified professional background and experience that Mr. Thamm has so far acquired.

8.5 The compensation under paragraph 8.4 above shall be payable to Mr. Thamm in four equal installments as follows: 25% at the time of termination of the relationship with the Company, 25% by and no later than 4 months after termination, 25% by and no later than 8 months after termination and 25% by and no later than 12 months after termination.

8.6 Any single event of breach of the non-competition and non-solicitation covenant shall entail the payment of liquidated damages to the Company amounting to Euro 600,000. Any more extensive claims and rights to damages of the Company shall remain unaffected by the above provisions.

8.7 The above shall not prejudice the Company's right to continue to enforce the above non-competition and non-solicitation obligations and, in such case, Mr. Thamm's right to continue to be paid any applicable pro-rata amount of the consideration under paragraph 8.4 above. Should this not be the case, in addition to the payment of the liquidated damages above, Mr. Thamm shall also return to the Company the consideration, if any, received from the Company pursuant to paragraphs 8.4 and 8.5 above.

9. Miscellaneous

9.1 Unless otherwise provided herein, any and all agreements and arrangements, whether written or oral, existing between Mr. Thamm and the Company, including in particular the employment agreement dated December 1, 2004 terminated upon mutual consent effective June 30, 2012, shall be replaced/superseded in their entirety by this contract.

9.2 Unless otherwise provided herein, this contract sets forth the entire agreement reached between the Parties regarding the subject-matter hereof.

9.3 This contract shall be governed by the applicable provisions of Italian law and by the CLA.

Read, understood and executed.

Michael Olaf Thamm

Costa Crociere S.p.A.

/s/ Michael Olaf Thamm

/s/ Howard S. Frank

January 24, 2013

BY HAND

Mr. Michael Olaf Thamm
c/o Costa Crociere S.p.A.

Dear Mr. Thamm,

Further to our recent discussions we are pleased to submit the following addendum to your Employment Contract with Costa Crociere S.p.A. (the "Contract"), pursuant to paragraph 3 of the Contract, which is therefore intended to be amended accordingly.

* * *

Subject to confirmation by the Board of Directors of the Company your compensation plan effective Fiscal Year 2013 ("FY 2013") shall be as follows.

Fixed salary

Effective December 1, 2013 your annual fixed salary shall be equal to Euro 700,000.00 gross, to be paid in 13 monthly installments, as per the CLA (as defined in the Contract).

The amount of your annual fixed salary in excess of the minimum established by the CLA shall be considered an advance payment of any future increase in the minimum salary, including the "scatti di anzianità" (seniority increases), provided for by the CLA as subsequently amended, and shall therefore absorb and include such increases, except for those increases expressly declared as "non assorbibili".

Variable salary

In FY 2013 you will participate in the Costa Crociere CEO Management Incentive Plan, under the terms and conditions specified in Annex A hereto which forms an integral part of this addendum.

Effective Fiscal Year 2014 your variable salary shall be reviewed according to points 5. B. and C. of the attached Costa Crociere CEO Management Incentive Plan.

Restricted Stock Units

Subject to the Carnival Compensation Committee approval, with reference to FY 2013 you shall be eligible for the equivalent of Euro 650,000.00 Restricted Stock Units ("RSU") of Carnival Corporation & Plc, under the terms and conditions of the applicable RSU plan.

Performance Based Shares

Subject to the Carnival Compensation Committee approval, with reference to FY 2013 you shall also be eligible for the equivalent of Euro 350,000.00 Performance Based Shares of Carnival Corporation & Plc, under the terms and conditions of the applicable plan.

Stock plans

Your rights under the Carnival Plc stock plans currently in force shall continue to be regulated by the respective plans and regulations, to which reference is hereby expressly made.

Housing allowance

The Company shall continue to pay up to Euro 150,000.00 annual housing allowance for your accommodation in Genoa or nearby, according to paragraph 4.2 of the Contract.

* * *

It is understood that by payment of the fixed salary and, if payable, the variable salary, as above regulated, any and all services performed or to be performed by you under the Contract, including as Managing Director and CEO of the Company and - if so requested – as director of other companies of the Costa Group, shall be deemed to have been fully remunerated.

To the extent they are not amended and superseded by the above provisions, the terms and conditions of the Contract shall remain unchanged.

On this occasion, we also inform you that in early 2013 you shall be awarded the equivalent of Euro 335,720 Restricted Stock Units, as per paragraph 2.7 of the Contract.

Would you please execute this addendum for express approval of the above.

Kind regards,

For receipt and approval:

/s/ Michael Olaf Thamm

Michael Olaf Thamm

Costa Crociere S.p.A.

/s/ Howard S. Frank

Howard S. Frank

Encl: Annex A “Costa Crociere CEO Management Incentive Plan”

COSTA CROCIERE CEO MANAGEMENT INCENTIVE PLAN

1. OBJECTIVE

This Costa Crociere CEO Management Incentive Plan (the "**Plan**") is designed to focus the attention of the Costa Crociere S.p.A. ("**Costa**") Chief Executive Officer (the "**Costa CEO**") on achieving outstanding performance results as reflected in the operating income of one or any combination of the following entities or business divisions: (1) Costa Cruises, (2) Costa Asia, (3) Iberocrueros, (4) AIDA Cruises, and/or (5) any other operating company under the management of the Costa CEO (the entities or business divisions identified in (1), (2), (3), (4) and (5) shall be collectively referred to as the "**Group**" and each of such entities or business divisions shall be individually referred to as a "**Member**") and the operating income of Carnival Corporation & plc (the "**Corporation**"), as well as other relevant measures. It is intended that the bonuses paid to the Costa CEO under this Plan will be generally based 75% on the Group Operating Income (defined below) meeting the Group Operating Income Target (defined below) and 25% on achieving the Corporation Operating Income Target (defined below).

2. PLAN ADMINISTRATION

The administrators of the Plan shall be the Compensation Committees of the Boards of Directors of the Corporation (the "**Compensation Committees**" or the "**Administrators**"). The Compensation Committees shall have sole discretion in resolving any questions regarding the administration or terms of the Plan not addressed in this document, as well as in resolving any ambiguities that may exist in this document.

3. PLAN YEAR

The "**Plan Year**" shall be the 12-month period ending November 30 of each year.

4. PARTICIPATION

The Costa CEO shall be eligible to participate in the Plan. In order to receive a cash bonus under the Plan, the Employment Contract between Costa and Costa CEO, as amended from time to time (the "**Contract**") shall have to remain in force, without any notice of termination, until the completion of the applicable Plan Year.

5. BONUS

A. For purposes of this Plan, the terms below shall be defined as follows:

- i. The "**Group Operating Income**" shall mean the net income of the Group before interest income and expense and other non-operating income and expense and income taxes, as reported by the Group for the Plan Year.

ii. The “**Group Operating Income Target**” for the 2013 Plan Year will be equal to the 2013 approved Plan Group operating income. For subsequent Plan Years, it will be equal to the actual Group Operating Income for the prior Plan Year adjusted for any change in capacity as follows:

Group Operating Income Target = Prior Plan Year’s actual Group Operating Income per berth day multiplied by the current Plan Year’s planned available lower berth days (“**ALBDs**”).

iii. The “**Corporation Operating Income**” shall mean the operating income of the Corporation as reported by the Corporation in its full year earnings report issued following each Plan Year, including realized gains and losses recognized on the Corporation’s fuel derivatives. Operating Income does not include interest income and expense, other non-operating income and expense, unrealized gains or losses on the Corporation’s fuel derivatives and income taxes.

iv. The “**Corporation Operating Income Target**” for the Plan Year will be equal to the projected Operating Income for the Plan Year that corresponds to the midpoint of the diluted earnings per share guidance publicly announced during the first month of the Plan Year by the Corporation.

The Compensation Committees may, in their discretion, increase or decrease the Group Operating Income Target and/or the Corporation Operating Income Target or establish an alternative target for any reason they deem appropriate. In addition, in the discretion of the Compensation Committees, certain items, including, but not limited to, gains or losses on ship sales can be excluded from the Group and/or Corporation Operating Income Targets and the actual Group and/or Corporation Operating Income for any Plan Year.

B. The Committees have approved the initial Target Bonus for Costa CEO to be € 900,000.00 gross. In subsequent Plan Years, within 75 days following the commencement of each Plan Year, the Target Bonus shall be calculated by multiplying the Target Bonus for the prior Plan Year by a percentage equal to 100 plus the percentage change in the Operating Income Target for the new Plan Year (adjusted to eliminate 75% of the fuel price change, up or down, from the prices assumed in the new Plan Year’s Operating Income Target) as compared to the Operating Income Target of the prior Plan Year. The Committees may, in its discretion, increase or decrease the Target Bonus for any reason they deem appropriate. The “**Target Bonus**” is the anticipated level of bonus for a participant if 100% of Operating Income Target is achieved, prior to the Committees exercising discretion to increase or decrease the bonus payable to a participant as provided in 5.C.ii.

C. Within 75 days following the end of each Plan Year, the Administrators shall determine the Costa CEO’s bonus for the prior Plan Year as follows:

i. The actual Group Operating Income, adjusted to reflect the impact of constant (prior year) fuel prices on fuel expense, and the actual Corporation Operating Income for the Plan Year will be confirmed, and the Administrators shall determine the Costa CEO’s preliminary bonus amount by reference to the schedule appended to this Plan (the “**Bonus Schedule**”), which calibrates the weighted Group Operating Income Target (75%) and the Corporation Operating Income Target (25%) for the Plan Year with the Target Bonus for the Costa CEO. The performance range in the Bonus Schedule is from 75% to 120% of the Operating Income Targets with results at 75% or less producing a preliminary bonus amount equal to 50% of the Target Bonus and at 120% or more producing a preliminary bonus amount equal to 150% of the Target Bonus. Results from 75% to 120% of the Operating Income Targets will be calculated using interpolation.

- ii. The Administrators may then consider other factors deemed, in their discretion, relevant to the performance of the Group and Carnival Corporation & plc, including, but not limited to, the impacts of changes in accounting principles, unusual gains and/or losses and other events outside the control of management. The Administrators may also consider other factors they deem, in their discretion, relevant to the performance of the Group or Costa's CEO, including, but not limited to, operating performance metrics (such as return on investment, revenue yield, costs per ALBD), successful implementation of strategic initiatives and business transactions, significant business contracts, departmental accomplishments, executive recruitment, new ship orders, and management of health, environment, safety and security matters. Based on such factors, the Administrators may, in their discretion, increase or decrease the preliminary bonus amount calculated pursuant to Section 5.C.i. by any amount deemed appropriate to determine the final bonus amount. The final bonus amount shall not exceed 200% of the Target Bonus of Costa CEO.

In addition, the Administrators may adjust the Costa CEO's bonus amount for any unpaid leave of absence regardless of the nature of the leave.

6. PAYMENT OF BONUS

Except as otherwise provided in the section entitled "Participation," bonuses shall be paid as soon as administratively practicable following determination of the bonuses by the Administrators. At the discretion of the Administrators, special arrangements may be made for earlier payment.

Notwithstanding any other provision of this Plan, the issuance of bonuses is at the sole discretion of the Administrators. The Administrators at their sole discretion, may increase, decrease or withhold bonuses.

7. DURATION OF PLAN

The Plan will be effective until terminated by the Compensation Committees.

8. AMENDMENT OF PLAN

The Compensation Committees may amend the Plan from time to time in such respects as the Compensation Committees may deem advisable.

BONUS SCHEDULE

Percent of Target Operating Income Achieved	Bonus Funding	Group Weighted Bonus Funding (75%)	Corporation Weighted Bonus Funding (25%)
Under 75%	50.0%	37.50%	12.50%
75%	50.0%	37.50%	12.50%
76%	52.0%	39.00%	13.00%
77%	54.0%	40.50%	13.50%
78%	56.0%	42.00%	14.00%
79%	58.0%	43.50%	14.50%
80%	60.0%	45.00%	15.00%
81%	62.0%	46.50%	15.50%
82%	64.0%	48.00%	16.00%
83%	66.0%	49.50%	16.50%
84%	68.0%	51.00%	17.00%
85%	70.0%	52.50%	17.50%
86%	72.0%	54.00%	18.00%
87%	74.0%	55.50%	18.50%
88%	76.0%	57.00%	19.00%
89%	78.0%	58.50%	19.50%
90%	80.0%	60.00%	20.00%
91%	82.0%	61.50%	20.50%
92%	84.0%	63.00%	21.00%
93%	86.0%	64.50%	21.50%
94%	88.0%	66.00%	22.00%
95%	90.0%	67.50%	22.50%
96%	92.0%	69.00%	23.00%
97%	94.0%	70.50%	23.50%
98%	96.0%	72.00%	24.00%
99%	98.0%	73.50%	24.50%
100%	100.0%	75.00%	25.00%
101%	102.5%	76.88%	25.63%
102%	105.0%	78.75%	26.25%
103%	107.5%	80.63%	26.88%
104%	110.0%	82.50%	27.50%
105%	112.5%	84.38%	28.13%
106%	115.0%	86.25%	28.75%
107%	117.5%	88.13%	29.38%
108%	120.0%	90.00%	30.00%
109%	122.5%	91.88%	30.63%
110%	125.0%	93.75%	31.25%
111%	127.5%	95.63%	31.88%
112%	130.0%	97.50%	32.50%
113%	132.5%	99.38%	33.13%
114%	135.0%	101.25%	33.75%

115%	137.5%	103.13%	34.38%
116%	140.0%	105.00%	35.00%
117%	142.5%	106.88%	35.63%
118%	145.0%	108.75%	36.25%
119%	147.5%	110.63%	36.88%
120%	150.0%	112.50%	37.50%
Over 120%	150.0%	112.50%	37.50%

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT
FOR SPECIAL EXECUTIVE AWARD

THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated as of December 27, 2013, is made by and between Carnival Corporation, a corporation organized under the laws of Republic of Panama (the "Company"), and [NAME] (the "Participant") pursuant to the Carnival Corporation 2011 Stock Plan (the "Plan").

WHEREAS, the Company has adopted the Plan, pursuant to which restricted stock units may be granted in respect of shares of the Company's common stock, par value \$0.01 per share ("Stock"); and

WHEREAS, the Company desires to grant to Participant restricted stock units pursuant to the terms of this Agreement and the Plan; and

WHEREAS, the Compensation Committee of the Company (the "Committee") has determined that it is in the best interests of the Company and its stockholders to grant the restricted stock units provided for herein to the Participant subject to the terms set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Units.

(a) Grant. The Company hereby grants to the Participant as of December 27, 2013 (the "Date of Grant") a target number of restricted stock units (the "RSUs") of [# RSUs] (the "Target Amount"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU represents the right to receive payment in respect of one share of Stock as of the applicable Settlement Date (as defined below), to the extent the Participant earns and is vested in such RSUs as of such Settlement Date, subject to the terms of this Agreement and the Plan. The RSUs are subject to the restrictions described herein, including forfeiture under the circumstances described in Section 3 hereof (the "Restrictions"). The Restrictions shall lapse and the RSUs shall vest and become nonforfeitable in accordance with Section 2 and Section 3 hereof.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and his legal representative in respect of any questions arising under the Plan or this Agreement. In the event there is any inconsistency between the provisions of the Plan and this Agreement, the provisions of the Plan shall govern.

(c) Acceptance of Agreement. Unless the Participant notifies the Company's Global Human Resources Department in writing to ownership@carnival.com within 10 days after delivery of this Agreement that the Participant does not wish to accept this Agreement, the Participant will be deemed to have accepted this Agreement and will be bound by the terms of this Agreement and the Plan.

2. Terms and Conditions.

(a) Performance. Subject to the Participant's continued employment or service with the Company, a specified percentage of the RSUs shall vest if both (A) except as provided in a Section 3(b) with respect to a termination due to death, disability or without Cause, the Participant remains in continuous employment or continuous service with the Company through the First Settlement Date or Second Settlement Date, as applicable, each as defined in Sub-section (b) below, and (B) the Company achieves, at a minimum, the threshold level of performance set forth on Exhibit A (the "Performance Threshold"). Unless provided otherwise by the Committee, the Participant shall be deemed to not be in continuous employment or continuous service if the Participant's status changes from employee to non-employee, or vice-versa. The actual number of RSUs that may vest may range from zero to five (5) times the Target Amount based on the extent to which the Performance Threshold is achieved, in accordance with the methodology set out on Exhibit A. Except as provided in Section 3(b) and Section (1)(ii) of Exhibit A, if the Company does not achieve the minimum Performance Threshold as set out on Exhibit A, then no RSUs shall vest and this grant of RSUs shall be cancelled in its entirety. In addition, no vesting shall occur unless and until the Committee certifies that the Performance Threshold has been met (the "Certification").

(b) Settlement. The obligation to make payments and distributions with respect to RSUs shall be satisfied through the issuance of one share of Stock for each vested RSU, less applicable withholding taxes (the "settlement"), and the settlement of the RSUs may be subject to such conditions, restrictions and contingencies as the Committee shall determine. 50% of the Earned RSUs (as defined in Exhibit A) shall be settled as soon as practicable after the end of the Performance Cycle (as defined in Exhibit A) and Certification (as applicable, the "First Settlement Date"), but in no event later than March 15 of the year following the calendar year in which Certification occurs, except as otherwise specified in Section 4(a). The remaining 50% of the Earned RSUs shall be settled as soon as practicable following the date that is 12 months after the end of the Performance Cycle, (the "Second Settlement Date", and, together with the First Settlement Date, each a "Settlement Date"), subject to the Participant's continued employment or service with the Company through the Second Settlement Date and the provisions of Section 3 (b). Notwithstanding the foregoing, the payment dates set forth in this Section 2(b) have been specified for the purpose of complying with the provisions of Section 409A of the Code ("Section 409A"). To the extent payments are made during the periods permitted under Section 409A (including any applicable periods before or after the specified payment dates set forth in this Section 2(b)), the Company shall be deemed to have satisfied its obligations under the Plan and shall be deemed not to be in breach of its payments obligations hereunder.

(c) Dividends and Voting Rights. Each RSU subject to this grant shall not be credited with dividend equivalents or dividends.

3. Termination of Employment or Service with the Company.

(a) Termination by the Company for Cause. If the Participant's employment or service with the Company terminates for Cause, then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

(b) Death or Disability or Termination by the Company Without Cause. If the Participant's employment or service with the Company terminates due to the Participant's death or is terminated by the Company due to the Participant's Disability or if the Participant's employment is terminated without Cause, then the Participant shall be deemed to have vested on the date of termination in a number of RSUs equal to the product of (i) the Target Amount of RSUs multiplied by (ii) a fraction, the numerator of which is the number of days elapsed during the period commencing on the Date of Grant through and including the date of termination, and the denominator of which is 1,095, rounded down to the nearest whole RSU, and the remaining unvested portion of the RSUs shall terminate on the date of termination of employment or service. The vested RSUs shall be settled in accordance with Section 2(b).

(c) Other Termination. If the Participant's employment or service with the Company terminates for any reason other than as otherwise described in the foregoing provisions of this Section 3 (whether due to voluntary termination, Retirement, or otherwise) then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

Except as otherwise provided in Section 3(b), in no event shall any RSUs be settled unless and until (i) at least the threshold Performance is achieved, (ii) the Certification occurs, and (iii) the Participant has remained in the continuous employment of the Company through the applicable Settlement Date.

4. Miscellaneous.

(a) Compliance with Legal Requirements. The granting and settlement of the RSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable federal, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. If the settlement of the RSUs would be prohibited by law or the Company's dealing rules, the settlement shall be delayed until the earliest date on which the settlement would not be so prohibited.

(b) Transferability. Unless otherwise provided by the Committee in writing, the RSUs shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company; provided, that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(c) Tax Withholding. All distributions under the Plan are subject to withholding of all applicable federal, state, local and foreign taxes, and the Committee may condition the settlement of the RSUs on satisfaction of the applicable withholding obligations. The Company, Carnival plc or any Affiliate of the Company or Carnival plc has the right, but not the obligation, to withhold or retain any Shares or other property deliverable to the Participant in connection with the grant of RSUs or from any compensation or other amounts owing to the Participant the amount (in cash, Shares or other property) of any required tax withholding in respect of the Shares and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(d) Clawback/Forfeiture.

(i) Notwithstanding anything to the contrary contained herein, in the event of a material restatement of the Company's issued financial statements, the Committee shall review the facts and circumstances underlying the restatement (including, without limitation any potential wrongdoing by the Participant and whether the restatement was the result of negligence or intentional or gross misconduct) and may in its sole discretion direct the Company to recover all or a portion of any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs with respect to any fiscal year in which the Company's financial results are negatively impacted by such restatement. If the Committee directs the Company to recover any such amount from the Participant, then the Participant agrees to and shall be required to repay any such amount to the Company within 30 days after the Company demands repayment. In addition, if the Company is required by law to include an additional "clawback" or "forfeiture" provision to outstanding awards, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or forfeiture provision shall also apply to this Agreement as if it had been included on the Date of Grant and the Company shall promptly notify the Participant of such additional provision. In addition, if a Participant has engaged or is engaged in Detrimental Activity after the Participant's employment or service with the Company or its subsidiaries has ceased, then the Participant, within 30 days after written demand by the Company, shall return any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs.

(ii) For purposes of this Agreement, "Detrimental Activity," means any of the following: (i) unauthorized disclosure of any confidential or proprietary information of the Combined Group, (ii) any activity that would be grounds to terminate the Participant's employment or service with the Combined Group for Cause, (iii) whether in writing or orally, maligning, denigrating or disparaging the Combined Group or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publishing (whether in writing or orally) statements that tend to portray any of the aforementioned persons or entities in an unfavorable light, or (iv) the breach of any noncompetition, nonsolicitation or other agreement containing restrictive covenants, with the Combined Group. For purposes of the preceding sentence the phrase "the Combined Group" shall mean "any member of the Combined Group or any Affiliate".

(e) No Rights as Stockholder. The Participant shall not be deemed for any purpose to be the owner of any shares of Stock subject to the RSUs. The Company shall not be required to set aside any fund for the payment of the RSUs.

(f) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(g) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant's address indicated by the Company's records, or if to the Company, at the Company's principal executive office.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(i) No Rights to Continued Employment. Nothing in the Plan or in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever. The rights and obligations of the Participant under the terms and conditions of the Participant's office or employment shall not be affected by this Agreement. The Participant waives all and any rights to compensation and damages in consequence of the termination of the Participant's office or employment with any member of the Combined Group or any of its Affiliates for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise, or may arise, from the Participant's ceasing to have rights under or the Participant's entitlement to the RSUs under this Agreement as a result of such termination or from the loss or diminution in value of such rights or entitlements. In the event of conflict between the terms of this Section 4(i) and the Participant's terms of employment, this Section will take precedence.

(j) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the Participant's estate shall be deemed to be the Participant's beneficiary.

(k) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(l) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto, except for any changes permitted without consent of the Participant in accordance with the Plan.

(m) Governing Law; JURY TRIAL WAIVER. This Agreement shall be construed and interpreted in accordance with the laws of the State of Florida without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Florida. **THE PARTIES EXPRESSLY AND KNOWINGLY WAIVE ANY RIGHT TO A JURY TRIAL IN THE EVENT ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT IS LITIGATED OR HEARD IN ANY COURT.**

(n) Data Protection. By accepting the grant of the RSUs the Participant agrees and consents:

(i) to the collection, use, processing and transfer by the Company of certain personal information about the Participant, including the Participant's name, home address and telephone number, date of birth, other employee information, details of the RSUs granted to the Participant, and of Stock issued or transferred to the Participant pursuant to this Agreement ("Data"); and

(ii) to the Company transferring Data to any subsidiary or Affiliate of the Company for the purposes of implementing, administering and managing this Agreement; and

(iii) to the use of such Data by any person for such purposes; and

(iv) to the transfer to and retention of such Data by third parties in connection with such purposes.

(o) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

5. Change in Control. In the event of a Change in Control, the valuation of the award shall be calculated as of the date of the Change in Control. Notwithstanding the above, the Participant's right to such award, calculated as of the Change in Control date, shall be subject to the terms of this Agreement and, for the avoidance of doubt, Section 1 of Exhibit A shall apply even in the event of a Change in Control. The beginning share price for the determination of the CAGR of the Company's TSR for the Performance Cycle shall be the lesser of the close price on Date of Grant or the 90-day average stock price (plus dividends paid and reinvested in Stock over the term) as of the Date of Grant and the ending share price shall be the 90 day average stock price (plus dividends paid and reinvested in Stock over the term) as of the date of closing of the Change in Control transaction.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day first written above.

By: _____

Jerry Montgomery
Chief Human Resources Officer

EXHIBIT A

TSR Performance Matrix

The multiple of the Target Amount of RSUs that shall be earned will be based upon the compound annual growth rate (“CAGR”) of the Company’s total shareholder return (“TSR”) over the performance cycle beginning on the Date of Grant (as defined in Section 1(a)) and ending on the third anniversary of the Date of Grant (the “Performance Cycle”), in accordance with this Exhibit A.

(1) The number of RSUs that shall be earned with respect to the Performance Cycle (the “Earned RSUs”) shall be equal to the Target Amount multiplied by the Payout Multiple (as defined below); provided, however, that if the Target Amount multiplied by the Payout Multiple multiplied by the Fair Market Value of the Company’s Stock on the First Settlement Date exceeds \$[MAXIMUM AMOUNT], then the number of Earned RSUs shall be equal to \$[MAXIMUM AMOUNT] divided by the Fair Market Value of the Company’s Stock on the First Settlement Date rounded down to the nearest whole share; and

(2) “Payout Multiple” shall be a value equal to:

(i) 0.0 if the CAGR of the Company’s TSR for the Performance Cycle is less than 5%;

(ii) 0.2 if the CAGR of the Company’s TSR for the Performance Cycle is 5%; and

(iii) 0.2 plus an additional 0.2 for each 0.5% increase in the CAGR of the Company’s TSR above 5% for the Performance Cycle; provided, however that in no event shall the Payout Multiple be greater than 5.0.

(3) The beginning share price for the determination of the CAGR of the Company’s TSR for the Performance Cycle shall be the lesser of the close price on Date of Grant or the 90-day average stock price (plus dividends paid and reinvested in Stock over the term) as of the Date of Grant and the ending share price shall be the 90-day average stock price (plus dividends paid and reinvested in Stock over the term) as of the last day of the Performance Cycle.

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT
FOR SPECIAL EXECUTIVE AWARD

THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated as of December 27, 2013, is made by and between Carnival plc, a corporation organized under the laws of England and Wales (the "Company"), and [NAME] (the "Participant") pursuant to the Carnival plc 2005 Employee Share Plan (the "Plan").

WHEREAS, the Company has adopted the Plan, pursuant to which restricted stock units may be granted in respect of the Company's ordinary shares, par value \$1.66 per share ("Stock"); and

WHEREAS, the Company desires to grant to Participant restricted stock units pursuant to the terms of this Agreement and the Plan; and

WHEREAS, the Compensation Committee of the Company (the "Committee") has determined that it is in the best interests of the Company and its stockholders to grant the restricted stock units provided for herein to the Participant subject to the terms set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Units.

(a) Grant. The Company hereby grants to the Participant as of December 27, 2013 (the "Date of Grant") a target number of restricted stock units (the "RSUs") of [# RSUs] (the "Target Amount"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU represents the right to receive payment in respect of one share of Stock as of the applicable Settlement Date (as defined below), to the extent the Participant earns and is vested in such RSUs as of such Settlement Date, subject to the terms of this Agreement and the Plan. The RSUs are subject to the restrictions described herein, including forfeiture under the circumstances described in Section 3 hereof (the "Restrictions"). The Restrictions shall lapse and the RSUs shall vest and become nonforfeitable in accordance with Section 2 and Section 3 hereof.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and his legal representative in respect of any questions arising under the Plan or this Agreement. In the event there is any inconsistency between the provisions of the Plan and this Agreement, the provisions of the Plan shall govern.

(c) Acceptance of Agreement. Unless the Participant notifies the Company's Global Human Resources Department in writing to ownership@carnival.com within 10 days after delivery of this Agreement that the Participant does not wish to accept this Agreement, the Participant will be deemed to have accepted this Agreement and will be bound by the terms of this Agreement and the Plan.

2. Terms and Conditions.

(a) Performance. Subject to the Participant's continued employment or service with the Company, a specified percentage of the RSUs shall vest if both (A) except as provided in a Section 3(b) with respect to a termination due to death, disability or without Cause, the Participant remains in continuous employment or continuous service with the Company through the First Settlement Date or Second Settlement Date, as applicable, each as defined in Sub-section (b) below, and (B) Carnival Corporation achieves, at a minimum, the threshold level of performance set forth on Exhibit A (the "Performance Threshold"). Unless provided otherwise by the Committee, the Participant shall be deemed to not be in continuous employment or continuous service if the Participant's status changes from employee to non-employee, or vice-versa. The actual number of RSUs that may vest may range from zero to five (5) times the Target Amount based on the extent to which the Performance Threshold is achieved, in accordance with the methodology set out on Exhibit A. Except as provided in Section 3(b) and Section (1)(ii) of Exhibit A, if Carnival Corporation does not achieve the minimum Performance Threshold as set out on Exhibit A, then no RSUs shall vest and this grant of RSUs shall be cancelled in its entirety. In addition, no vesting shall occur unless and until the Committee certifies that the Performance Threshold has been met (the "Certification").

(b) Settlement. The obligation to make payments and distributions with respect to RSUs shall be satisfied through the issuance of one share of Stock for each vested RSU, less applicable withholding taxes (the "settlement"), and the settlement of the RSUs may be subject to such conditions, restrictions and contingencies as the Committee shall determine. 50% of the Earned RSUs (as defined in Exhibit A) shall be settled as soon as practicable after the end of the Performance Cycle (as defined in Exhibit A) and Certification (as applicable, the "First Settlement Date"), but in no event later than March 15 of the year following the calendar year in which Certification occurs. The remaining 50% of the Earned RSUs shall be settled as soon as practicable following the date that is 12 months after the end of the Performance Cycle, (the "Second Settlement Date", and, together with the First Settlement Date, each a "Settlement Date"), subject to the Participant's continued employment or service with the Company through the Second Settlement Date and the provisions of Section 3 (b). Notwithstanding the foregoing, the payment dates set forth in this Section 2(b) have been specified for the purpose of complying with the provisions of Section 409A of the Code ("Section 409A"). To the extent payments are made during the periods permitted under Section 409A (including any applicable periods before or after the specified payment dates set forth in this Section 2(b)), the Company shall be deemed to have satisfied its obligations under the Plan and shall be deemed not to be in breach of its payments obligations hereunder.

(c) Dividends and Voting Rights. Each RSU subject to this grant shall not be credited with dividend equivalents or dividends.

3. Termination of Employment or Service with the Company.

(a) Termination by the Company for Cause. If the Participant's employment or service with the Company terminates for Cause, then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

(b) Death or Disability or Termination by the Company Without Cause. If the Participant's employment or service with the Company terminates due to the Participant's death or is terminated by the Company due to the Participant's Disability or if the Participant's employment is terminated without Cause, then the Participant shall be deemed to have vested on the date of termination in a number of RSUs equal to the product of (i) the Target Amount of RSUs multiplied by (ii) a fraction, the numerator of which is the number of days elapsed during the period commencing on the Date of Grant through and including the date of termination, and the denominator of which is 1,095, rounded down to the nearest whole RSU, and the remaining unvested portion of the RSUs shall terminate on the date of termination of employment or service. The vested RSUs shall be settled in accordance with Section 2(b).

(c) Other Termination. If the Participant's employment or service with the Company terminates for any reason other than as otherwise described in the foregoing provisions of this Section 3 (whether due to voluntary termination, Retirement, or otherwise) then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

Except as otherwise provided in Section 3(b), in no event shall any RSUs be settled unless and until (i) at least the threshold Performance is achieved, (ii) the Certification occurs, and (iii) the Participant has remained in the continuous employment of the Company through the applicable Settlement Date.

4. Miscellaneous.

(a) Compliance with Legal Requirements. The granting and settlement of the RSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable federal, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. If the settlement of the RSUs would be prohibited by law or the Company's dealing rules, the settlement shall be delayed until the earliest date on which the settlement would not be so prohibited.

(b) Transferability. Unless otherwise provided by the Committee in writing, the RSUs shall not be transferable by the Participant other than by will or the laws of descent and distribution.

(c) Tax Withholding. All distributions under the Plan are subject to withholding of all applicable federal, state, local and foreign taxes, and the Committee may condition the settlement of the RSUs on satisfaction of the applicable withholding obligations.

(d) Clawback/Forfeiture.

(i) Notwithstanding anything to the contrary contained herein, in the event of a material restatement of the Company's issued financial statements, the Committee shall review the facts and circumstances underlying the restatement (including, without limitation any potential wrongdoing by the Participant and whether the restatement was the result of negligence or intentional or gross misconduct) and may in its sole discretion direct the Company to recover all or a portion of any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs with respect to any fiscal year in

which the Company's financial results are negatively impacted by such restatement. If the Committee directs the Company to recover any such amount from the Participant, then the Participant agrees to and shall be required to repay any such amount to the Company within 30 days after the Company demands repayment. In addition, if the Company is required by law to include an additional "clawback" or "forfeiture" provision to outstanding awards, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or forfeiture provision shall also apply to this Agreement as if it had been included on the Date of Grant and the Company shall promptly notify the Participant of such additional provision. In addition, if a Participant has engaged or is engaged in Detrimental Activity after the Participant's employment or service with the Company or its subsidiaries has ceased, then the Participant, within 30 days after written demand by the Company, shall return any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs.

(ii) For purposes of this Agreement, "Detrimental Activity" means any of the following: (i) unauthorized disclosure of any confidential or proprietary information of the Combined Group, (ii) any activity that would be grounds to terminate the Participant's employment or service with the Combined Group for Cause, (iii) whether in writing or orally, maligning, denigrating or disparaging the Combined Group or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publishing (whether in writing or orally) statements that tend to portray any of the aforementioned persons or entities in an unfavorable light, or (iv) the breach of any noncompetition, nonsolicitation or other agreement containing restrictive covenants, with the Combined Group. For purposes of the preceding sentence the phrase "the Combined Group" shall mean "any member of the Combined Group or any Affiliate".

(e) No Rights as Stockholder. The Participant shall not be deemed for any purpose to be the owner of any shares of Stock subject to the RSUs.

(f) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(g) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant's address indicated by the Company's records, or if to the Company, at the Company's principal executive office.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(i) **No Rights to Employment.** Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever. The rights and obligations of the Participant under the terms and conditions of the Participant's office or employment shall not be affected by this Agreement. The Participant waives all and any rights to compensation and damages in consequence of the termination of the Participant's office or employment with any member of the Combined Group or any of its Affiliates for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise, or may arise, from the Participant's ceasing to have rights under or the Participant's entitlement to the RSUs under this Agreement as a result of such termination or from the loss or diminution in value of such rights or entitlements. In the event of conflict between the terms of this Section 4(i) and the Participant's terms of employment, this Section will take precedence.

(j) **Beneficiary.** The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the Participant's estate shall be deemed to be the Participant's beneficiary.

(k) **Successors.** The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(l) **Entire Agreement.** This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 9 of the Plan.

(m) **Governing Law.** This Agreement and any non-contractual obligations arising under or in connections with this Agreement shall be governed by, and construed in accordance with, the laws of England. All disputes arising out of or in connection with this Agreement shall be subject to the exclusive jurisdiction of the courts of England and Wales.

(n) **Data Protection.** By accepting the grant of the RSUs the Participant agrees and consents:

(i) to the collection, use, processing and transfer by the Company of certain personal information about the Participant, including the Participant's name, home address and telephone number, date of birth, other employee information, details of the RSUs granted to the Participant, and of Stock issued or transferred to the Participant pursuant to this Agreement ("**Data**"); and

(ii) to the Company transferring Data to any subsidiary or Affiliate of the Company for the purposes of implementing, administering and managing this Agreement; and

(iii) to the use of such Data by any person for such purposes; and

(iv) to the transfer to and retention of such Data by third parties in connection with such purposes.

(o) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

5. Change in Control. In the event of a Change in Control, the valuation of the award shall be calculated as of the date of the Change in Control. Notwithstanding the above, the Participant's right to such award, calculated as of the Change in Control date, shall be subject to the terms of this Agreement and, for the avoidance of doubt, Section 1 of Exhibit A shall apply even in the event of a Change in Control. The beginning share price for the determination of the CAGR of Carnival Corporation's TSR for the Performance Cycle shall be the lesser of the close price on Date of Grant or the 90-day average stock price (plus dividends paid and reinvested in Stock over the term) as of the Date of Grant and the ending share price shall be the 90 day average stock price (plus dividends paid and reinvested in Stock over the term) as of the date of closing of the Change in Control transaction.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day first written above.

CARNIVAL PLC

By: /s/ Jerry Montgomery

Jerry Montgomery

Chief Human Resources Officer

EXHIBIT A

TSR Performance Matrix

The multiple of the Target Amount of RSUs that shall be earned will be based upon the compound annual growth rate (“CAGR”) of Carnival Corporation’s total shareholder return (“TSR”) over the performance cycle beginning on the Date of Grant (as defined in Section 1(a)) and ending on the third anniversary of the Date of Grant (the “Performance Cycle”), in accordance with this Exhibit A.

(1) The number of RSUs that shall be earned with respect to the Performance Cycle (the “Earned RSUs”) shall be equal to the Target Amount multiplied by the Payout Multiple (as defined below); provided, however, that if the Target Amount multiplied by the Payout Multiple multiplied by the Fair Market Value of the Company’s Stock on the First Settlement Date exceeds \$[MAXIMUM AMOUNT], then the number of Earned RSUs shall be equal to \$[MAXIMUM AMOUNT] divided by the Fair Market Value of the Company’s Stock on the First Settlement Date rounded down to the nearest whole share; and

(2) “Payout Multiple” shall be a value equal to:

(i) 0.0 if the CAGR of Carnival Corporation’s TSR for the Performance Cycle is less than 5%;

(ii) 0.2 if the CAGR of Carnival Corporation’s TSR for the Performance Cycle is 5%; and

(iii) 0.2 plus an additional 0.2 for each 0.5% increase in the CAGR of Carnival Corporation’s TSR above 5% for the Performance Cycle; provided, however that in no event shall the Payout Multiple be greater than 5.0.

(3) The beginning share price for the determination of the CAGR of Carnival Corporation’s TSR for the Performance Cycle shall be the lesser of the close price on Date of Grant or the 90-day average stock price (plus dividends paid and reinvested in Stock over the term) as of the Date of Grant and the ending share price shall be the 90-day average stock price (plus dividends paid and reinvested in Stock over the term) as of the last day of the Performance Cycle.

SEPARATION AGREEMENT

This Separation Agreement is entered into this 27th day of January, 2014 by and between Howard S. Frank (hereinafter "Employee"), Carnival Corporation and Carnival plc their subsidiaries, divisions, affiliates, agents, officers, directors, employees, former employees, successors and assigns (hereinafter collectively referred to as "Employer" or "Carnival"). In consideration of the mutual promises and covenants contained herein, the parties agree as follows:

WHEREAS, Employee's current position is Vice Chairman and Chief Operating Officer of Carnival;

WHEREAS, Employee has decided to retire from his position and Carnival and Employee have mutually agreed that Employee's last day of employment shall be November 30, 2013 ("Separation Date").

WHEREAS, Employee desires to compromise, finally settle, and fully release actual or potential claims including those related to Employee's employment and separation from employment that Employee in any capacity may have or claim to have against Employer.

WHEREAS, Employee acknowledges that Employee is waiving his rights or claims only in exchange for consideration in addition to anything of value to which he is already entitled.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. The fiscal year 2013 Bonus earned by Employee during 2013, shall be payable in a lump sum under the Management Incentive Plan for the CEO, COO and CFO whenever such payments are made to them and shall be subject to customary withholding and FICA.
2. Except as otherwise provided herein or in any applicable policies, as of midnight on the Separation Date, all employee benefits ceased including Accidental Death and Dismemberment coverage, Life Insurance coverage, Long Term Disability coverage, benefit time, car allowance, IATA benefits, usage of corporate aircraft and employee cruise benefits.
3. In consideration for execution of this Separation Agreement, Carnival Corporation shall pay Employee the gross amount of \$7,500,000.00 ("Separation Pay"), subject to customary withholding and FICA as applicable. Separation Pay shall be payable in a lump sum payment in January 2014. Separation Pay shall be excluded from the calculations for benefits under the Carnival Corporation Nonqualified Retirement Plan and the Carnival Corporation Supplemental Executive Retirement Plan.

4. (a) Employee shall receive his benefit, if any, under the Carnival Corporation Nonqualified Retirement Plan and the Carnival Corporation Supplemental Executive Retirement Plan, in accordance with the terms of such arrangements.
- (b) For any other retirement benefits, Employee's retirement benefits and distribution thereof, are governed by the terms of Carnival Corporation's retirement plans, as well as any relevant timing and form elections on file with the Employer.
- (c) The intent of the parties is that payments and benefits under this Separation Agreement comply with or be exempt from Section 409A of the Code, corresponding regulations and other guidance ("Section 409A") and, accordingly, to the maximum extent permitted, this Separation Agreement shall be interpreted to be in compliance therewith or exempt therefrom.

If the Employer reasonably determines that any amounts payable under this Separation Agreement are likely to be subject to tax under Section 409A, the Employer may adopt policies, procedures or amendments to this Separation Agreement designed to mitigate or eliminate the amount of tax under Section 409A to which the Employee may be subject; provided that no such amendment shall be made that reduces the aggregate payments the Employee is entitled to receive under this Separation Agreement.

For purposes of Section 409A, the Employee's right to receive any installment payment pursuant to this Separation Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Separation Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Employer.

If the Employee is a "specified employee" as determined under Section 409A as of the date of the Employee's "separation from service" (within the meaning of Section 409A) and if any payment or benefit provided for in this Separation Agreement or otherwise both (x) constitutes a "deferral of compensation" within the meaning of Section 409A and (y) cannot be paid or provided in the manner otherwise provided without subjecting the Employee to additional tax, interest or penalties under Section 409A, then any such payment or benefit shall be delayed until the earlier of (A) the date which is six (6) months after his "separation from service" for any reason other than death, or (B) the date of the Employee's death.

5. As of the Separation Date, Carnival Corporation shall provide coverage to Employee and spouse, for their lifetimes, equivalent to the medical and dental coverage active senior-level executives receive; provided, however, that Employee (or the Employee's spouse if the Employee predeceases his spouse) shall pay for such coverage to the extent active executives pay for such coverage. Such coverage

shall be provided, to the extent permissible, under the Patient Protection and Affordable Care Act or any other subsequent law or regulation. To the extent such coverage is either no longer permissible, is deemed too costly or inefficient from a tax standpoint or in the event Carnival develops an alternative retiree plan, the parties shall meet and agree to an alternative arrangement comparable to what other senior level executives are being offered as coverage at that time. The parties intend that any continued medical and dental coverage following the Separation Date shall not constitute a "deferral of compensation" under Treasury Regulation Section 1.409A-1(b).

6. In return for payment of the amounts specified in this Separation Agreement, Employee does hereby release and discharge Employer from any and all claims demands and liabilities whatsoever, whether known or unknown, which Employee ever had or may now have against the Employer, from the beginning of time to the date of this Separation Agreement, including, without limitation, any claims, demands or liabilities in connection with Employee's employment, including wrongful termination, breach of express or implied contract, unpaid wages or pursuant to any federal, state or local employment laws, regulations, or executive orders prohibiting inter alia, age, race, color, marital status, familial status, sexual orientation, sex, national origin, religion, handicap, and disability discrimination, such as the Age Discrimination in Employment Act, including the Older Worker's Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, Sections 1981 through 1988 of Title 42 of the United States Code, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Family and Medical Leave Act, Equal Pay Act, the Sarbanes-Oxley Act of 2002, the Uniformed Services Employment and Reemployment Act, Genetic Information Non-discrimination Act, the National Labor Relations Act, the Immigration Reform and Control Act, the Florida Private Sector Whistleblower Act, the Florida Civil Rights Act, the Florida Wage Discrimination Law (Fla. Stat. Section 448.07), the Florida AIDS Act (Fla. Stat. Sections 110.11225, 381.00 and 760.50), the Florida Wage Payment Laws, the Florida Discrimination on the Basis of Sickle Cell Trait Law, Miami-Dade County Ordinances (Ch. 95-67), Broward County Human Rights Act (Ch. 16 1/2) Florida's Workers Compensation Retaliation Statute (Florida Statutes Section 440.205), the Florida and Federal Constitutions, and any and all other federal, state, and local laws and regulations prohibiting, without limitation, discrimination in employment, retaliation, conspiracy, tortious or wrongful discharge, breach of an express or implied contract, breach of a covenant of good faith and fair dealing, intentional and/or negligent infliction of emotional distress, defamation, misrepresentation or fraud, negligence, negligent supervision, hiring or retention, assault, battery, detrimental reliance, or any other offense. The foregoing list is meant to be illustrative rather than exhaustive. This Separation Agreement does not waive rights or claims that may arise after it is executed.

7. Employer hereby fully and forever releases and discharges Employee, to the extent allowed by law, from any and all claims and causes of action that the Employer may possess arising from any omissions, acts or facts that have occurred up until and including the date of the Employer's execution of this Separation Agreement, provided, however, that this Separation Agreement does not extend to any claims which the Employer has or may have relating to, or, arising out of (a) any indebtedness of the Employee to the Employer, (b) any material breach of Employee's obligation or duties to the Employer under any policy of the Employer or applicable law, or (c) any act or omission by Employee that could result in a breach of Employee's continuing obligations incurred or specified under this Separation Agreement.
8. By virtue of the foregoing, Employee hereby acknowledges that he cannot benefit monetarily from any claims otherwise released by this Separation Agreement and he further agrees that he has waived any right to equitable relief that may have been available to him (including, without limitation, reinstatement) with respect to any claim or cause of action released herein. Therefore, Employee agrees that he will not accept any award or settlement from any source or proceeding (including but not limited to any proceeding brought by any other person or by any governmental agency) with respect to any claim or right waived or released in this Separation Agreement. Nothing in this Separation Agreement, however, shall be construed to prevent Employee from filing a Charge with, or participating in an investigation conducted by, any governmental agency, including, the EEOC, or applicable state/local fair employment practices agency, to the extent required or permitted by law. Nevertheless, as set forth herein by signing this Separation Agreement, Employee acknowledges and agrees that he shall not be entitled to monetary damages, equitable relief, and/or reinstatement with respect to any such charge except where not released herein.
9. Employee affirms that he has been paid and/or received all compensation, wages, bonuses, commissions, and/or benefits to which Employee may be entitled, including, any leave to which he may be entitled under the Family and Medical Leave Act or disability accommodation laws.
10. Employer and Employee agree that they will not take any action to interfere with, harm, or injure the business, goodwill, name, or reputation of the other including but not limited to, agreeing to not communicate negative or disparaging comments to third parties. However, nothing contained herein shall interfere with either party's obligation to testify truthfully in response to a subpoena issued by a state or federal court or governmental agency or to cooperate fully in any investigation conducted by any governmental agency or maritime authority.
11. Employee agrees to cooperate fully with Employer's counsel in connection with any litigation, governmental investigations or subpoenas, as well as assist Employer with any reasonable transition related inquiries. Such cooperation includes providing immediate notice to Employer in the event he is served with any subpoenas relating to Employer, providing such notice is not prohibited by the terms of the subpoena, court order or other legal requirement. Employee agrees to

maintain, and not to waive, the attorney-client and other evidentiary privileges to which Employer is entitled, absent the prior written permission of Employer. Employer shall reimburse Employee for all travel expenses he incurs in connection with such cooperation.

12. Employer agrees to indemnify, defend and hold Employee harmless from and against any and all liabilities, demands, judgments, claims, actions, losses, damages, costs and expenses whatsoever (including, without limitation, attorneys' fees and court costs at trial and all appellate levels) asserted against, resulting to, imposed upon or incurred by Employee arising from or relating to the performance of his duties while employed by Employer, to the extent allowed by law. Such indemnification shall not apply where Employee is found by a court to have acted intentionally and recklessly outside the scope of his employment.
13. In return for payment of the sums specified herein, Employee agrees he will not without the prior written approval of the Employer, directly or indirectly, serve as an employee, consultant, officer, director or owner of any multi-night passenger cruise operator which competes with Carnival Corporation, Carnival plc, or any of their subsidiaries or divisions. Such restriction applies in any geographic area where such competitor has its headquarter or significant operations. Such restriction shall expire three years from the Separation Date.
14. Employee further agrees that he will not solicit, either directly or indirectly, hire or attempt to hire any "person employed" by Carnival Corporation or its subsidiaries or affiliates. Person Employed is defined as any individual actively on the payroll of Carnival Corporation or a subsidiary/affiliate as of the Separation Date. Such restriction shall expire three years from the Separation Date.
15. Employee further agrees that at all times during and after the payment of benefits under this Separation Agreement he will hold in trust, keep confidential, and protect the value of Employer's trade secrets and Confidential Information and will prevent the misappropriation or disclosure thereof. Employee agrees to not disclose or use to his benefit (or the benefit of any third party) or to the Employer's detriment any Confidential Information. Employee acknowledges that he is aware that the unauthorized disclosure of Confidential Information may be highly prejudicial to Employer's interest, an invasion of privacy, and an improper disclosure of trade secrets.
16. For purposes of this Separation Agreement, Confidential Information includes all information that has or could reasonably have commercial value or other utility in the business in which Employer is engaged or contemplates engaging in if such contemplation is known by Employee. Confidential Information also includes all information of which the unauthorized disclosure would reasonably be detrimental to Employer's interests, whether or not such information is identified as Confidential Information by Employer. By example, without limitation, Confidential Information includes any and all information of Employer, which

concerns Employer's techniques, processes, formulas, trade secrets, customer lists, innovations, inventions, discoveries, improvements, research or development, test results, specifications, data, know-how, formats, marketing plans, business plans, strategies, financial forecasts, unpublished financial information, budgets, projections, customer and supplier identities, characteristics and agreements.

17. In the event that the provisions of Sections 13, 14, 15 or 16 should ever be adjudicated to exceed the time, geographic or other limitations permitted by applicable law in any jurisdiction, then such provision shall be deemed reformed in such jurisdiction to the maximum limitations provided by law.
18. Employee acknowledges and agrees that any violation of Sections 13, 14, 15 or 16 of this Separation Agreement, will leave Employer without an adequate remedy at law and immediately entitled to seek enforcement of all such provisions by temporary or permanent injunctive or mandatory relief obtained in any proceeding instituted in any court of competent jurisdiction without the necessity of proving damages and without prejudice to any other remedies for damages it may have at law or in equity.
19. This Separation Agreement is not and shall not in any way be construed as an admission by either party of any illegal or inappropriate acts or acts of discrimination whatsoever or a violation of any federal, state or local law, or that Employee's termination of his employment was unwarranted, unjustified, discriminatory or otherwise unlawful, but constitutes the good faith settlement of potential claims, and the parties specifically disclaim any liability to or discrimination against Employee or any other person. The parties have entered into this Separation Agreement to avoid disputes, burdens, expenses and uncertainties.
20. Employee represents and warrants that no person other than signatories hereto had or has any interest in the matters referred to herein, that the parties have the right and authority to execute this Separation Agreement, and that neither party has sold, assigned, transferred, conveyed, or otherwise disposed of any claim or demand relating to any matter covered by this Separation Agreement.
21. This Separation Agreement constitutes the complete understanding between the parties. Employee especially acknowledges and declares that no other contract, promise or inducement has been made to him.
22. Should any provision of this Separation Agreement be declared or determined by any Court to be illegal and invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed to not be a part of this Separation Agreement.
23. This Separation Agreement is governed by the laws of the State of Florida. Venue and jurisdiction shall be vested in the courts serving Miami-Dade County, Florida to the exclusion of all others.

24. EMPLOYEE STATES AND ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS SEPARATION AGREEMENT, THAT HE HAS HAD THE OPPORTUNITY TO HAVE IT REVIEWED BY AN ATTORNEY THAT HE FULLY UNDERSTANDS ITS FINAL AND BINDING EFFECT, THAT THE ONLY PROMISES MADE TO EMPLOYEE TO SIGN THIS SEPARATION AGREEMENT ARE THOSE STATED HEREIN AND THAT EMPLOYEE IS SIGNING THIS SEPARATION AGREEMENT VOLUNTARILY WITH THE FULL INTENT OF RELEASING ALL CLAIMS.
25. Employee specifically states and acknowledges the following:
 - a. Pursuant to the provision of the Older Workers Benefit Protection Act (“OWBPA”) which applies to Employee’s waiver of rights under the Age Discrimination in Employment Act, Employee has been given at least twenty-one (21) full days within which to consider whether to execute this Separation Agreement. Material or non-material changes made to this Separation Agreement after it first is provided to Employee does not re-start the running of the 21-day period;
 - b. Employee acknowledges that, pursuant to OWBPA, Employer advised Employee in writing, to consult with an attorney prior to executing this Separation Agreement;
 - c. Also pursuant to OWBPA, (and only with respect to any claims Employee may have under The Age Discrimination in Employment Act), the Employee has seven (7) days following the execution of this Separation Agreement to revoke it. The Age Discrimination in Employment Act waiver contained in this Separation Agreement shall become effective on the 8th day following execution unless timely revoked. To revoke this Separation Agreement, the Employee should advise the Employer’s Legal Department, attention Martha de Zayas, in writing of his election to revoke within the seven (7) day period and Employee’s acceptance of this Separation Agreement will not be effective until after that revocation period has expired;
 - d. Employee recognizes that he is specifically releasing, among other claims, any claims under the Age Discrimination in Employment Act of 1967, and all amendments thereto, including but not limited to the OWBPA.
 - e. The Employee is not waiving rights or claims that may arise after the date this Separation Agreement is executed.

In testimony whereof, the parties hereto set their hands and seals the day and year first written above.

/s/ Howard S. Frank
HOWARD S. FRANK

I HEREBY CERTIFY that the foregoing instrument was acknowledged before me this 27th day of January, 2014, by Howard S. Frank who is personally known to me (Yes) (No) or who produced drivers license as identification and who (did) (did not) take an oath.

/s/ Miguel Camejo
My Commission Expires January 21, 2017

Notary Public, State of Florida
Printed Name of Notary Public

CARNIVAL CORPORATION

By: /s/ Jerry Montgomery
Jerry Montgomery

Its: Senior Vice President-
Global Human Resources

CARNIVAL PLC

By: /s/ Jerry Montgomery
Jerry Montgomery

Its: Senior Vice President-
Global Human Resources

January 24, 2014

Mr. Howard S. Frank
Carnival Corporation
3655 NW 87th Avenue
Miami, FL 33178

RE: Consulting Arrangement

Dear Howard:

This letter will confirm the agreement between Carnival Corporation and Carnival plc (collectively "Carnival") and you whereby the parties agree to enter into a consulting arrangement. Specifically, you agree to serve in an advisory capacity to the Chairman of the Board ("Chairman") and the President and Chief Executive Officer ("CEO"). In your advisory capacity, you agree to make yourself reasonably available for consultation, meetings, and travel as well as other company-related responsibilities such as serving as the Chairman of the Board of Cruise Line International Association ("CLIA") or other Board memberships or duties as requested by the Chairman and CEO.

In consideration for your service, Carnival shall pay you \$575,000.00 annually and such payment shall be compensation for all services under this Agreement as described above. Payment shall be made on a monthly basis. Any travel expenses shall be reimbursed consistent with the travel policy for executives of Carnival. Carnival shall provide you with office support including secretarial support and office space upon request.

As a consultant, you will no longer be an employee of Carnival and except as otherwise set forth herein, will not receive any benefits from the company other than those previously agreed to and set forth in the Separation Agreement entered into with Carnival which is dated January 27, 2014, ("Separation Agreement"). You shall not be covered by the company's worker's compensation and you will be responsible for payment of any taxes.

However, during the term of this Agreement, you may retain the performance-based restricted stock unit grants made on January 19, 2011; April 11, 2012 and July 16, 2013 (the "PBS Grants") according to their terms and conditions. Upon expiration or termination of this Agreement, any unreleased PBS Grants shall immediately expire.

This agreement shall be for a one year period, commencing on December 1, 2013 and terminating on November 30, 2014. This Agreement will automatically renew for an additional one year period, unless and until either party provides the other with 60 days notice of its intent not to renew. Carnival may however, terminate this Agreement with five days written notice in the event you violate any of the terms of this Agreement or the Separation Agreement. In the event of early termination, all unpaid fees hereunder shall immediately cease and shall no longer be owed.

Please indicate your acceptance of these terms by signing where indicated below.

Sincerely,

CARNIVAL CORPORATION

/s/ Jerry Montgomery
Jerry Montgomery
Senior Vice President
Global Human Resources

ACCEPTED AND AGREED TO:

/s/ Howard S. Frank
Howard S. Frank

1/27/14
Dated

**AMENDED AND RESTATED
CARNIVAL CORPORATION & PLC
MANAGEMENT INCENTIVE PLAN FOR THE CEO, COO AND CFO**

1. OBJECTIVE

This Carnival Corporation & plc Management Incentive Plan for the CEO, COO and CFO (the “**Plan**”) is designed to focus the attention of the Chief Executive Officer (“**CEO**”), the Chief Operations Officer (“**COO**”) and the Chief Financial Officer (“**CFO**”) of Carnival Corporation & plc (the “**Corporation**”) on achieving outstanding performance results as reflected in the operating income of the Corporation, as well as other relevant measures.

2. PLAN ADMINISTRATION

The administrators of the Plan are the Compensation Committees of the Boards of Directors of the Corporation (the “**Committees**”). The Committees shall have sole discretion in resolving any questions regarding the administration or terms of the Plan not addressed in this document, as well as in resolving any ambiguities that may exist in this document.

3. PLAN YEAR

The “**Plan Year**” shall be the 12-month period ending November 30 of each year.

4. PARTICIPATION

The CEO, COO and CFO of the Corporation shall be eligible to participate in the Plan. In their discretion, the Committees may select other employees to participate in the Plan or establish separate criteria to determine the bonus of specified employees.

Persons who commence employment or are promoted to the status of a CEO, COO or CFO following the beginning of the Plan Year may, with the approval of the Committees, be allowed to participate in the Plan.

In order to receive a cash bonus under the Plan, a participant must be employed by the Corporation or one of its subsidiaries on the day the bonus is paid; provided, however, that if a participant is on a leave of absence that does not meet the requirements of The Family and Medical Leave Act of 1993 on the day the bonus is paid to the other participants, such bonus shall not be payable until the participant returns to active duty. The only exceptions to this requirement are for participants whose employment is terminated prior to the day the bonus is paid as the result of death, disability or Retirement (“**Early Termination Employees**”) or for other circumstances approved by the Committees on a case-by-case basis. If employment is terminated by reason of death, disability or Retirement, a participant or his/her estate will receive a pro-rata bonus based on the portion of the Plan Year the participant was employed. For purposes of this section, “**Retirement**” means a termination of employment by a participant (A) on or after the earlier of (i) age 65 with at least five years of employment with Carnival Corporation, Carnival plc or any successor thereto and/or their subsidiaries or (ii) age 60 with at least 15 years of employment with Carnival Corporation, Carnival plc or any successor thereto and/or their subsidiaries or (B) who, as of December 31, 2012, had both reached the age 55 and

had at least 15 years of employment with Carnival Corporation, Carnival plc or any successor thereto and/or their subsidiaries.

5. BONUS

A. For purposes of this Plan, the terms below shall be defined as follows:

- i. **“Operating Income”** shall mean the Non-GAAP net income of the Corporation excluding interest income and expense and other non-operating income and expense and income taxes, as reported by the Corporation for the Plan Year.
- ii. The **“Operating Income Target”** for each Plan Year will be established by the Committees within 75 days following the commencement of such Plan Year, taking into account historical performance, investor guidance, company/industry growth, the Corporation’s annual plan, consultation with management and such other factors as the Committees deem appropriate.

The Committees may, in their discretion, increase or decrease the Operating Income Target or establish an alternative target for any reason they deem appropriate. In addition, in the discretion of the Committees, certain items, including, but not limited to, gains or losses on ship sales can be excluded from the Operating Income Target and the actual Operating Income for any Plan Year.

B. Within 75 days following the commencement of each Plan Year, the Committees will establish a Target Bonus (in the currency of his/her base salary) for each participant for the Plan Year. The Committees may, in their discretion, increase or decrease the Target Bonus for any reason they deem appropriate. The **“Target Bonus”** is the preliminary level of bonus for a participant if 100% of Operating Income Target is achieved, prior to the Committees exercising discretion to increase or decrease the bonus payable to a participant as provided in 5.C.ii.

C. Within 75 days following the end of each Plan Year, the Committees shall determine each participant’s bonus for the prior Plan Year as follows:

- i. The actual Operating Income for the Plan Year will be confirmed, and the Committees shall determine the preliminary bonus amount for each participant by reference to the schedule appended to this Plan (the **“Bonus Schedule”**), which calibrates the Operating Income Target for the Plan Year with the Target Bonus for each participant. The performance range in the Bonus Schedule shall be from 75% to 125% of the Operating Income Target with results at less than 75% producing a preliminary bonus amount equal to 0% of the Target Bonus, at 75% producing a preliminary bonus amount equal to 50% of the Target Bonus (the **“Threshold Bonus”**) and at 125% or more producing a preliminary bonus amount equal to 200% of the Target Bonus (the **“Maximum Bonus”**). The preliminary bonus amount for results between the Threshold Bonus and Target Bonus or between the Target Bonus and Maximum Bonus will be calculated according to bonus schedule herein. The Committees may, within 75 days following the commencement of each Plan Year, change the Bonus Schedule applicable to such Plan Year as they deem appropriate.
- ii. The Committees may then consider other factors deemed, in their discretion, relevant to the performance of the Corporation, including, but not limited to, the impacts of

changes in accounting principles, unusual gains and/or losses and other events outside the control of management. The Committees may also consider other factors they deem, in their discretion, relevant to the performance of the Corporation or each individual participant, including, but not limited to, operating performance metrics (such as return on investment, revenue yield, costs per available lower berth days), successful implementation of strategic initiatives and business transactions, significant business contracts, departmental accomplishments, executive recruitment, new ship orders, and management of health, environment, safety and security matters. Based on such factors, the Committees may, in their discretion, increase or decrease the preliminary bonus amount calculated pursuant to Section 5.C.i. by any amount deemed appropriate to determine the final bonus amount. The final bonus amount shall not exceed 200% of the Target Bonus of the participant.

In addition, the Committees may adjust a participant's bonus amount for any unpaid leaves of absence regardless of the nature of the leave.

6. PAYMENT OF BONUS

Except as otherwise provided in the section entitled "Participation," bonuses shall be paid as soon as administratively practicable following determination of the bonuses by the Committees. At the discretion of the Committees, special arrangements may be made for earlier payment to Early Termination Employees.

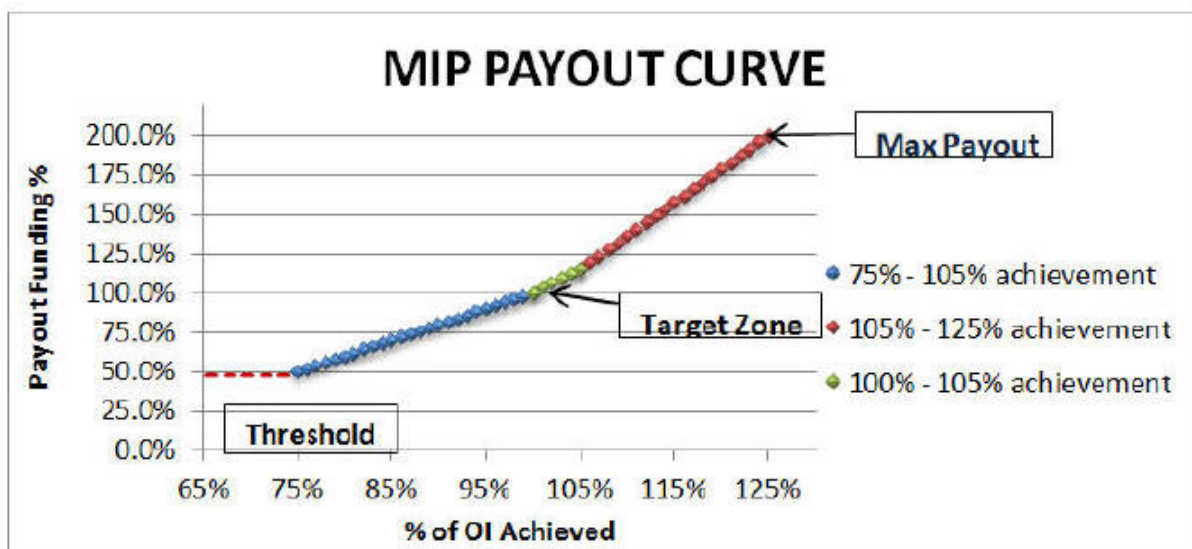
Notwithstanding any other provision of this Plan, the issuance of bonuses is at the sole discretion of the Committees. The Committees at their sole discretion, may increase, decrease or withhold bonuses.

7. DURATION OF PLAN

The Plan will be effective until terminated by the Committees.

8. AMENDMENT OF PLAN

The Committees may amend the Plan from time to time in such respects as the Committees may deem advisable.



Percentage of Operating Income Target Achieved	Percent of Target Bonus Funded
Below 75%	0.00%
75%	50.00%
76%	52.00%
77%	54.00%
78%	56.00%
79%	58.00%
80%	60.00%
81%	62.00%
82%	64.00%
83%	66.00%
84%	68.00%
85%	70.00%
86%	72.00%
87%	74.00%
88%	76.00%
89%	78.00%
90%	80.00%
91%	82.00%
92%	84.00%
93%	86.00%
94%	88.00%
95%	90.00%
96%	92.00%
97%	94.00%
98%	96.00%
99%	98.00%
100%	100.00%
101%	103.00%
102%	106.00%
103%	109.00%
104%	112.00%
105%	115.00%
106%	119.25%
107%	123.50%
108%	127.75%
109%	132.00%
110%	136.25%
111%	140.50%
112%	144.75%
113%	149.00%
114%	153.25%
115%	157.50%
116%	161.75%
117%	166.00%
118%	170.25%
119%	174.50%
120%	178.75%
121%	183.00%
122%	187.25%
123%	191.50%
124%	195.75%
125%	200.00%

**CARNIVAL CORPORATION & PLC
BRAND MANAGEMENT INCENTIVE PLAN**

1. OBJECTIVE

This Carnival Corporation & plc Brand Management Incentive Plan (the “**Plan**”) is designed to focus the attention of certain officers and employees of Carnival Corporation & plc and/or its subsidiaries (the “**Corporation**”) on achieving outstanding performance results as reflected in the operating income of the Corporation and the operating income of one or any combination of the following entities, operating companies or business divisions: (1) the Holland America Line Group, (2) Holland America Line, (3) Seabourn Cruise Line Limited, (4) Carnival Australia, (5) Carnival Cruise Lines, (6) Carnival UK, (7) Cunard Line, (8) P&O Cruises, (9) Princess Cruises, (10) Global Fine Arts, , (11) Costa Cruises, (12) Costa Asia, (13) Iberocruceros,(14) AIDA Cruises, or (15) any other operating company of the Corporation (each individually and, as applicable, collectively a “**Brand**”), as well as other relevant measures.

2. PLAN ADMINISTRATION

The administrators of the Plan are the Compensation Committees of the Boards of Directors of the Corporation (the “**Compensation Committees**”). The Compensation Committees shall have sole discretion in resolving any questions regarding the administration or terms of the Plan not addressed in this document, as well as in resolving any ambiguities that may exist in this document.

The Compensation Committees delegate authority to approve the Target Bonus (defined below) and bonuses payable to participants who are not deemed to be “**Executive Officers**” (as defined by Rule 16a-1 of the Securities Exchange Act) of the Corporation, as follows:

- A. to a committee comprised of the Chairman, Chief Executive Officer and the Chief Human Resources Officer of the Corporation (the “**Senior Management Committee**”) for:
 - i. the ten (10) highest paid Plan participants with respect to any Brand (based on total target compensation) not deemed to be Executive Officers (the “**Top Ten Participants**”); and
 - ii. the aggregate amount (on a Brand-by-Brand basis) for all Plan participants other than the Executive Officers; and
- B. to the Chief Executive Officer of the respective Brands (the “**Brand CEOs**”) for all other Plan participants.

The term “**Administrators**” as used hereafter shall refer to the Compensation Committees with respect to bonus determinations for the Executive Officers participating in the Plan; to the Senior Management Committee with respect to bonus determinations for the Top Ten Participants; and to the applicable Brand CEOs with respect to bonus determinations for all other participants (subject to the approval by the Senior Management Committee of the aggregate amount of cash bonus payable to all participants for a particular Brand other than the Executive Officers).

3. PLAN YEAR

The “**Plan Year**” shall be the 12-month period ending November 30 of each year.

4. PARTICIPATION

Prior to the commencement of each Plan Year, the applicable Administrators shall determine which employees shall participate in the Plan for such Plan Year. In general, all employees of the Corporation are at the level of Vice President and above and who are not covered by a separate management incentive plan of the Corporation or a subsidiary or operating unit of the Corporation (e.g., the Carnival Corporation & plc Management Incentive Plan for Senior Management, the Carnival Corporation & plc Management Incentive Plan for the CEO, COO and CFO, the Holland America/Princess Management Incentive Plan or the Carnival Corporation Casino Division Management Incentive Plan) shall be eligible to participate in the Plan. In their discretion, the Administrators may select other employees to participate in the Plan or establish separate criteria to determine the bonus of specified employees.

Persons who commence employment or are promoted to the status of Vice President and above following the beginning of the Plan Year may, with the approval of the applicable Administrators, be allowed to participate in the Plan.

In order to receive a cash bonus under the Plan, a participant must be employed by the Corporation or one of its subsidiaries on the day the bonus is paid (and, with respect to employees of Carnival Australia or Carnival UK, not have given or received notice of termination); provided, however, that if a participant is on a leave of absence (other than, with respect to employees of Carnival Australia or Carnival UK, paid annual leave) that does not meet the requirements of The Family and Medical Leave Act of 1993 on the day the bonus is paid to the other participants, such bonus shall not be payable until the participant returns to active duty. The only exceptions to this requirement are for participants whose employment is terminated prior to the day the bonus is paid as the result of death, disability or Retirement (“**Early Termination Employees**”) or for other circumstances approved by the applicable Administrators on a case-by-case basis. If employment is terminated by reason of death, disability or Retirement, a participant or his/her estate will receive a pro-rata bonus based on the portion of the Plan Year the participant was employed. For purposes of this section, “**Retirement**” means a termination of employment by a participant (A) on or after the earlier of (i) age 65 with at least five years of employment with Carnival Corporation, Carnival plc or any successor thereto and/or their subsidiaries or (ii) age 60 with at least 15 years of employment with Carnival Corporation, Carnival plc or any successor thereto and/or their subsidiaries or (B) who, as of December 31, 2012, had both reached the age 55 and had at least 15 years of employment with Carnival Corporation, Carnival plc or any successor thereto and/or their subsidiaries.

Notwithstanding the forgoing, with respect to the chief executive officer of Costa Crociere S.p.A., in order to receive a cash bonus under the Plan, the Employment Contract between Costa Crociere S.p.A. and Costa CEO, as amended from time to time shall have to remain in force, without any notice of termination, until the completion of the applicable Plan Year.

5. BONUS

A. For purposes of this Plan, the terms below shall be defined as follows:

- i. **“Brand Operating Income”** with respect to any Brand or group of Brands (a **“Group”**) shall mean the Non-GAAP net income of the Brand or Group excluding interest income and expense and other non-operating income and expense and income taxes, as reported by the applicable Brand or Group for the Plan Year.
 - ii. The **“Brand Operating Income Target”** for each Plan Year will be established by the Compensation Committees (or, if delegated to the Senior Management Committee, the Senior Management Committee) within 75 days following the commencement of such Plan Year, taking into account historical performance, company/industry growth, the Brand’s or Group’s annual plan, consultation with management and such other factors as the Compensation Committees (or, if applicable, Senior Management Committee) deem appropriate.
 - iii. The **“Corporation Operating Income”** shall mean the Non-GAAP net income of the Corporation excluding interest income and expense and other non-operating income and expense and income taxes, as reported by the Corporation for the Plan Year.
 - iv. The **“Corporation Operating Income Target”** for each Plan Year will be established by the Compensation Committees (or, if delegated to the Senior Management Committee, the Senior Management Committee) within 75 days following the commencement of such Plan Year, taking into account historical performance, investor guidance, company/industry growth, the Corporation’s annual plan, consultation with management and such other factors as the Compensation Committees (or, if applicable, Senior Management Committee) deem appropriate.

The Compensation Committees (or, if applicable, Senior Management Committee) may, in their discretion, increase or decrease the Brand and/or Corporation Operating Income Targets or establish alternative targets for any reason they deem appropriate. In addition, in the discretion of the Compensation Committees (or, if applicable, Senior Management Committee), certain items, including, but not limited to, gains or losses on ship sales can be excluded from the Brand and/or Corporation Operating Income Targets and the actual Brand and/or Corporation Operating Income for any Plan Year.
- B. Within 75 days following the commencement of each Plan Year, the applicable Administrators will, in their discretion, establish a Target Bonus (in the currency of his/her base salary) for each participant for the current Plan Year, which Brand Operating Income Targets (which may include one or more Brands and/or Groups) will apply to such participant and the relative weighting of the Brand and Corporation Operating Income Targets for such participant, which Target Bonus may be based on recommendations from the applicable Brands or Brand CEOs, and which may, in the Administrators’ discretion, be increased or decreased for any reason(s) deemed appropriate by them. Notwithstanding anything herein to the contrary, (i) with respect to Brand CEOs, 50% of the Target Bonus will be based upon achievement of a Brand Operating Income Target and 50% will be based upon achievement of the Corporation Operating Income Target, and (ii) for all other participants, the relative weighting will either be (x) 35% for the Corporation Operating Income Target and 65% for a Brand Operating Income Target or (y) 25% for the Corporation Operating Income Target and 75% for a Brand Operating Income Target (and it is recommended that director reports to

the Brand CEOs be assigned the 35%/65% mix with other participants being assigned the 25%/75% mix).

The “**Target Bonus**” is the preliminary level of bonus for a participant if 100% of the applicable Brand and Corporation Operating Income Targets are achieved, prior to the Administrators exercising discretion to increase or decrease the bonus payable to a participant as provided in 5.C.ii.

- C. Within 75 days following the end of each Plan Year, the Administrators shall determine each participant’s bonus for the prior Plan Year as follows:
- i. The actual Brand Operating Income, adjusted to reflect the impact of constant (prior year) fuel prices on fuel expense, and the actual Corporation Operating Income for the Plan Year will be confirmed, and the Administrators shall determine the preliminary bonus amount for each participant by reference to the schedule appended to this Plan (the “**Bonus Schedule**”) and the relative weightings of each of the Brand and Corporation Operating Income Targets. The performance range in the Bonus Schedule is from 75% to 125% of the Operating Income Targets with results at less than 75% producing a preliminary bonus amount equal to 0% of the Target Bonus, at 75% producing a preliminary bonus amount equal to 50% of the Target Bonus (the “**Threshold Bonus**”) and at 125% or more producing a preliminary bonus amount equal to 200% of the Target Bonus (the “**Maximum Bonus**”). The preliminary bonus amount for results between the Threshold Bonus and Target Bonus or between the Target Bonus and Maximum Bonus will be calculated according to bonus schedule herein. The Administrators may, within 75 days following the commencement of each Plan Year, change the Bonus Schedule applicable to such Plan Year as they deem appropriate.
 - ii. The Administrators may then consider other factors deemed, in its discretion, relevant to the performance of the Corporation, including, but not limited to, the impacts of changes in accounting principles, unusual gains and/or losses and other events outside the control of management. The Administrators may also consider other factors it deems, in its discretion, relevant to the performance of the Corporation, the applicable Brand or Group and/or each individual participant, including, but not limited to, operating performance metrics (such as return on investment, revenue yield, costs per available lower berth days), successful implementation of strategic initiatives and business transactions, significant business contracts, departmental accomplishments, executive recruitment, new ship orders, and management of health, environment, safety and security matters. Based on such factors, the Administrators may, in its discretion, increase or decrease the preliminary bonus amount calculated pursuant to Section 5.C.i. by any amount deemed appropriate to determine the final bonus amount. The final bonus amount shall not exceed 200% of the Target Bonus of the participant.

In addition, the Administrators may adjust a participant’s bonus amount for any unpaid leaves of absence (or, with respect to employees of Carnival Australia or Carnival UK, any leave of absence other than paid annual leave) regardless of the nature of the leave.

6. PAYMENT OF BONUS

Except as otherwise provided in the section entitled "Participation," bonuses shall be paid as soon as administratively practicable following determination of the bonuses by the Administrators. At the discretion of the Administrators, special arrangements may be made for earlier payment to Early Termination Employees.

Notwithstanding any other provision of this Plan, the issuance of bonuses is at the sole discretion of the Administrators. The Administrators, in their sole discretion, may increase, decrease or withhold bonuses.

7. DURATION OF PLAN

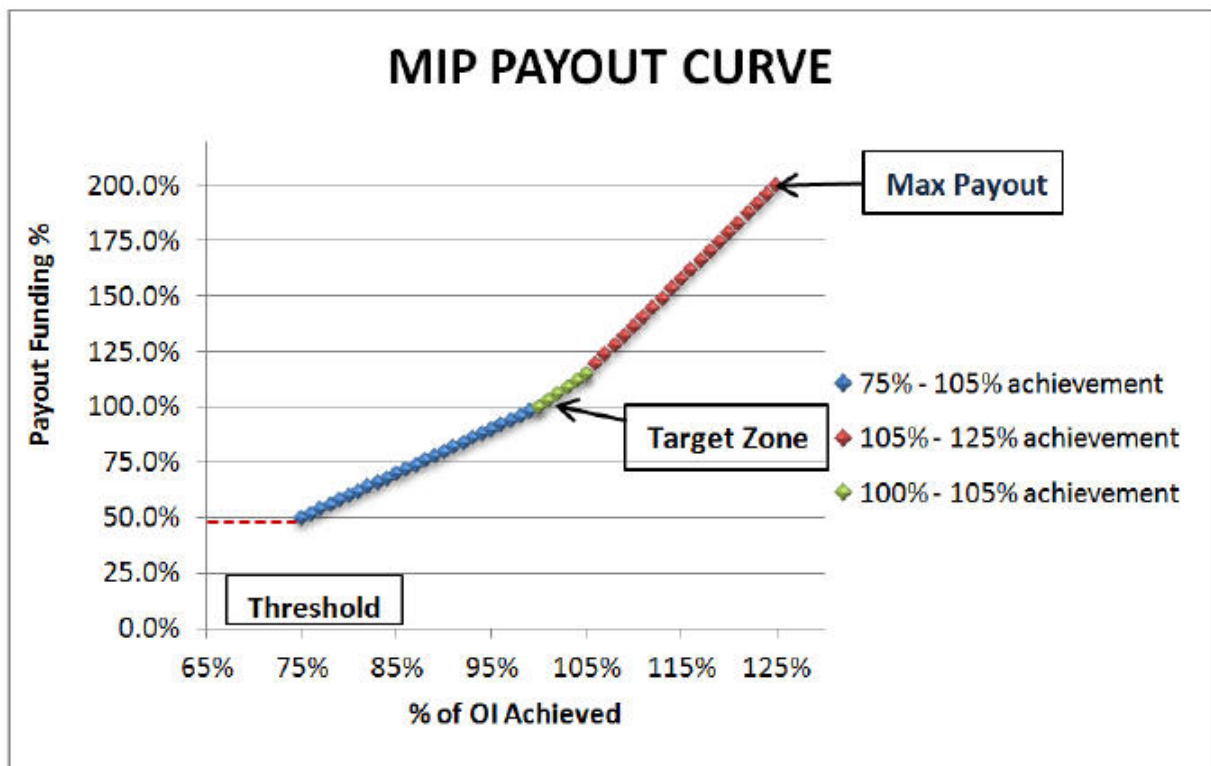
The Plan will be effective until terminated by the Compensation Committees.

8. AMENDMENT OF PLAN

The Compensation Committees may amend the Plan from time to time in such respects as the Compensation Committees may deem advisable.

9. GOVERNING LAW AND JURISDICTION

For participants employed by Carnival Australia only, the Plan shall be governed by and construed in accordance with the laws of New South Wales and the courts of that state shall have exclusive jurisdiction. For participants employed by Carnival UK only, the Plan shall be governed by and construed in accordance with English law and courts of England shall have exclusive jurisdiction.



Percentage of Operating Income Target Achieved	Percent of Target Bonus Funded
Below 75%	0.00%
75%	50.00%
76%	52.00%
77%	54.00%
78%	56.00%
79%	58.00%
80%	60.00%
81%	62.00%
82%	64.00%
83%	66.00%
84%	68.00%
85%	70.00%
86%	72.00%
87%	74.00%
88%	76.00%
89%	78.00%
90%	80.00%
91%	82.00%
92%	84.00%
93%	86.00%
94%	88.00%
95%	90.00%
96%	92.00%
97%	94.00%
98%	96.00%
99%	98.00%
100%	100.00%
101%	103.00%
102%	106.00%
103%	109.00%
104%	112.00%
105%	115.00%
106%	119.25%
107%	123.50%
108%	127.75%
109%	132.00%
110%	136.25%
111%	140.50%
112%	144.75%
113%	149.00%
114%	153.25%
115%	157.50%
116%	161.75%
117%	166.00%
118%	170.25%
119%	174.50%
120%	178.75%
121%	183.00%
122%	187.25%
123%	191.50%
124%	195.75%
125%	200.00%

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

	Three Months Ended February 28,	
	2014	2013
Net (loss) income	\$ (15)	\$ 37
Income tax expense, net	1	2
(Loss) income before income taxes	<u>(14)</u>	<u>39</u>
Fixed charges		
Interest expense, net	72	83
Interest portion of rent expense (a)	5	4
Capitalized interest	<u>5</u>	<u>4</u>
Total fixed charges	<u>82</u>	<u>91</u>
Fixed charges not affecting (loss) earnings		
Capitalized interest	(5)	(4)
Earnings before fixed charges	<u>\$ 63</u>	<u>\$ 126</u>
Ratio of earnings to fixed charges	<u>-</u>	<u>1.4</u>
Coverage deficiency	<u>\$ 19</u>	<u>\$ -</u>

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

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officer 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 (or persons performing the equivalent functions):
 - (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: April 2, 2014

By: /s/ Arnold W. Donald
Arnold W. Donald
President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officer 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 (or persons performing the equivalent functions):
 - (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: April 2, 2014

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officer 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 (or persons performing the equivalent functions):
 - (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: April 2, 2014

By: /s/ Arnold W. Donald
Arnold W. Donald
President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officer 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 (or persons performing the equivalent functions):
 - (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: April 2, 2014

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 28, 2014 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: April 2, 2014

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 28, 2014 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: April 2, 2014

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 28, 2014 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: April 2, 2014

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 28, 2014 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: April 2, 2014

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer