

FORM 10-K  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

(Mark One)

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

For the fiscal year ended November 30, 1997  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-9610

CARNIVAL CORPORATION

(Exact name of registrant as specified in its charter)

Republic of Panama (State or other jurisdiction of incorporation or organization)	59-1562976 (I.R.S. Employer Identification No.)
---	---

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

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

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

Title of each class	Name of exchange on which registered
Class A Common Stock (\$ .01 par value)	New York Stock Exchange, Inc.

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

Indicate by check mark whether the Registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant is approximately \$8,841,000,000 based upon the closing market price on February 24, 1998 of a share of Class A Common Stock on the New York Stock Exchange as reported by the Wall Street Journal.

At February 24, 1998, the Registrant had outstanding 297,388,986 shares of its Class A Common Stock, \$.01 par value and zero shares of its Class B Common Stock, \$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The information described below and contained in the Registrant's 1997 annual report to shareholders to be furnished to the Commission pursuant to Rule 14a-3(b) of the Exchange Act is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

Part and Item of the Form 10-K

Part II

Item 5(a) and (b).	Market for the Registrant's Common Stock and Related Stockholder Matters - Market Information and Holders
Item 6.	Selected Financial Data
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 8.	Financial Statements and Supplementary Data

The information described below and contained in the Registrant's 1998 definitive Proxy Statement, to be filed with the Commission is incorporated by reference into this Form 10-K.

Part and Item of the Form 10-K

Part III

- Item 10. Directors and Executive Officers of the Registrant.
- Item 11. Executive Compensation.
- Item 12. Security Ownership of Certain Beneficial Owners and Management.
- Item 13. Certain Relationships and Related Transactions.

PART I

Item 1. Business

A. General

Carnival Corporation was incorporated under the laws of the Republic of Panama in November 1974. Carnival Corporation, including its wholly owned subsidiaries (the "Company"), is the world's largest multiple-night cruise company based on the number of passengers carried, revenues generated, and available capacity. The Company offers a broad range of cruise products, serving the contemporary cruise market through Carnival Cruise Lines ("Carnival"), the premium cruise market through Holland America Line ("HAL") and the luxury cruise market through Windstar Cruises (collectively the "Wholly Owned Cruise Operations"). The Company also directly or indirectly owns equity interests in Seabourn Cruise Line ("Seabourn"), Costa Crociere S.p.A. ("Costa"), and Airtours plc ("Airtours"), an integrated leisure travel group of companies which also operates cruise ships (collectively the "Affiliated Cruise Operations"). Seabourn targets the luxury market and Costa and Airtours' Sun Cruises target the contemporary market.

The following table summarizes the cruise operations of the Company:

Cruise Brand	Percentage Owned by the Company	Number of Ships	Passenger Capacity(1)	Primary Geographic Market
<b>Wholly Owned Cruise Operations:</b>				
Carnival Cruise Lines	100%	11	20,332	North America
Holland America Line	100%	8	10,302	North America
Windstar Cruises	100%	3	444	North America
		22	31,078	
<b>Affiliated Cruise Operations:</b>				
Costa Crociere	50%(2)	7	7,710	Europe
Seabourn Cruise Line	50%	3	612	North America
Airtours' Sun Cruises	28%	3	2,924	Europe
		13	11,246	
		35	42,324	

(1) In accordance with industry practice all capacities indicated within this document are calculated based on two passengers per cabin even though some cabins can accommodate three or four passengers.

(2) The 50% of Costa not owned by the Company is owned by Airtours. The Company, including the Company's interest in Airtours, indirectly owns 64% of Costa.

Historically, the Company's cruise products have been marketed primarily in North America. Beginning in 1996, the Company took steps to expand its markets into Europe through the acquisition of its interest in Airtours in 1996 and Costa in June 1997. Airtours is the largest air inclusive tour operator in the world, sells packaged tours in the British, Belgian, French, Dutch, Scandinavian and North American markets and operates three cruise ships under the Sun Cruises name. Costa, which is headquartered in Italy, sells the majority of its cruises in Southern Europe, primarily Italy, France and Spain. The cruise markets in Europe are much smaller than the North American market. European cruise

passengers carried in 1997 are estimated to be approximately 1.2 million compared to approximately 5 million from North America.

The Company has signed agreements with various shipyards providing for the construction of additional cruise ships. The following table reflects a summary of new ship agreements for the Company's Wholly Owned Cruise Operations:

VESSEL	EXPECTED	PASSENGER
	SERVICE DATE(1)	
Carnival Cruise Lines:		
Elation	3/98	2,040
Paradise	12/98	2,040
Carnival Triumph	7/99	2,766
Carnival Victory	8/00	2,766
CCL Newbuild	12/00	2,100
CCL Newbuild	2001	2,100(2)
CCL Newbuild	2002	2,100(2)
Total Carnival Cruise Line		15,912
Holland America Line:		
Volendam	6/99	1,440
Zaandam	12/99	1,440
HAL Newbuild	9/00	1,380
Total Holland America Line		4,260
Windstar Cruises:		
Wind Surf	5/98	312(3)
Total		20,484

(1) The expected service date is the date the vessel is expected to begin revenue generating activities.

(2) The Company has an option for the construction of the vessel. The option price is denominated in German Marks and has not been fixed into U.S. Dollars. No assurance can be given that the option to construct the vessel will be exercised.

(3) The Wind Surf is the existing Club Med I which the Company is acquiring from Club Mediterranee, S.A. and Services et Transports.

As a result of this shipbuilding program, the Company currently expects, assuming none of the Company's existing fleet is retired, its passenger capacity for its Wholly Owned Cruise Operations will increase by 52% to 47,362 by the end of 2000.

During 1997, the Company announced that it was in negotiations with shipyards to build a new class of ships for each of its Carnival Cruise Lines, Holland America Line and Costa brands which are expected to cost approximately \$2 billion. In this regard, in January 1998, the Company announced that the first of these orders had been placed by Costa to construct a 2,100 passenger, 82,000 gross registered ton vessel for approximately 700 billion Lira (approximately U.S. \$390 million). In February 1998, the Company announced other agreements to construct a new class of vessel for its Carnival Cruise Line brand. The agreements for this new class of vessel for the Carnival Cruise Lines brand, which are included in the table above, include a contract to purchase one vessel in 2000 and options to acquire an additional vessel in each of 2001 and 2002. Additional orders of a new class of vessel for Holland America Line are expected to be finalized in 1998.

In addition to its cruise operations, the Company operates a tour business, through Holland America Line-Westours Inc. ("Holland America Westours"), which markets sightseeing tours both separately and as a part of HAL cruise/tour packages. Holland America Westours operates 14 hotels in Alaska and the Canadian Yukon, two luxury day-boats offering tours to the glaciers of Alaska and the Yukon River, over 300 motor coaches used for sightseeing and charters in the states of Washington and Alaska and in the Canadian Rockies and 13 private domed rail cars which are run on the Alaskan railroad between Anchorage and Fairbanks.

#### B. Cruise Ship Segment - Wholly Owned Cruise Operations

##### North American Cruise Industry

The passenger cruise industry as it exists today began in approximately 1970. Over time, the industry has evolved from a trans-ocean carrier service into a vacation alternative to land-based resorts and sight-seeing destinations. According to Cruise Lines International Association ("CLIA"), an industry trade group, in 1970 approximately

500,000 North American passengers took cruises for three consecutive nights or more. CLIA estimates that this number reached 5 million passengers in 1997, an average compound annual growth rate of 8.9% since 1970. Also, according to CLIA, by the end of 1997 the number of ships in service totaled 136 with an aggregate capacity of approximately 119,000 berths. CLIA estimates that the number of passengers carried in North America increased from 4.6 million in 1996 to 5.0 million in 1997 or approximately 8.7%.

CLIA estimates that the number of cruise passengers will grow to approximately 5.3 million in 1998. CLIA projections (updated for recently announced shipbuilding contracts) indicate that by the end of 1998, 1999 and 2000 North America will be served by 144, 151 and 157 vessels, respectively, having an aggregate capacity of approximately 132,000, 147,000 and 160,000 berths, respectively. CLIA estimates of new ship introductions are based on scheduled ship deliveries and could increase. The lead time for design, construction and delivery of a typical cruise ship is approximately two to three years. In addition, CLIA's estimates of capacity do not include assumptions related to unannounced ship withdrawals due to age or changes in itineraries and, as a result, could indicate a higher percentage growth in capacity than will actually occur. Nonetheless, net capacity in the North American cruise market will most likely increase over the next several years.

The following table sets forth the North American industry and Company growth over the past five years based on passengers carried for at least three consecutive nights:

YEAR	NORTH AMERICAN	WHOLLY OWNED CRUISE
	CRUISE	OPERATIONS
	PASSENGERS*	PASSENGERS
	(Calendar)	CARRIED
		(Fiscal)
1997	5,000,000 (est)	1,945,000
1996	4,659,000	1,764,000
1995	4,378,000	1,543,000
1994	4,448,000	1,354,000
1993	4,480,000	1,154,000

\*Source: CLIA.

From 1993 through 1997, the Company's average compound annual growth rate in number of passengers carried was 13.9% versus the industry average of 2.8%.

The Company's passenger capacity has grown from 21,626 at November 30, 1993 to 31,078 at November 30, 1997. During 1994, net capacity increased by 2,369 berths due to the delivery of the Fascination and Ryndam, net of the 937 decrease in berths related to the sale of the Carnivale. In 1995, with the delivery of the Imagination, capacity increased by 2,040 berths. During 1996, net capacity increased by 4,802 berths due to delivery of the Inspiration, the Veendam and the Carnival Destiny, net of the 1,146 decrease in passenger capacity related to the sale of the Festivale. In 1997 net capacity increased 241 berths due to the delivery of the Rotterdam VI net of the 1,075 decrease in passenger capacity due to the sale of the Rotterdam V.

In spite of the cruise industry's growth since 1970, the Company believes cruises represent only approximately 2% of the applicable North American vacation market, defined as persons who travel for leisure purposes on trips of three nights or longer involving at least one night's stay in a hotel. Only an estimated 8% of the North American population has ever taken a cruise.

#### Cruise Ships and Itineraries

Under the Carnival Cruise Lines name, the Company serves the contemporary market with eleven ships (the "Carnival Ships"). All of the Carnival Ships were designed by and built for Carnival, including ten SuperLiners which are among the largest in the cruise industry. Nine of the Carnival Ships operate in the Caribbean during all or a portion of the year and two Carnival Ships call on ports in the Mexican Riviera year round. One Carnival Ship also offers cruises to Alaska, the Hawaiian Islands and the Panama Canal. See "Sales and Marketing".

Through its subsidiary, HAL, the Company operates eleven ships offering premium or luxury specialty vacations. Eight of these ships, the Rotterdam, the Nieuw Amsterdam, the Noordam, the Westerdam, the Statendam,

the Maasdam, the Ryndam and the Veendam, are operated under the Holland America Line name (the "HAL Ships"). The remaining three ships, the Wind Star, the Wind Song and the Wind Spirit, are operated under the Windstar Cruises name (the "Windstar Ships").

The HAL Ships offer premium cruises of various lengths in the Caribbean, Alaska, Panama Canal, Europe, the Mediterranean, Hawaii, South Pacific, South America and the Orient. Cruise lengths vary from one to 102 days, with a large proportion of cruises being seven or ten days in length. Periodically, the HAL Ships make longer grand cruises or operate on special itineraries. For example, in 1997, the Rotterdam made a 102-day world cruise, and the Nieuw Amsterdam made a 62 day grand Orient voyage. HAL will continue to offer these special and longer itineraries in order to increase travel opportunities for its customers and strengthen its cruise offerings in view of the fleet expansion. The majority of the HAL Ships operate in the Caribbean during fall to early spring and in Alaska during late spring to early fall. In order to offer a unique destination and compete with other cruise lines more effectively while operating in the Caribbean, in December 1997 Holland America Line introduced into its Caribbean itineraries a private island, Half Moon Cay. Half Moon Cay is a 2400 acre island acquired by Holland America Line in December 1996. Facilities were constructed on the island on 45 acres along a crescent-shaped white sand beach. The remainder of the island remains undeveloped. The facilities on Half Moon Cay include bars, shops, restrooms, a post office, chapel, ice cream shop as well as a food pavilion with open-air dining shelters and a bandstand.

The three Windstar Ships currently operate in the Caribbean, the Mediterranean and Costa Rica.

The following table presents summary information concerning the Company's ships. Areas of operation reflect 1997 itineraries and are subject to change.

NAME	REGISTRY	YEAR BUILT	YEAR		GROSS REGISTERED TONS	LENGTH & WIDTH	1997 PRIMARY AREAS OF OPERATION
			FIRST IN SERVICE	COMPANY PAX CAP (1)			
Carnival Cruise Lines:							
Carnival Destiny	Panama	1996	1997	2,642	101,350	893/116	Caribbean
Inspiration	Panama	1996	1996	2,040	70,367	855/104	Caribbean
Imagination	Panama	1995	1995	2,040	70,367	855/104	Caribbean
Fascination	Panama	1994	1994	2,040	70,367	855/104	Caribbean
Sensation	Panama	1993	1993	2,040	70,367	855/104	Caribbean
Ecstasy	Liberia	1991	1991	2,040	70,367	855/104	Caribbean
Fantasy	Liberia	1990	1990	2,044	70,367	855/104	Bahamas
Celebration	Liberia	1987	1987	1,486	47,262	738/92	Caribbean
Jubilee	Panama	1986	1986	1,486	47,262	738/92	Mexican Riviera
Holiday	Panama	1985	1985	1,452	46,052	727/92	Mexican Riviera
Tropicale	Liberia	1982	1982	1,022	36,674	660/85	Alaska, Caribbean
Total Carnival Ships Capacity.....				20,332			
Holland America Line:							
Rotterdam	Netherlands	1997	1997	1,316	62,000	780/106	Alaska(2), Worldwide
Veendam	Bahamas	1996	1996	1,266	55,451	720/101	Alaska, Caribbean
Ryndam	Netherlands	1994	1994	1,266	55,451	720/101	Alaska, Caribbean
Maasdam	Netherlands	1993	1993	1,266	55,451	720/101	Europe, Panama Canal
Statendam	Netherlands	1993	1993	1,266	55,451	720/101	Alaska, Caribbean
Westerdam	Netherlands	1986	1988	1,494	53,872	798/95	Canada, Caribbean
Noordam	Netherlands	1984	1984	1,214	33,930	704/89	Alaska, Caribbean
Nieuw Amsterdam	Netherlands	1983	1983	1,214	33,930	704/89	Alaska, Caribbean
Total HAL Ships Capacity.....				10,302			
Windstar Cruises:							
Wind Spirit	Bahamas	1988	1988	148	5,736	440/52	Caribbean, Mediterranean
Wind Song	Bahamas	1987	1987	148	5,703	440/52	Costa Rica, Tahiti
Wind Star	Bahamas	1986	1986	148	5,703	440/52	Caribbean,

## Mediterranean

Total Windstar Ships Capacity..... 444  
 Total Capacity..... 31,078

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

(2) In the summer of 1997, the Rotterdam V's area of operation was Alaska. In the summer of 1998, the Rotterdam VI's itinerary will be in Europe.

---

 Cruise Ship Construction

The Company has signed agreements with various shipyards providing for the construction of additional cruise ships. The following table reflects a summary of new ship agreements for the Company's Wholly Owned Cruise Operations:

REMAINING VESSEL PAID	EXPECTED SERVICE		PAX CAP (2)	ESTIMATED		
	DATE (1)	SHIPYARD		TONS	COST	TO BE
(In millions)						
Carnival Cruise Lines						
Elation	3/98	Masa-Yards	2,040	70,367	\$ 300	\$ 245
Paradise	12/98	Masa-Yards	2,040	70,367	300	280
Carnival Triumph	7/99	Fincantieri (3)	2,766	101,000	410	352
Carnival Victory	8/00	Fincantieri	2,766	101,000	440	435
CCL Newbuild	12/00	Masa-Yards	2,100	82,000	375	375
CCL Newbuild	2001	Masa-Yards (4)	2,100	82,000	375	375
CCL Newbuild	2002	Masa-Yards (4)	2,100	82,000	375	375
Total Carnival Ships Capacity			15,912		2,575	2,437
Holland America Line						
Volendam	6/99	Fincantieri (3)	1,440	63,000	300	274
Zaandam	12/99	Fincantieri (3)	1,440	63,000	300	286
HAL Newbuild	9/00	Fincantieri (3)	1,380	61,000	300	300
Total HAL Ships Capacity			4,260		900	860
Windstar Cruises						
Wind Surf	5/98	Purchase (5)	312	14,745	45	40
Total			20,484		\$3,520	\$3,337

(1) The expected service date is the date the vessel is expected to begin revenue generating activities.

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

(3) The construction contracts with such shipyards are denominated in Italian Lire. Contracts have been fixed into U.S. Dollars through the utilization of forward currency contracts.

(4) The Company has an option for the construction of the vessel. The option price is denominated in German Marks and has not been fixed into U.S. Dollars. No assurance can be given that the option to construct the vessel will be exercised.

(5) The Wind Surf is the existing Club Med I which the Company is acquiring from Club Mediterranee, S.A. and Services et Transports.

During 1997, the Company announced that it was in negotiations with shipyards to build a new class of ships for each of its Carnival Cruise Lines, Holland America Line and Costa brands which are expected to cost approximately \$2 billion. In this regard, in January 1998, the Company announced that the first of these orders had been placed by Costa to construct a 2,100 passenger, 82,000 gross registered ton vessel for approximately 700 billion Lira (approximately U.S. \$390 million). In February 1998, the Company announced other agreements to construct a new class of vessel for its Carnival Cruise Line brand. The agreements for this new class of vessel for the Carnival Cruise Lines brand, which are included in the table above, include a contract to purchase one vessel in 2000 and options to acquire an additional vessel in each of 2001 and 2002. Additional orders of a new class of vessel for Holland America Line are expected to be finalized in 1998.

## Cruise Pricing

Each of the company's cruise brands publishes brochures with prices for the upcoming seasons. Brochure prices vary by cruise line and within cruise lines by category of cabin and in some cases by ship itinerary. Brochure prices are regularly discounted through the Company's early booking discount program and other promotions. The cruise price includes all meals and entertainment onboard and use of, or admission to, a wide variety of activities and facilities, such as a fully equipped casino, nightclubs, theatrical shows, movies, parties, a discotheque, a health club and swimming pools on each ship.

#### On-Board and Other Revenues

The Company derives revenues from certain on-board activities and services including casino gaming, liquor sales, gift shop sales, shore tours, photography, spa services and promotional advertising by merchants located in ports of call.

The casinos, which contain slot machines and gaming tables including blackjack, craps, roulette and stud poker, are generally open only when the ships are at sea in international waters. The Company also earns revenue from the sale of alcoholic and other beverages. Most onboard activities are managed by the Company while certain other activities are managed by independent concessionaires from which the Company collects a percentage of revenues.

The Company receives additional revenue from the sale to its passengers of shore excursions at each ship's ports of call. They include bus and taxi sight-seeing excursions, local boat and beach parties, and nightclub and casino visits. On the Carnival Ships and Windstar Ships, such shore excursions are primarily operated by independent tour operators. On the HAL Ships, shore excursions are operated by Holland America Westours and independent parties.

In conjunction with its cruise vacations on the Carnival Ships, the Company sells pre-cruise and post-cruise land packages. Such packages generally include one, two or three-night vacations at locations such as Walt Disney World in Orlando, Florida or resorts in the South Florida and the San Juan, Puerto Rico areas.

In conjunction with its cruise vacations on the HAL Ships, HAL sells pre-cruise and post-cruise land packages which are more fully described below. (See "Item 1. Business - Tour Segment")

#### Passengers

The following table sets forth the aggregate number of passengers carried and percentage occupancy for the Company's ships for the periods indicated:

	FISCAL YEAR ENDED NOVEMBER 30,		
	1997	1996	1995
Number of Passengers	1,945,000	1,764,000	1,543,000
Occupancy Percentage*	108.3%	107.6%	105.0%

-----  
 \*In accordance with cruise industry practice, total capacity is calculated based on two passengers per cabin even though some cabins can accommodate three or four passengers. Occupancy percentages in excess of 100% indicate that more than two passengers occupied some cabins.  
 -----

The following table sets forth the actual occupancy percentage for all cruises on the Company's ships during each quarter for the fiscal years ended November 30, 1996 and November 30, 1997:

QUARTER ENDING	OCCUPANCY PERCENTAGE
February 29, 1996	107.1
May 31, 1996	107.2
August 31, 1996	114.5
November 30, 1996	101.1
February 28, 1997	106.4
May 31, 1997	108.0
August 31, 1997	114.3

## Sales and Marketing

The Company's products are positioned to appeal to the contemporary, premium and luxury-specialty segments. The luxury-specialty segment, which is not as large as the other segments, is served by cruises with per diems of \$300 or higher. The premium segment typically is served by cruises that last for 7 to 14 days or more at per diems of \$250 or higher, and appeal principally to more affluent customers. The contemporary segment, on the other hand, is served typically by cruises that are 7 days or shorter in length, are priced at per diems of \$200 or less, and feature a casual ambiance. The Company believes that the success and growth of the Carnival brand is attributable in large part to its early recognition of this market segmentation and its efforts to reach and promote the expansion of the contemporary segment.

### Carnival Cruise Lines

Carnival believes that its success is due in large part to its unique product positioning within the industry. Carnival markets the Carnival Ship cruises not only as alternatives to competitors' cruises, but as vacation alternatives to land-based resorts and sight-seeing destinations. Carnival seeks to attract passengers from the broad vacation market, including those who have never been on a cruise ship before and who might not otherwise consider a cruise as a vacation alternative. Carnival's strategy has been to emphasize the cruise experience itself rather than particular destinations, as well as the advantages of a prepaid, all-inclusive vacation package. Carnival markets the Carnival Ship cruises as the "Fun Ships" experience, which includes a wide variety of shipboard activities and entertainment, such as full-scale casinos and nightclubs, an atmosphere of pampered service and high quality food.

The Company markets the Carnival Ships as the "Fun Ships" and uses the themes "Carnival's Got the Fun" and "The Most Popular Cruise Line in the World", among others. Carnival advertises nationally directly to consumers on network television and through extensive print media. Carnival believes its advertising generates interest in cruise vacations generally and results in a higher degree of consumer awareness of the "Fun Ships" concept and the "Carnival" name in particular. Substantially all of Carnival's cruise bookings are made through travel agents, which arrangement is encouraged as a matter of policy. In fiscal 1997, Carnival took reservations from about 30,000 of approximately 48,000 travel agencies in the United States and Canada. Travel agents receive a standard commission of 10% plus the potential of an additional commission based on sales volume. Moreover, because cruise vacations are substantially all-inclusive, sales of Carnival cruise vacations yield a significantly higher commission to travel agents than selling air tickets and hotel rooms. During fiscal 1997, no controlled group of travel agencies accounted for more than 10% of Carnival's revenues.

Carnival engages in substantial promotional efforts designed to motivate and educate retail travel agents about its "Fun Ships" cruise vacations. Carnival employs approximately 90 business development managers and 30 in-house service representatives to motivate independent travel agents and promote its cruises. Carnival believes it has one of the largest sales forces in the industry.

To facilitate access and to simplify the reservation process, Carnival employs approximately 360 reservation agents to take bookings from independent travel agents. Carnival's fully-automated reservation system allows its reservation agents to respond quickly to book cabins on its ships. In addition, through Leisure Shopper and Cruise Director, travel agents have the ability to make reservations through computer terminals directly into Carnival's computerized reservations system.

Carnival's cruises generally are substantially booked several months in advance of the sailing date. This lead time allows Carnival to adjust its prices, if necessary, in relation to demand for available cabins, as indicated by the level of advance bookings. Carnival's SuperSaver fares, introduced several years ago, are designed to encourage potential passengers to book cruise reservations earlier, which helps the Company to more effectively manage yields (pricing and occupancy). Carnival's payment terms require that a passenger pay approximately 15% of the cruise price within 7 days of the reservation date and the balance not later than 45 days before the sailing date for 3- and 4-day cruises and 70 days before the sailing date for 7-day cruises.



The HAL and Windstar Ships cater to the premium and luxury-specialty markets, respectively. The Company believes that the hallmarks of the HAL experience are beautiful ships and gracious, attentive service. HAL communicates this difference as "A Tradition of Excellence", a reference to its long standing reputation as a first class and grand cruise line.

Substantially all of HAL's bookings are made through travel agents, which arrangement HAL encourages as a matter of policy. In fiscal 1997, HAL took reservations from about 20,000 of approximately 48,000 travel agencies in the United States and Canada. Travel agents receive a standard commission of between 10% and 15%, depending upon the specific cruise product sold, with the potential for override commissions based upon sales volume. During 1997, no controlled group of travel agencies accounted for more than 10% of HAL's total revenue.

HAL has focused much of its sales effort at creating an excellent relationship with the travel agency community. This is related to the HAL marketing philosophy that travel agents have a large impact on the consumer cruise selection process and will recommend HAL more often because of its excellent reputation for service to both consumers and independent travel agents. HAL solicits continuous feedback from consumers and the independent travel agents making bookings with HAL to ensure they are receiving excellent service.

HAL's marketing communication strategy is primarily composed of newspaper and magazine advertising, large scale brochure distribution and direct mail solicitations to past passengers (referred to as "alumni"), television and radio. HAL engages in substantial promotional efforts designed to motivate and educate retail travel agents about its products. HAL employs approximately 45 field sales representatives, 23 inside sales representatives and 16 sales and service representatives to support the field sales force. To facilitate access to HAL and to simplify the reservation process for the HAL ships, HAL employs approximately 260 reservation agents to take bookings from travel agents. In addition, through Leisure Shopper and Cruise Director, travel agents have the ability to make reservations directly into HAL's reservations system. HAL's cruises generally are booked several months in advance of the sailing date.

Windstar Cruises has its own marketing and reservations staff. Field sales representatives for both HAL and Carnival act as field sales representatives for Windstar. Marketing efforts are primarily devoted to i) travel agent support and awareness, ii) direct mail solicitation of past passengers and iii) distribution of brochures. The marketing features the distinctive nature of the graceful, modern sail ships and the distinctive "casually elegant" experience on "intimate itineraries" (apart from the normal cruise experience). Windstar's cruise market positioning is embodied in the phrase "180 degrees from ordinary".

#### Seasonality

The Company's different businesses experience varying degrees of seasonality. The Company's revenue from the sale of passenger tickets for Carnival Cruise Lines (Carnival) ships is moderately seasonal. Historically, demand for Carnival cruises has been greater during the periods from late June through August and lower during the fall months. HAL cruise revenues are more seasonal than Carnival's cruise revenues. Demand for HAL cruises is strongest during the summer months when HAL ships operate in Alaska and Europe for which HAL obtains higher pricing. Demand for HAL cruises is lower during the winter months when HAL ships sail in more competitive markets.

#### Competition

In addition to competing with each other, cruise lines compete for consumer disposable leisure time dollars with other vacation alternatives such as land-based resort hotels and sight-seeing destinations, and public demand for such activities is influenced by general economic conditions.

As described under Part I, Item 1. Business, B. Cruise Ship Segment, Industry, the North American cruise industry had an aggregate of 136 ships and 119,000 berths at the end of 1997. From the end of 1997 through the end of 2000, the Company currently estimates 21 new ships will be introduced into the North American market with a capacity of approximately 41,000 berths. These estimates of new ship introductions are based on scheduled ship deliveries and the actual number of ships could increase. The lead time for design, construction and delivery of a typical cruise ship is approximately two to three years. In addition, these estimates of capacity do not include assumptions related to unannounced ship withdrawals due to age or changes in itineraries and, as a result, could indicate a higher percentage growth in capacity than will actually occur. Nonetheless,

net capacity in the North American cruise market will most likely increase over the next several years and thus may increase the levels of competition within the industry.

The Company, including all of its cruise products, is the largest cruise company in the world based on passengers carried, revenues generated and available capacity. The primary methods of competition among cruise lines are in the areas of cruise pricing, cruise product and cruise destination. A discussion of each of the Company's cruise products and its primary cruise competition is included below.

The Carnival Ships compete with cruise ships operated by six different cruise lines which operate year round from Florida, California and Puerto Rico with similar itineraries and with ten other cruise lines operating seasonally from ports in Florida, California and Puerto Rico, including cruise ships operated by HAL. Competition for cruise passengers is substantial. Ships operated by Royal Caribbean International and Norwegian Cruise Line sail regularly from Miami and Celebrity Cruises sails regularly from Ft. Lauderdale on itineraries similar to those of the Carnival Ships. Carnival competes year round with ships operated by Royal Caribbean International embarking from Los Angeles to the west coast of Mexico. Cruise lines such as Norwegian Cruise Line, Royal Caribbean International and Princess Cruises offer voyages competing with Carnival from San Juan to the Caribbean.

In Alaska, HAL and Carnival compete directly with cruise ships operated by ten different cruise lines with the largest competitors being Princess Cruises and Royal Caribbean International. Over the past several years, there has been a steady increase in the available capacity among all cruise lines operating in Alaska. In the Caribbean, HAL competes with cruise ships operated by 16 different cruise lines, its primary competitors being Princess Cruises, Royal Caribbean International, Celebrity Cruises and Norwegian Cruise Line, as well as the Carnival Ships.

The ships of Windstar Cruises compete primarily with small luxury boutique hotels and resorts worldwide. Within the cruise industry Windstar's primary competitors include: Radisson Seven Seas, Cunard's Sea Goddesses, and to a lesser extent Silver Sea Cruises.

During 1997, Royal Caribbean International acquired Celebrity Cruises and became a larger competitor. In addition, in 1998 the Walt Disney Co. is entering the cruise market with the introduction of the first of two cruise ships.

#### Governmental Regulation

The Ecstasy, Fantasy, Celebration and Tropicale are Liberian flagged ships and the balance of the Carnival Ships are registered in Panama. The Ryndam, Maasdam, Statendam, Westerdam, Noordam, Nieuw Amsterdam and the Rotterdam are registered in the Netherlands, while the Veendam is flagged in the Bahamas. The Windstar Ships are registered in the Bahamas. The ships that sail in United States waters are subject to inspection by the United States Coast Guard for compliance with the Convention for the Safety of Life at Sea and by the United States Public Health Service for sanitary standards. The Company is also regulated by the Federal Maritime Commission, which, among other things, certifies ships on the basis of the ability of the Company to meet obligations to passengers for refunds in case of nonperformance. The Company believes it is in compliance with all material regulations applicable to its ships and has all licenses necessary to the conduct of its business. In connection with a significant portion of its Alaska cruise operations, HAL relies on a concession permit from the National Park Service, which is periodically renewed, to operate its cruise ships in Glacier Bay National Park. There can be no assurance that the permits will continue to be renewed or that regulations relating to the renewal of such permits, including preference rights, will remain unchanged in the future.

The International Maritime Organization has adopted safety standards as part of the "Safety of Life at Sea" ("SOLAS") Convention, applicable generally to all passenger ships carrying 36 or more passengers. Generally, SOLAS imposes enhanced vessel structural requirements designed to improve passenger safety. The SOLAS requirements are phased in through the year 2010.

In 1993, SOLAS was amended to adopt the "International Safety Management Code" (the "ISM Code"). The ISM Code provides an international standard for the safe management and operations of ships and for pollution prevention. The ISM Code will become mandatory for passenger vessel operators, such as the Company, on July 1, 1998. All of the Company's Wholly Owned Cruise Operations have obtained the required certificates demonstrating compliance with the ISM Code and, the Company believes that

all of its Affiliated Cruise Operations will obtain the required certificates demonstrating compliance with the ISM Code before July 1, 1998.

Public Law 89-777 administered by the Federal Maritime Commission ("FMC") requires most cruise line operators to establish financial responsibility for nonperformance of transportation. The FMC's regulations require that a cruise line demonstrate its financial responsibility through a guaranty, escrow arrangement, surety bond, insurance or self-insurance. Currently, the amount required must equal 110% of the cruise line's highest amount of customer deposits over a two-year period up to a maximum coverage level of \$15 million. In 1995, the FMC introduced proposals to increase the coverage requirements under the FMC regulations. These proposed changes to the regulations are viewed favorably by the Company and, if enacted, are not expected to have a material effect on the Company.

From time to time, various other regulatory and legislative changes have been or may in the future be proposed that could have an effect on the cruise industry in general.

#### Financial Information

For financial information about the Company's cruise ship segment with respect to the three fiscal years ended November 30, 1997, see Note 10 "Segment Information" to the Company's Consolidated Financial Statements in Exhibit 13 incorporated by reference into this Annual Report on Form 10-K.

#### C. Tour Segment

In addition to its cruise business, HAL markets sight-seeing tours separately and as a part of cruise/tour packages under the Holland America Westours name. Tour operations are based in Alaska, Washington State and western Canada. Since a substantial portion of Holland America Westours' business is derived from the sale of tour packages in Alaska during the summer tour season, tour operations are highly seasonal.

#### Holland America Westours

Holland America Line-Westours Inc. ("Holland America Westours") is a wholly-owned subsidiary of HAL. The group of subsidiaries which together comprise the tour operations perform three independent yet interrelated functions. During 1997, as part of an integrated travel program to destinations in Alaska, the tour service group offered 35 different tour programs varying in length from 9 to 18 days. The transportation group and hotel group support the tour service group by supplying facilities needed to conduct tours. Facilities include dayboats, motor coaches, rail cars and hotels.

Two luxury dayboats perform an important role in the integrated Alaska travel program offering tours to the glaciers of Alaska and the Yukon River. The Yukon Queen cruises the Yukon River between Dawson City, Yukon Territory and Eagle, Alaska and the Ptarmigan operates on Portage Lake in Alaska. The two dayboats have a combined capacity of 249 passengers.

A fleet of over 300 motor coaches using the trade name Gray Line operates in Alaska, Washington and western Canada. These motor coaches are used for extended trips, city sight-seeing tours and charter hire. HAL conducts its tours both as part of a cruise/tour package and as individual sight-seeing products sold under the Gray Line name. In addition, HAL operates express Gray Line motor coach service between downtown Seattle and the Seattle-Tacoma International Airport.

Thirteen private domed rail cars, which are called "McKinley Explorers", run on the Alaska railroad between Anchorage and Fairbanks, stopping at Denali National Park.

In connection with its tour operations, HAL owns or leases motor coach maintenance shops in Seattle, and at Juneau, Fairbanks, Anchorage, Skagway and Ketchikan in Alaska. HAL also owns or leases service offices at Anchorage, Denali Park, Fairbanks, Juneau, Ketchikan and Skagway in Alaska, at Whitehorse in the Yukon Territory, in Seattle and at Vancouver in British Columbia. Certain real property facilities on federal land are used in HAL's tour operations pursuant to permits from the applicable federal agencies.

#### Westmark Hotels

HAL owns and/or operates 14 hotels in Alaska and the Canadian Yukon under the name Westmark Hotels. Four of the hotels are located in Canada's Yukon Territory and offer a combined total of 585 rooms. The remaining 10 hotels, all located throughout Alaska, provide a total of 1,463 rooms,

bringing the total number of hotel rooms to 2,048.

The hotels play an important role in HAL's tour program during the summer months when they provide accommodations to the tour passengers. The hotels located in the larger metropolitan areas remain open during the entire year, acting during the winter season as centers for local community activities while continuing to accommodate the traveling public. Most of HAL's hotels include dining, lounge and conference or meeting room facilities. Certain hotels have gift shops and other tourist services on the premises.

The hotels are summarized in the following table:

HOTEL NAME	LOCATION	ROOMS	OPEN DURING 1997 SEASON
Alaska Hotels:			
Westmark Anchorage	Anchorage	198	year-round
Westmark Inn	Anchorage	90	seasonal
Westmark Inn	Fairbanks	173	seasonal
Westmark Fairbanks	Fairbanks	238	year-round
The Baranof	Juneau	193	year-round
Westmark Cape Fox	Ketchikan	72	year-round
Westmark Shee Atika	Sitka	101	year-round
Westmark Inn Skagway	Skagway	209	seasonal
Westmark Tok	Tok	92	seasonal
Westmark Valdez	Valdez	97	year-round
Canadian Hotels (Yukon Territory):			
Westmark Inn	Beaver Creek	174	seasonal
Westmark Klondike Inn	Whitehorse	99	seasonal
Westmark Whitehorse	Whitehorse	181	year-round
Westmark Inn	Dawson	131	seasonal

Eleven of the hotels are owned by a HAL subsidiary. The remaining three hotels, Westmark Anchorage, Westmark Cape Fox and Westmark Shee Atika, are operated by Westmark under arrangements involving third parties such as management agreements and leases.

For the hotels that operate year-round, the occupancy percentage for 1997 was 55.9%, and for the hotels that operate only during the summer months, the occupancy percentage for 1997 was 71.4%.

#### Seasonality

The Company's tour revenues are extremely seasonal with a large majority generated during the late spring and summer months in connection with the Alaska cruise season. Holland America Westours' tours are conducted in Washington State, Canada and Alaska. The Alaska tours coincide to a great extent with the Alaska cruise season, May through September. Washington tours are conducted year-round although demand is greatest during the summer months. During periods in which tour demand is low, HAL seeks to maximize its motor coach charter activity such as operating charter tours to ski resorts in Washington and Canada.

#### Sales and Marketing

Holland America Westours has its own marketing staff devoted to a) travel agent support and awareness, b) direct mail solicitation of past passengers, c) use of consumer magazine and newspaper advertising to develop prospects and enhance awareness and d) distribution of brochures. The Westours marketing message leverages the company's 51 years of Alaska tourism leadership and its extensive array of hotel and transportation assets to create a brand preference for Holland America Westours. To the prospective vacationer the company endeavors to convince them that "Westours is Alaska".

HAL tours are marketed both separately and as part of cruise-tour packages. Although most HAL cruise-tours include a HAL cruise as the cruise segment, other cruise lines also market HAL tours as a part of their cruise-tour packages and sight-seeing excursions. Tours sold separately are marketed through independent travel agents and also directly by HAL, utilizing sales desks in major hotels. General marketing for the hotels is done through various media in Alaska, Canada and the continental United States. Travel agents, particularly in Alaska, are solicited, and displays are used in airports in Seattle, Washington, Portland, Oregon and various Alaskan cities. Rates at Westmark Hotels are on the upper end of the scale for hotels in Alaska and the Canadian Yukon.

#### Concessions

Certain tours in Alaska are conducted on federal property requiring concession permits from the applicable federal agencies such as the National Park Service or the United States Forest Service.

#### Competition

Holland America Westours competes with independent tour operators and motor coach charter operators in Washington, Alaska and the Canadian Rockies. The primary competitors in Alaska are Princess Tours (which owns approximately 139 motor coaches and three hotels) and Alaska Sightseeing/Trav-Alaska (which owns approximately 40 motor coaches). The primary competitor in Washington is Gazelle (with approximately 18 motor coaches).

Westmark Hotels compete with various hotels throughout Alaska, many of which charge prices below those charged by HAL. Dining facilities in the hotels also compete with the many restaurants in the same geographic areas.

#### Government Regulation

HAL's motor coach operations are subject to regulation both at the federal and state levels, including primarily the U.S. Department of Transportation, the Washington Utilities Department of Transportation, the British Columbia Motor Carrier Commission and the Alaska Department of Transportation. Certain of HAL's tours involve federal properties and are subject to regulation by various federal agencies such as the National Park Service and the U.S. Forest Service.

In connection with the operation of its beverage facilities in the Westmark Hotels, HAL is required to comply with state, county and/or city ordinances regulating the sale and consumption of alcoholic beverages. Violations of these ordinances could result in fines, suspensions or revocation of such licenses and preclude the sale of any alcoholic beverages by the hotel involved.

In the operation of its hotels, HAL is required to comply with applicable building and fire codes. Changes in these codes have in the past and may in the future, require expenditures to ensure continuing compliance such as the installation of sprinkler systems.

#### Financial Information

For financial information about the Company's tour segment with respect to the three fiscal years ended November 30, 1997, see Note 10 "Segment Information" to the Company's Consolidated Financial Statements in Exhibit 13 incorporated by reference into this Annual Report on Form 10-K.

#### D. Employees

The Company's Carnival operations have approximately 1,670 full-time and 310 part-time employees engaged in shoreside operations. Carnival also employs approximately 350 officers and 8,140 crew and staff on the Carnival Ships.

The Company's HAL operations have approximately 3,200 employees engaged in shoreside, tour and hotel operations, of which approximately 1,500 employees hold part-time/seasonal positions. HAL also employs approximately 250 officers and 4,180 crew and staff on the HAL Ships and Windstar Ships. Due to the seasonality of its Alaska and Canadian operations, HAL tends to increase its work force during the summer months, employing significant additional full-time and part-time personnel. HAL has entered into agreements with unions covering certain employees in its hotel, motorcoach and ship operations.

The Company considers its employee relations generally to be good.

#### E. Suppliers

The Company's largest purchases are for airfare, advertising, fuel, food and related items, hotel supplies and products related to passenger accommodation. Although the Company chooses to use a limited number of suppliers for most of its food and fuel purchases, most of the necessary supplies are available from numerous sources at competitive prices. The use of a limited number of suppliers enables the Company to obtain volume discounts.

The Company believes that there are five shipyards in the world currently capable of constructing quality passenger cruise ships. The Company currently has contracts with two of these shipyards for the construction of eight ships to enter service over the next three years (see

Part I, Item 1. Business, B. Cruise Ship Segment - Wholly Owned Cruise Operations - Cruise Ship Construction). Some of the Company's competitors also have contracts to construct several new cruise ships (see Part I, Item 1. Business, B. Cruise Ship Segment - Wholly Owned Cruise Operations - Competition). If the Company elects to build additional ships in the future, there is no assurance that any of the four shipyards will have the available capacity to build additional new ships for the Company at the times desired by the Company or that the shipyards will agree to build additional ships at a cost acceptable to the Company. In addition, there is no assurance that ships under contract for construction will be delivered on schedule.

#### F. Insurance

The Company maintains insurance covering legal liabilities related to crew, passengers and other third parties on the Carnival Ships and the HAL Ships in operation through The Standard Steamship Owners Protection & Indemnity Association Limited (the "SSOPIA") and the Steamship Mutual Underwriting Association Ltd. (the "SMUAL"). The amount and terms of these insurances are governed by the rules of the foregoing associations.

The Company currently maintains insurance on the hull and machinery of each vessel in amounts equal to the approximate market value of each vessel. The Company maintains war risk insurance on each vessel which includes legal liability to crew and passengers including terrorist risks for which coverage would be excluded from SSOPIA or SMUAL. The coverage for hull and machinery and war risks is provided by international markets, including underwriters at Lloyds. The Company, as currently required by the FMC, maintains at all times two \$15 million performance bonds for the Carnival Ships, and the HAL and Windstar Ships, respectively, to cover passenger ticket liabilities in the event of a canceled or interrupted cruise. See "Cruise Ship Segment - Wholly Owned Cruise Operations - Governmental Regulation" for a discussion of changes to the performance bond requirements proposed by the FMC.

The Company maintains certain levels of self insurance for liabilities and hull and machinery through the use of substantial deductibles. Such deductibles may be increased in the future. The Company does not carry coverage related to loss of earnings or revenues for its cruise operations.

The Company also maintains various insurance policies to protect the assets, earnings and liabilities arising from the operation of Holland America Westours.

#### G. Investments in Affiliates

##### Seabourn Cruise Line

In April 1992, the Company acquired 25% of the capital stock of Seabourn. As part of the transaction, the Company also made a subordinated secured ten-year loan of \$15 million to Seabourn and a \$10 million convertible loan to Seabourn. In December 1995, the \$10 million convertible loan was converted by the Company into an additional 25% equity interest in Seabourn. Seabourn operates three ultra-luxury ships, which have an aggregate capacity of 612 passengers and have itineraries in the Caribbean, the Baltic, the Mediterranean, the Far East and other world-wide destinations. The Seabourn cruises are primarily marketed in North America.

##### Airtours plc

In April 1996, the Company acquired a 28% interest in Airtours for approximately \$307 million. Airtours is the largest air inclusive tour operator in the world and is publicly traded on the London Stock Exchange. Airtours provides air inclusive packaged holidays to the British, Belgian, French, Dutch, Scandinavian and North American markets. Airtours provides holidays to approximately 7 million people per year and owns or operates 37 hotels, three cruise ships and 37 aircraft. The three cruise ships are operated under the Sun Cruises brand. During 1997, Airtours acquired two tour operators - Sun International in Belgium and Suntrips in Northern California, and a 50% interest in Costa Crociere S.p.A., a cruise company discussed below.

##### Costa Crociere S.p.A.

In June 1997, the Company and Airtours completed a joint offer to acquire the equity securities of Costa, an Italian cruise company. With the completion of the offer, the Company and Airtours each own 50% of Il Ponte, S.p.A. ("Il Ponte"), a holding company which was purchased from the Costa family. As a result of the acquisition, Il Ponte owns approximately 100% of Costa. The cost of the Company's acquisition of its interest was

approximately \$141 million, of which approximately \$103 million was paid by Il Ponte and the balance was paid by the Company. The \$103 million paid by Il Ponte was funded through Il Ponte debt which is guaranteed by the Company.

Costa is headquartered in Italy and is Europe's largest cruise line. Costa is primarily targeted to the contemporary market. Costa's ships' primary itineraries include the Mediterranean, Northern Europe, the Caribbean and South America. The major market for Costa cruises is Southern Europe with the majority of Costa's cruises being sold in Italy, Spain and France.

The itineraries of Costa's ships during the summer months consist primarily of various locations in the Mediterranean and Northern Europe. During the winter months, the vessels operate primarily in the Caribbean and South America.

Costa operates seven ships which have an aggregate capacity of 7,710 passengers. In January 1998, Costa signed an agreement to construct an eighth ship with a capacity of approximately 2,100 passenger for approximately 700 billion Lire (see "Cruise Ship Construction").

#### Joint Venture with Hyundai Merchant Marine Co. Ltd.

In September 1996, the Company and Hyundai Merchant Marine Co. Ltd. ("HMM") signed an agreement to form a 50/50 joint venture to develop the Asian cruise vacation market (the "Joint Venture"). The Company and HMM each contributed \$4.8 million as the initial capital of the Joint Venture. In addition, in November 1996 the Company sold Carnival Cruise Lines' cruise ship Tropicale to the Joint Venture for approximately \$95.5 million cash. The Company then chartered the vessel from the Joint Venture until the Joint Venture would be ready to begin cruise operations in the Asian market in or around the spring of 1998.

In September 1997, the Joint Venture was dissolved and the Company repurchased the Tropicale from the Joint Venture for \$93 million.

#### Seasonality

The Company's equity in the earnings of Costa and Airtours are recorded on a two month lag basis using the equity basis of accounting. Costa's and Airtours' earnings are seasonal due to the seasonal nature of the European leisure travel industry and the Mediterranean cruise season. During the last several years, Airtours' and Costa's quarters ending June 30 and September 30 have been profitable, with the quarter ending September 30 being their most profitable quarter. During this same period, Airtours and Costa experienced seasonal losses in their quarters ending December 31 and March 31.

#### Item 2. Properties

The Company's cruise ships are described in Section B of Item 1 under the heading "Cruise Ship Segment". The properties associated with HAL's tour operations are described in Section C of Item 1 under the heading "Tour Segment".

Carnival's shoreside operations and the Company's corporate headquarters are located at 3655 N.W. 87th Avenue, Miami, Florida. These facilities include approximately 456,000 square feet of office space. HAL headquarters are at 300 Elliott Avenue West in Seattle, Washington in leased space in an office building. The lease is for approximately 128,000 square feet.

The Company's cruise ships, tour properties and shoreside operations facilities are well maintained and in good condition.

#### Item 3. Legal Proceedings

Several actions (collectively the "Passenger Complaints") have been filed against the Company or Holland America Westours on behalf of purported classes of persons who paid port charges to the Company or Holland America Westours, alleging that statements made in advertising and promotional materials concerning port charges were false and misleading. Four such actions are pending against the Company in the Circuit Court for Miami-Dade County, Florida, and others are pending against the Company in state or federal courts in Tennessee, Arizona, Ohio, Kentucky, Michigan, Georgia, and Alabama. One such action was filed against Holland America Westours in the Superior Court in King County, Washington. The Florida, Tennessee, Alabama and Washington actions have been brought on behalf of purported nationwide classes; the others on behalf of purported statewide

classes. The Passenger Complaints allege violations of the various state consumer protection acts and claims of fraud, conversion, breach of fiduciary duties and unjust enrichment. Plaintiffs seek compensatory damages or, alternatively, refunds of portions of port charges paid, attorneys' fees, costs, prejudgment interest, punitive damages and injunctive and declaratory relief.

The Company's motion to dismiss amended complaints in the Florida actions was granted in part and denied in part. In each of the other actions, the Company filed motions to dismiss or transfer on the grounds of inconvenient forum. The Kentucky, Arizona and Tennessee Courts granted the Company's motions dismissing those actions, and the plaintiffs in both cases intend to appeal. The Company's motions are still under judicial consideration in each of the other actions. Holland America Westours' motion to dismiss the Washington action was denied, as was the plaintiffs' motion for class certification.

In June and August 1996, two complaints were filed against the Company and Holland America Westours, respectively, in California Superior Court (collectively the "Travel Agent Complaints") on behalf of purported classes of travel agencies who during the past four years booked a cruise with the Company or Holland America Westours, claiming that advertising practices regarding port charges resulted in an improper commission bypass. These actions allege claims of breach of contract, negligent misrepresentation, unjust enrichment, unlawful business practices and common law fraud, and they seek unspecified compensatory damages (or alternatively, the payment of usual and customary commissions on port charges paid by passengers in excess of certain charges levied by government authorities), an accounting, attorneys' fees and costs, punitive damages and injunctive relief. The court granted the motions of the Company and Holland America Westours to dismiss one of the California actions and stay the second such action on grounds of forum non conveniens. The plaintiff in the dismissed California action filed a complaint in Florida similar to the one it had filed in California. The Company has moved to dismiss this complaint.

The pending Passenger and Travel Agent Complaints are in preliminary stages and it is not now possible to determine the ultimate outcome of the lawsuits. Management believes that the Company has substantial and meritorious defenses to the claims. Management understands that purported class actions similar to the Passenger and Travel Agent Complaints have been filed against several other cruise lines.

The United States Attorney for the District of Alaska is conducting an investigation to determine if a Holland America Line vessel discharged bilge water, alleged to have contained oil or oily water mixtures, at various locations allegedly within the United States territorial waters at various times during the summer and early fall of 1994. Holland America is continuing its efforts to resolve this matter. If a resolution is not reached, a significant possibility exists that the U.S. government would commence proceedings against Holland America alleging improper record keeping practices and an improper discharge of oily water into the U.S. territorial waters. It is not possible to predict the outcome of those proceedings. Management does not believe, however, that the amount of potential penalties will have a material impact upon the Company.

In the normal course of business, various other claims and lawsuits have been filed or are pending against the Company. The majority of these claims and lawsuits are covered by insurance. Management believes the outcome of any such suits which are not covered by insurance would not have a material adverse effect on the Company's financial condition or results of operations.

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

None.

Executive Officers of the Registrant

Pursuant to General Instruction G(3), the information regarding executive officers of the Company called for by Item 401(b) of Regulation S-K is hereby included in Part 1 of this Annual Report on Form 10-K.

The following table sets forth the name, age and title of each executive officer. Titles listed relate to positions within Carnival Corporation unless otherwise noted.

NAME	AGE	POSITION
------	-----	----------



Micky Arison	48	Chairman of the Board and Chief Executive Officer
Gerald R. Cahill	46	Senior Vice President-Finance and Chief Financial Officer
Pamela C. Conover	41	Vice President-Strategic Planning
Robert H. Dickinson	55	President and Chief Operating Officer of Carnival and Director
Howard S. Frank	56	Vice-Chairman, Chief Operating Officer and Director
A. Kirk Lanterman	66	Chairman of the Board and Chief Executive Officer of Holland America Line-Westours Inc. and Director
Peter T. McHugh	50	President and Chief Operating Officer of Holland America Line-Westours Inc.
Roderick K. McLeod	57	Senior Vice President-Marketing
Lowell Zemnick	54	Vice President and Treasurer
Meshulam Zonis	64	Senior Vice President-Operations of Carnival and Director

#### Business Experience of Officers

Micky Arison, age 48, has been Chief Executive Officer since 1979 and Chairman of the Board since 1990. He was President from 1979 to May 1993 and has also been a director since June 1987. Prior to 1979, he served Carnival for successive two-year periods as sales agent, reservations manager and as Vice President in charge of passenger traffic. He is the son of Ted Arison, Carnival Corporation's founder.

Gerald R. Cahill, age 46, is a Certified Public Accountant and has been Senior Vice President-Finance, Chief Financial Officer and Chief Accounting Officer since January 1998. From September 1994 to January 1998 he was Vice President-Finance. He was the Chief Financial Officer from 1988 to 1992 and the Chief Operating Officer from 1992 to 1994 of Safecard Services, Inc. From 1979 to 1988 he held financial positions at Resorts International Inc. and, prior to that, spent six years with Price Waterhouse LLP.

Pamela C. Conover, age 41, has been Vice President-Strategic Planning since May 1995. She was the Chief Executive Officer of Epirotiki Cruise Line from May 1994 through April 1995. From 1985 through 1994 she worked as a Vice President of Citibank N.A. New York and subsequently as a Managing Director of Citicorp Securities Inc.

Robert H. Dickinson, age 55, has been President and Chief Operating Officer of Carnival since May 1993. From 1979 to May 1993, he was Senior Vice President--Sales and Marketing of Carnival. He has also been a director since June 1987.

Howard S. Frank, age 56, has been Vice-Chairman of the Board since October 1993, Chief Operating Officer since January 1998 and a director since 1992. From July 1989 to January 1998 he was Chief Financial Officer and Chief Accounting Officer and from July 1989 to October 1993 he was Senior Vice President-Finance. From July 1975 through June 1989, he was a partner with Price Waterhouse LLP. He is also a member of the Board of Directors of Pan Am Corporation.

A. Kirk Lanterman, age 66, is a Certified Public Accountant and has been Chairman of the Board and Chief Executive Officer of Holland America Line-Westours Inc. since January 1989 and a director since 1992. From 1983 to January 1989, he was President and Chief Operating Officer of Holland America Line-Westours Inc. From 1979 to 1983, he was President of Westours which merged in 1983 with Holland America Line.

Peter T. McHugh, age 50, has been President and Chief Operating Officer of Holland America Line Westours Inc. since March 1997. From January 1996 to March 1997 he was Executive Vice President of Holland America Line Westours, Inc. From January 1992 to December 1995 he was Chief Executive Officer and Responsible Officer of Pan American World Airways.

Roderick K. McLeod, age 57, has been Senior Vice President-Marketing since July 1997. From June 1996 to July 1997, he was Senior Vice President Marketing with the Miami Heat. From October 1988 to June 1996 he worked with Royal Caribbean Cruises Ltd. and was Executive Vice President of Sales, Marketing & Passenger Services. From August 1986 to October 1988 he was the President & Chief Operating Officer of Norwegian Cruise Line.

Lowell Zemnick, age 54, is a Certified Public Accountant and has been Vice President since 1980 and Treasurer since September 1990. He was the

Chief Financial Officer of Carnival from 1980 to September 1990 and was the Chief Financial Officer of Carnival Corporation from May 1987 through June 1989.

Meshulam Zonis, age 64, has been Senior Vice President-Operations of Carnival since 1979. He has also been a director since June 1987. From 1974 through 1979, he was Vice President-Operations of Carnival.

#### Special Note Regarding Forward-Looking Statements

Certain statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this Form 10-K constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions which may impact levels of disposable income of consumers and pricing and passenger yields for the Company's cruise products; increases in cruise industry capacity; changes in tax laws and regulations (see "Taxation of the Company"); the ability of the Company to implement its shipbuilding program and to expand its business outside the North American market where it has less experience; delivery of new vessels on schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise vessels at sea; and changes in laws and government regulations applicable to the Company (including the implementation of the "Safety of Life at Sea Convention" and changes in FMC surety and guaranty arrangements).

## PART II

### Item 5. Market for the Registrant's Common Stock and Related Stockholders Matters

#### A. Market Information

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

#### B. Holders

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

#### C. Dividends

The Company declared cash dividends on its Class A and Class B Common Stock (the "Common Stock") of \$.09 per share in each of the first three quarters of fiscal 1996, \$.11 in the fourth quarter of fiscal 1996, \$.11 in each of the first three quarters of fiscal 1997, and \$.15 in the fourth quarter of fiscal 1997 and first quarter of fiscal 1998. Payment of future quarterly dividends on the Common Stock will depend, among other factors, upon the Company's earnings, financial condition and capital requirements. The Company may also declare special dividends to all stockholders in the event that members of the Arison family and certain related entities (the "Arison Group") are required to pay additional income taxes by reason of their ownership of the Common Stock because of an income tax audit of the Company.

While no tax treaty currently exists between the Republic of Panama and the United States, under current law the Company believes that distributions to its shareholders are not subject to taxation under the laws of the Republic of Panama. Dividends paid by the Company will be taxable as ordinary income for United States Federal income tax purposes to the extent of the Company's current or accumulated earnings and profits, but generally will not qualify for any dividends-received deduction.

The payment and amount of any dividend is within the discretion of the Board of Directors, and it is possible that the amount of any dividend may vary from the levels discussed above.

#### D. Taxation of the Company

Non U.S. companies are exempt from U.S. corporate income tax on U.S. source income from international passenger cruise operations if (i) their

countries of incorporation exempt shipping operations of U.S. persons from income tax (the "Incorporation Test") and (ii) they meet either the "CFC Test" or the "Publicly Traded Test". The Company and its subsidiaries involved in the cruise ship operations meet the Incorporation Test because they are incorporated in countries which provide the required exemption to U.S. persons involved in shipping operations. A company meets the CFC Test if it is a controlled foreign corporation ("CFC"). A CFC is defined by the Internal Revenue Code as a foreign corporation more than 50% of the vote or value of whose stock is owned by U.S. persons, each of whom owns or is considered to own 10% or more of the corporation's vote on any day during its fiscal year. Through July 15, 1997, the date upon which all of the Class B Common Stock of the Company (the "Class B Common Stock") was converted to Class A Common Stock (the "Conversion Date"), all of the outstanding shares of Class B Common Stock of the Company, which represented more than 50% of the total combined voting power of all classes of stock, were owned by The Micky Arison 1994 "B" Trust (the "B Trust"), a U.S. Trust whose primary beneficiary is Micky Arison, the Company's Chairman of the Board. The B Trust is a "United States Person". Accordingly, the Company believes that it will meet the CFC Test for its 1997 taxable year, but will not meet such test in its 1998 taxable year and subsequent taxable years.

A corporation meets the Publicly Traded Test if the stock of the corporation (or the direct or indirect corporate parent thereof) is "primarily and regularly traded on an established securities market" in the United States. Although no Treasury regulations have been promulgated that explain when stock is primarily and regularly traded for purposes of this exemption, Treasury regulations have been promulgated interpreting a similar phrase under another section, Section 884. Under the Section 884 regulations, stock is considered primarily and regularly traded if: (i) 80% (by vote and value) of the stock of the corporation is listed on an established securities market in the United States where more shares are traded than in any other country, (ii) trades of such stock are effected on such market, other than in de minimis quantities, on at least 60 days during the taxable year, (iii) the aggregate number of shares so traded is equal to 10% or more of the average number of shares outstanding during the taxable year, and (iv) the company is not "closely held". The Company believes that it will meet the foregoing requirements for the portion of its taxable year beginning after the Conversion Date and for future taxable years. Since the Conversion Date, the Company has had only one class of stock outstanding, the Class A Common Stock, which is listed on the New York Stock Exchange, where more shares trade than in any other country. Trades of such Class A Common Stock have been effected in more than de minimis quantities on every business day since the Company's initial public offering, and the annual volume of such trades has significantly exceeded 10% of the average number of shares outstanding. Moreover, the Company believes that any stock traded on the NYSE is considered as traded on a qualifying exchange and, to the Company's knowledge, it is not closely held because no person other than the Arison Group owns more than 5% of its stock, and the Arison Group holds less than 50% of the outstanding shares.

Accordingly, the Company believes that virtually all of its income (with the exception of its United States source income from the operations of the transportation, hotel and tour business of Holland America Line) is exempt from United States federal income taxes. There is, however, no authority that addresses the treatment of a corporation that meets the test for CFC for only part of its taxable year. Similarly, there is no authority that addresses the treatment of a corporation that meets the Publicly Traded Test for only a part of its taxable year. If the Company or its subsidiaries were found to meet neither the CFC Test nor the Publicly Traded Test, much of their income would become subject to taxation by the United States at higher than normal corporate tax rates.

#### Other Jurisdictions

The Company anticipates that its income will not be subject to significant taxation under the laws of the Republic of Panama, Liberia, the Netherlands Antilles, the British Virgin Islands or the Bahamas.

#### Item 6. Selected Financial Data

The information required by Item 6, selected financial data for the five years ended November 30, 1997, is shown in Exhibit 13 and is incorporated by reference into this Annual Report on Form 10-K.

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

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

Item 8. Financial Statements and Supplementary Data

The financial statements, together with the report thereon of Price Waterhouse LLP dated January 19, 1998, is shown in Exhibit 13 and is hereby incorporated by reference into this Annual Report on Form 10-K.

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

None.

PART III

Items 10, 11, 12 and 13. Directors and Executive Officers of the Registrant, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, and Certain Relationships and Related Transactions

The information required by Items 10, 11, 12 and 13 is incorporated by reference to the Registrant's definitive Proxy Statement to be filed with the Commission not later than 120 days after the close of the fiscal year except that the information concerning the Registrant's executive officers called for by Item 401(b) of Regulation S-K has been included in Part I of this Annual Report on Form 10-K.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1)-(2) Financial Statements and Schedules:

The financial statements shown in Exhibit 13 are hereby incorporated herein by reference.

(3) Exhibits:

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

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended November 30, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, and the State of Florida on this 26th day of February, 1998.

CARNIVAL CORPORATION

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

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

/s/ Micky Arison                      Chairman of the Board, Chief                      February 26, 1998

Micky Arison	Executive Officer and Director	
/s/ Howard S. Frank Howard S. Frank	Vice-Chairman, Chief Operating Officer and Director	February 26, 1998
/s/ Gerald R. Cahill Gerald R. Cahill	Senior Vice President-Finance and Chief Financial and Accounting Officer	February 26, 1998
/s/ Maks L. Birnbach Maks L. Birnbach	Director	February 26, 1998
/s/ Richard G. Capen, Jr. Richard G. Capen, Jr.	Director	February 26, 1998
/s/ David Crossland David Crossland	Director	February 26, 1998
/s/ Robert H. Dickinson Robert H. Dickinson	Director	February 26, 1998
/s/ Shari Arison Dorsman Shari Arison Dorsman	Director	February 26, 1998
/s/ James M. Dubin James M. Dubin	Director	February 26, 1998
/s/ A. Kirk Lanterman A. Kirk Lanterman	Director	February 26, 1998
/s/ Modesto Maidique Modesto Maidique	Director	February 26, 1998
/s/ William S. Ruben William S. Ruben	Director	February 26, 1998
/s/ Stuart Subotnick Stuart Subotnick	Director	February 26, 1998
/s/ Sherwood M. Weiser Sherwood M. Weiser	Director	February 26, 1998
/s/ Meshulam Zonis Meshulam Zonis	Director	February 26, 1998
/s/ Uzi Zucker Uzi Zucker	Director	February 26, 1998

INDEX TO EXHIBITS

Page No. in  
Sequential  
Numbering  
System  
Exhibits

3.1-Form of Amended and Restated Articles of Incorporation of the  
Company. (1)

3.2-Form of By-laws of the Company. (2)

4.1-Agreement of the Company dated February 25, 1997 to furnish certain  
debt instruments to the Securities and Exchange Commission.

4.2-Revolving Credit Agreement dated as of July 1, 1993, Amended and  
Restated as of December 17, 1996, by and among Carnival Corporation,  
Citibank, N.A. and various other lenders. (3)

4.3-Form of Indenture dated as of March 1, 1993 between Carnival Cruise  
Lines, Inc. and First Trust National Association, as Trustee, relating to  
the Debt Securities, including form of Debt Security. (4)

4.4-Form of Subordinated Indenture between Carnival Corporation and the  
Subordinated Trustee relating to the Subordinated Securities. (5)

4.5-Second Amended and Restated Shareholder Agreement dated September 26, 1994 by and among Carnival Corporation, Ted Arison, TAMMS Investment Company, The Ted Arison Family Holding Trust No. 4, The Micky Arison "B" Trust, and T.A. Limited. (6)

4.6-Letter Agreement dated July 11, 1989 between the Company and the Ted Arison Irrevocable Trust.(7)

10.1-Retirement and Consulting Agreement dated November 10, 1997 between A. Kirk Lanterman and Carnival Corporation.

10.2-Executive Long-term Compensation Agreement dated January 16, 1998 between Robert H. Dickinson and Carnival Corporation.

10.3-1994 Carnival Cruise Line Key Management Incentive Plan as amended on January 5, 1998.

10.4-Amended and Restated Carnival Corporation 1992 Stock Option Plan.

10.5-1993 Carnival Cruise Lines, Inc. Restricted Stock Plan as amended January 5, 1998.

10.6-Carnival Corporation "Fun Ship" Nonqualified Savings Plan.

10.7 -Amendments to The Carnival Corporation Nonqualified Retirement Plan for Highly Compensated.

10.8-Amendments to The Carnival Corporation Qualified Retirement Plan.

10.9-Amendment to Consulting Agreement Dated August 5, 1996 between the Company and Arison Investments Ltd.(8)

10.10-Carnival Corporation Automatic Dividend Reinvestment Plan.(9)

10.11-Carnival Cruise Lines, Inc. Stock Option Plan.(10)

10.12-Carnival Cruise Lines, Inc. Restricted Stock Plan.(11)

10.13-Carnival Cruise Lines, Inc. Retirement Plan.(12)

10.14-Carnival Cruise Lines, Inc. Non-Qualified Retirement Plan.(13)

10.15-Carnival Cruise Lines, Inc. Key Management Incentive Plan.(14)

10.16-1993 Outside Directors' Stock Option Plan.(15)

10.17-Holland America Line-Westours Inc. 1994-1996 Key Management Incentive Plan.(16)

10.18-Form of Deferred Compensation Agreement between the Company and each of Harvey Levinson, Meshulam Zonis and Robert H. Dickinson.(17)

10.19-Consulting Agreement/Registration Rights Agreement dated June 14, 1991, between the Company and Ted Arison.(18)

10.20-Indemnity Agreement between the Company and Ted Arison.(19)

10.21-First Amendment to Consulting Agreement/Registration Rights Agreement.(20)

10.22-Consulting Agreement dated July 31, 1992, between the Company and Arison Investments Ltd.(21)

10.23-Organization agreement dated February 25, 1994 between the Company and the principals of The Continental Companies.(22)

10.24-Stock Purchase Agreement between Carnival Corporation and CHC International.(23)

10.25-Stock Purchase Agreement between Carnival Corporation, Sherwood Weiser and others.(24)

10.26-Shareholders' Agreement dated February 21, 1996 between Carnival Corporation and David Crossland.(25)

10.27-Subscription Agreement dated February 21, 1996 between Carnival Corporation and Airtours plc.(26)

10.28-Maks L. Birnbach Director's Agreement.(27)

10.29-William S. Ruben Director's Agreement.(28)

10.30-Stuart Subotnick Director's Agreement.(29)

10.31-Sherwood M. Weiser Director's Agreement.(30)

10.32-Uzi Zucker Director's Agreement (31)

10.33-David Crossland Director's Agreement.(32)

10.34-James M. Dubin Director's Agreement.(33)

10.35-Modesto M. Maidique Director's Agreement.(34)

10.36-Richard G. Capen Director's Agreement.(35)

10.37-Shari Arison Dorsman Director's Agreement.(36)

11.0-Statement regarding computation of per share earnings.

12.0-Ratio of Earnings to Fixed Charges

13.0-Portions of 1997 Annual Report incorporated by reference into 1997  
Annual Report on Form 10-K

21-Subsidiaries of the Company.(37)

23.0-Consent of Price Waterhouse

27.0-Financial Data Schedule (for SEC use only)

Sequential  
Numbering  
System  
Exhibits

(1) Incorporated by reference to Exhibit No. 4.1 to the registrant's Quarterly Report on Form 10-Q for the Quarter Ended February 28, 1995 (File No. 1-9610), filed with the Securities and Exchange Commission.

(2) Incorporated by reference to Exhibit No. 3.2 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(3) Incorporated by reference to Exhibit No. 4.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(4) Incorporated by reference to Exhibit No. 4 on Form S-3 to the registrant's registration statement on Form S-3 (File No. 33-53136), filed with the Securities and Exchange Commission.

(5) Incorporated by reference to Exhibit No. 4.2 on Form S-3 to the registrant's registration statement on Form S-3 (File No. 333-43269), filed with the Securities and Exchange Commission.

(6) Incorporated by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended August 31, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(7) Incorporated by reference to Exhibit No. 4.10 to the registrant's registration statement on Form S-1 (File No. 33-31795), filed with the Securities and Exchange Commission.

(8) Incorporated by reference to Exhibit No. 10.2 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(9) Incorporated by reference to Exhibit No. 10.3 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(10) Incorporated by reference to Exhibit No. 10.1 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(11) Incorporated by reference to Exhibit No. 10.2 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(12) Incorporated by reference to Exhibit No. 10.3 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1990 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(13) Incorporated by reference to Exhibit No. 10.4 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1990 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(14) Incorporated by reference to Exhibit No. 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1993 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(15) Incorporated by reference to Exhibit No. 10.6 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1993 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(16) Incorporated by reference to Exhibit No. 10.8 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(17) Incorporated by reference to Exhibit No. 10.17 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the



Securities and Exchange Commission.

(18) Incorporated by reference to Exhibit No. 4.3 to post-effective amendment no. 1 on Form S-3 to the registrant's registration statement on Form S-1 (File No. 33-24747), filed with the Securities and Exchange Commission.

(19) Incorporated by reference to Exhibit No. 10.18 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(20) Incorporated by reference to Exhibit No. 10.40 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1992 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(21) Incorporated by reference to Exhibit No. 10.39 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1992 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(22) Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(23) Incorporated by reference to Exhibit No. 10.31 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(24) Incorporated by reference to Exhibit No. 10.32 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(25) Incorporated by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(26) Incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(27) Incorporated by reference to Exhibit No. 28.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1990 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(28) Incorporated by reference to Exhibit No. 28.2 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(29) Incorporated by reference to Exhibit No. 28.3 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(30) Incorporated by reference to Exhibit No. 28.4 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(31) Incorporated by reference to Exhibit No. 28.5 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(32) Incorporated by reference to Exhibit No. 10.4 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(33) Incorporated by reference to Exhibit No. 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(34) Incorporated by reference to Exhibit No. 10.6 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(35) Incorporated by reference to Exhibit No. 10.7 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996

(Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(36) Incorporated by reference to Exhibit No. 10.8 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(37) Incorporated by reference to Exhibit No. 21 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

February 19, 1998

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

RE: Carnival Corporation  
Commission File No. 1-9610

Gentlemen:

Pursuant to Item 601 (b) (4) (iii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, Carnival Corporation (the "Company") hereby agrees to furnish copies of certain long-term debt instruments to the Securities and Exchange Commission upon the request of the Commission, and, in accordance with such regulation, such instruments are not being filed as part of the Annual Report on Form 10-K of the Company for its fiscal year ended November 30, 1997.

Very truly yours,

CARNIVAL CORPORATION

/s/ Arnaldo Perez

Arnaldo Perez  
General Counsel

EXHIBIT 10.1

RETIREMENT AND CONSULTING AGREEMENT

AGREEMENT made this 10th day of November, 1997 between CARNIVAL CORPORATION, having its principal place of business at 3655 N.W. 87th Avenue, Miami, Florida (the "Company") and A. Kirk Lanterman, ("Lanterman"), residing at 714 W. Galer, Seattle, Washington, 98119.

RECITALS

- A. Lanterman has served as President and Chief Executive Officer of the Company's wholly-owned subsidiary, Holland America Line-Westours, Inc. ("HAL") since January 1989, and has performed exemplary service during said years.
- B. Lanterman intends to retire from active service with HAL on January 1, 1999 ("Retirement Date").
- C. The Company desires to compensate Lanterman for such exemplary service by way of retirement pay.
- D. The Company desires to retain Lanterman's consulting services following such retirement on the terms set forth in this Agreement.

IN CONSIDERATION of past services as related above and the consulting services related below, it is agreed as follows:

1. Compensation For Past Services and Consulting Services

- 1.1 From January 31, 1999 and for fifteen (15) years thereafter, the Company shall pay to Lanterman in monthly installments of \$58,927.00 an annual compensation of \$707,124.00.
- 1.2 In the event of Lanterman's death prior to the Retirement Date, or prior to the fifteenth anniversary of the Retirement Date, the unpaid balance of this total compensation (\$10,606,854.60) shall be paid in full to Lanterman's estate within 30 days of his death. The unpaid balance shall be its then present value calculated by utilization of an interest rate of 8 1/2% per year.

2. Consulting Services

Commencing on the Retirement Date and for a period of fifteen (15) years, Lanterman agrees to perform consulting services for the Company in regard to the business operations of HAL upon the specific written request of the Company. Such services shall be provided during normal business hours, on such dates, for such time and at such locations as shall be agreeable to Lanterman. Such services shall not require more than five (5) hours in any calendar month, unless expressly consented to by Lanterman, which consent may be withheld for any reason whatsoever. The Company will reimburse Lanterman for any out-of-pocket expenses incurred by him in the performance of said services.

3. Independent Contractor

Commencing on the Retirement Date, Lanterman acknowledges that he will be solely an independent contractor and consultant. He further acknowledges that he will not consider himself to be an employee of the Company, and will not be entitled to any Company employment rights or benefits.

4. Confidentiality

Lanterman will keep in strictest confidence, both during the term of this Agreement and subsequent to termination of this Agreement, and will not during the term of this Agreement or thereafter disclose or divulge to any person, firm or corporation, or use directly or indirectly, for his own benefit or the benefit of others, any confidential Company information including, without limitation, to any trade secrets respecting the business or affairs of the Company which he may acquire or develop in connection with or as a result of the performance of his services hereunder. In the event of an actual or threatened breach by Lanterman of the provisions of this paragraph, the Company shall be entitled to injunctive relief restraining Lanterman from the breach or threatened breach as its sole

remedy. The Company hereby waives its rights for damages, whether consequential or otherwise.

5. Enforceable

The provisions of this Agreement shall be enforceable notwithstanding the existence of any claim or cause of action of Lanterman against the Company, or the Company against Lanterman, whether predicated on this Agreement or otherwise.

6. Applicable Law

The Agreement shall be construed in accordance with the laws of the State of Washington, and venue for any litigation concerning an alleged breach of this Agreement shall be in King County, Washington, and the prevailing party shall be entitled to reasonable attorney's fees and costs incurred.

7. Entire Agreement

This Agreement contains the entire agreement of the parties relating to the subject matter hereof. A similar agreement of November 1996 shall become null and void upon the execution of this Agreement. Any notice to be given under this Agreement shall be sufficient if it is in writing and is sent by certified or registered mail to Lanterman or to the Company to the attention of the President, or otherwise as directed by the Company, from time to time, at the addresses as they appear in the opening paragraph of the Agreement.

8. Waiver

The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

IN WITNESS WHEREOF, the Company and Lanterman have duly executed this agreement as of the day and year first above written.

CARNIVAL CORPORATION

By: /s/ Micky Arison

/s/ Kirk Lanterman  
Signature

A. Kirk Lanterman  
Print Full Name

EXECUTIVE LONG-TERM COMPENSATION AGREEMENT

THIS EXECUTIVE LONG-TERM COMPENSATION AGREEMENT is entered into as of this 16th day of January, 1998, by and between CARNIVAL CORPORATION ("Carnival") with its principal place of business located at 3655 N.W. 87th Avenue, Miami, Florida 33178, and ROBERT H. DICKINSON (the "Individual").

R E C I T A L S

WHEREAS, the Individual is currently employed as the President and Chief Operating Officer of Carnival Cruise Lines, a division of Carnival;

WHEREAS, Carnival wishes to provide long-term incentive and reward to the Individual for the continuation of his full-time employment with Carnival, in addition to the Individual's annual compensation consisting of a base salary and annual award under the 1994 Carnival Cruise Lines Key Management Incentive Plan; and

WHEREAS, the Individual desires to continue in the employ of Carnival until his retirement in consideration for Carnival's payment of compensation for his services during the period prior to retirement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Carnival shall continue to employ the Individual as President and Chief Operating Officer - Carnival Cruise Lines and the Individual shall continue to serve Carnival in such executive capacity until such employment is terminated by either party.

2. Subject to the provisions of this Agreement, Carnival shall pay the Individual as long-term compensation, beginning August 1, 1997 and continuing during the term of his employment with Carnival, the stock compensation benefit described as follows ("Stock Compensation Benefit"):

(A) Pursuant to the terms of Carnival's 1992 Stock Option Plan, the Individual shall receive on August 1st of each year during the term of his employment (commencing effective August 1, 1997) an option to purchase 40,000 shares of Carnival Corporation Class A Common Stock (the "Stock Option Benefit"). For purposes of this Agreement, the exercise price of the options shall be the average of the high and low sales price of Class A Common Stock on the New York Stock Exchange Corporate Tape on August 1st of each year. Said options shall vest ratably over a five (5) year period as more particularly set forth in a Nonqualified Stock Option Agreement to be entered into annually substantially in the form attached hereto as Exhibit A.

(B) Pursuant to the terms of Carnival's 1993 Restricted Stock Plan, the Individual shall receive annually 20,000 restricted shares of Carnival Corporation Class A Common Stock (the "Restricted Stock Benefit"). Except as otherwise provided in Section 3 hereof, these shares shall vest on the fifth anniversary of the date of such annual grant.

3. Notwithstanding anything herein to the contrary, no payment of any Stock Compensation Benefit shall be made, and all unvested options and restricted stock issued hereunder and all rights under the Agreement shall be forfeited, if any of the following events shall occur:

(A) The Individual's employment with Carnival is terminated for cause. For purposes of this Agreement, "for cause" shall be defined as any action or inaction by the Individual which constitutes fraud, embezzlement, misappropriation, dishonesty, breach of trust, a felony or moral turpitude, as determined by its Board of Directors;

(B) The Individual voluntarily terminates his employment with Carnival prior to attaining sixty (60) years of age, unless such voluntary termination is directly related to the Individual being diagnosed with a terminal medical condition;

- (C) The Individual shall engage in competition, as more particularly described in Section 6 hereof, either (i) during the term of his employment with Carnival; (ii) following the Individual's voluntary termination of his employment with Carnival; or (iii) following Carnival's termination of the Individual's employment with Carnival either for cause, as defined in (A) above, or other than for cause; or
- (D) The Individual violates the nondisclosure provisions set forth in Section 7 hereof.

In the event the Individual voluntarily terminates his employment either (a) following attaining the age of sixty (60) or (b) prior to attaining the age of sixty (60) as a direct result of the Individual being diagnosed with a terminal medical condition, then all unvested options and restricted stock previously granted hereunder will not be forfeited by the Individual and will continue to vest as scheduled, unless and until the Individual engages in competition in violation of Section 6 hereof or violates the nondisclosure provisions set forth in Section 7 hereof.

In the event Carnival terminates the Individual's employment with Carnival for a reason other than for cause, as defined in Section 3(A) above, then, unless and until the Individual engages in competition in violation of Section 6 hereof or violates the nondisclosure provisions set forth in Section 7 hereof, (i) each annual grant of the Stock Option Benefit shall continue to vest as scheduled; and (ii) each annual grant of the Restricted Stock Benefit shall vest and shall continue to vest in accordance with the alternative vesting schedule set forth on Exhibit B ("Alternative Vesting Schedule I").

In the event the Individual voluntarily terminates his employment with Carnival within 14 days of his receipt of notice that Carnival's Chairman and Chief Executive Officer, with approval and ratification of the Board of Directors or appropriate committee of the Board, has determined that the Individual's annual grant of the Restricted Stock Benefit will be reduced by more than 25% in any one year, then (i) all unvested options issued hereunder shall be forfeited; (ii) each annual grant of the Restricted Stock Benefit shall be subject to the alternative vesting schedule set forth on Exhibit C ("Alternative Vesting Schedule II"); and (iii) all unvested restricted stock issued hereunder, after application of Alternative Vesting Schedule II, and all rights under this Agreement shall be forfeited. Notwithstanding the foregoing, this paragraph of Section 3 shall be null and void once the Individual attains the age of sixty (60).

4. As further compensation hereunder, Carnival shall cause to be amended the 1994 Carnival Cruise Lines Key Management Incentive Plan to permit that the Individual's Incentive Award, as defined therein, be payable solely in cash.

5. Each annual grant of the Stock Compensation Benefit is contingent on the Individual's satisfactory performance of his duties as determined by Carnival's Chairman and Chief Executive Officer, and ratified and approved by Carnival's Board of Directors or appropriate committee of the Board.

6. The services of the Individual are unique, extraordinary and essential to the business of Carnival, particularly in view of the Individual's access to Carnival's confidential information and trade secrets. Accordingly, in consideration of the Stock Compensation Benefits payable hereunder, the Individual agrees that he will not, without the prior written approval of the Board of Directors, at anytime during the term of his employment with Carnival and (except as provided below) for five (5) years following the date on which the Individual's employment with Carnival terminates, directly or indirectly, within the United States or its territories, engage in any business activity directly or indirectly competitive with the business of Carnival, or its subsidiaries or divisions, or serve as an officer, director, owner, consultant, or employee of any organization then in competition with Carnival or any of its subsidiaries or divisions. In addition, the Individual agrees that during such five (5) year period following his employment with Carnival, he will not solicit, either directly or indirectly, any employee of Carnival, its subsidiaries or division, who was such at the time of the Individual's separation from employment hereunder. In the event that the provisions of this Section 6 should ever be adjudicated to exceed the time, geographic or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic or other limitations permitted by applicable law.

Notwithstanding the foregoing, the provisions of this Section 6 shall be null and void if, prior to attaining the age of sixty (60), the Individual voluntarily terminates his employment with Carnival within 14 days of his receipt of notice that Carnival's Chairman and Chief Executive

Officer, with approval and ratification of the Board of Directors or appropriate committee of the Board, has determined that the Individual's annual grant of the Restricted Stock Benefit will be reduced by more than 25% in any one year.

7. The Individual expressly agrees and understands that Carnival owns and/or controls information and material which is not generally available to third parties and which Carnival considers confidential, including, without limitation, methods, products, processes, customer lists, trade secrets and other information applicable to its business and that it may from time to time acquire, improve or produce additional methods, products, processes, customers lists, trade secrets and other information (collectively, the "Confidential Information"). The Individual hereby acknowledges that each element of the Confidential Information constitutes a unique and valuable asset of Carnival, and that certain items of the Confidential Information have been acquired from third parties upon the express condition that such items would not be disclosed to Carnival and its officers and agents other than in the ordinary course of business. The Individual hereby acknowledges that disclosure of Carnival's Confidential Information to and/or use by anyone other than in Carnival's ordinary course of business would result in irreparable and continuing damage to Carnival. Accordingly, the Individual agrees to hold the Confidential Information in the strictest secrecy, and covenants that, during the term of his employment with Carnival or at any time thereafter, he will not, without the prior written consent of the Board of Directors, directly or indirectly, allow any element of the Confidential Information to be disclosed, published or used, nor permit the Confidential Information to be discussed, published or used, either by himself or by any third parties, except in effecting Individual's duties for Carnival in the ordinary course of business. The Individual agrees to keep all such records in connection with the Individual's employment as Carnival may direct, and all such records shall be the sole and absolute property of Carnival. The Individual further agrees that, within five (5) days of Carnival's request, he shall surrender to Carnival any and all documents, memoranda, books, papers, letters, price lists, notebooks, reports, logbooks, code books, salesman records, customer lists, activity reports, video or audio recordings, computer programs and any and all other data and information and any and all copies thereof relating to Carnival's business or any Confidential Information.

8. Except as otherwise provide in Section 6 hereof, the restrictive covenants contained in Sections 6 and 7 herein shall survive the termination or expiration of this Agreement and any termination of the Individual's employment.

9. Nothing herein shall be construed as conferring upon the Individual the right to continue in the employ of Carnival as an executive or in any other capacity.

10. The Stock Compensation Benefit payable under this Agreement shall not be deemed salary or other compensation to the Individual for the purpose of computing benefits to which such Individual may be entitled under any pension or profit sharing plan or other arrangement of Carnival for the benefit of its employees.

11. The Compensation Committee of Carnival's Board of Directors shall have the full power and authority to interpret, construe and administer this Agreement. No officer or director of Carnival shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Agreement unless such action or omission is attributable to his own willful misconduct or lack of good faith.

12. This Agreement shall not be, nor shall it be construed to constitute an employment agreement between the Individual and Carnival.

13. This Agreement shall be governed by, and shall be construed and interpreted in accordance with, the laws of the State of Florida and the parties agree to submit to the jurisdiction of the United States District Court for the Southern District of Florida for the resolution of any disputes arising under this Agreement.

14. In the event that any party to this Agreement institutes suit against the other party to this Agreement to enforce any of its rights hereunder, the "prevailing party" in such action shall be entitled to recover from the other party all reasonable costs incurred in pursuing such action, including reasonable attorneys' fees. For purposes of this Agreement, "prevailing party" shall mean the party recovering judgment in the case and not being liable on any counterclaim brought in the case.

15. This Agreement constitutes the entire agreement between Carnival



and the Individual with respect to the long-term compensation of the Individual as described herein and supersedes all prior negotiations, agreements, understandings and arrangements, both oral and written, between Carnival and the Individual with respect to such subject matter. This Agreement may not be modified in any way, except by a written instrument executed by each of Carnival and the Individual.

16. This Agreement shall be for the benefit of, and shall be binding upon, each of Carnival and the Individual and their respective heirs, personal representatives, legal representatives, successors and assigns.

17. The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part hereof, all of which are inserted conditionally on their being valid in law. In the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid by a court of competent jurisdiction, then, in any such event, this Agreement shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted.

18. The waiver by either party of a breach or violation of any term or provision of this Agreement by the other party shall not operate nor be construed as a waiver of any subsequent breach or violation of any provision of this Agreement nor of any other right or remedy.

IN WITNESS WHEREOF, each of the parties has executed and delivered this Agreement as of the date first above written.

CARNIVAL CORPORATION

By: /s/ Howard S. Frank  
Howard S. Frank  
Title: Vice Chairman

/s/ Robert H. Dickinson  
Robert H. Dickinson

EXHIBIT B

ALTERNATIVE VESTING SCHEDULE I

1. Vest as to 20% of the Restricted Stock Benefit on the first anniversary of the grant date thereof;
2. Vest as to 40% of the Restricted Stock Benefit on the second anniversary of the grant date thereof;
3. Vest as to 60% of the Restricted Stock Benefit on the third anniversary of the grant date thereof;
4. Vest as to 80% of the Restricted Stock Benefit on the fourth anniversary of the grant date thereof; and
5. Vest as to 100% of the Restricted Stock Benefit on the fifth anniversary of the grant date thereof.

EXHIBIT C

ALTERNATIVE VESTING SCHEDULE II

1. Vested as to 0% of the Restricted Stock Benefit if termination occurs between the grant date and the first anniversary of the grant date thereof;
2. Vested as to 20% of the Restricted Stock Benefit if termination occurs between the first and second anniversaries of the grant date thereof;
3. Vested as to 40% of the Restricted Stock Benefit if termination occurs between the second and third anniversaries of the grant date thereof;
4. Vested as to 60% of the Restricted Stock Benefit if termination occurs between the third and fourth anniversaries of the grant date thereof;
5. Vested as to 80% of the Restricted Stock Benefit if termination occurs between fourth and fifth anniversaries of the grant date thereof; and
6. Vested as to 100% of the Restricted Stock Benefit if termination occurs after the fifth anniversary of the grant date thereof.

1994 CARNIVAL CRUISE LINES  
KEY MANAGEMENT INCENTIVE PLAN

(adopted by the Board of Directors on January 17, 1994,  
and amended on January 5, 1998)

## OBJECTIVE

The Carnival Cruise Lines 1994 Key Management Incentive Plan (the "Plan") is designed to focus managerial attention on the objective of maximizing the profitability of the Carnival Cruise Lines division ("CCL") of Carnival Corporation. The Plan provides a framework within which the participants share in the incremental earnings of CCL achieved from applicable business operations on a fiscal year-to-year basis.

## PLAN ADMINISTRATION

The administrator of the Plan is the Compensation Committee of Carnival Corporation (the "Committee"). The Committee may, in its discretion, delegate administrative functions regarding the Plan to a Vice President of CCL. The Committee 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.

## PLAN YEAR

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

## PARTICIPATION

The President, Senior Vice Presidents and Vice-Presidents of CCL shall be eligible to participate in the Plan. The Committee may expand Plan eligibility to include directors, managers and/or supervisors for any Plan year. Participation in the Plan shall be determined on an annual basis by the Committee. No employee will have the automatic right to be selected as a participant for any year or, having been selected as a participant for one year, be considered a participant for any other year.

Only persons who are employed by CCL or one of its divisions on the first day of the Plan Year are eligible to participate in the Plan except that persons who commence employment following the beginning of the Plan Year may, with the approval of the Committee, be allowed to participate in the Plan. Such late-entry participants will be awarded Points (as defined below) pro-rated to the time of their entry into the Plan, subject to the approval of the Committee.

In order to actually receive an Incentive Award (as defined below) under the Plan, a participant must be employed by CCL or one of its divisions on the last day of the Plan year. The only exception to this requirement is for participants whose employment is terminated prior to the last day of the Plan Year as the result of death, disability or retirement ("Early Termination Employees").

## BONUS POOL

The total amount payable under the Plan for each Plan year (the "Bonus Pool") shall be equal to two percent (2%) (the "Bonus Percentage") of (x) the net income generated within each Plan Year by CCL and its divisions calculated in accordance with generally accepted accounting principals consistently applied (the "Net Income") minus (y) the greater of (i) CCL's Net Income for the fiscal year ending November 30, 1993 or (ii) \$183,000,000. The Bonus Percentage for the fiscal years ending November 30, 1996 and thereafter, if applicable, will be determined by the Board of Directors within 90 days of the commencement of each such fiscal year.

## METHOD OF CALCULATING INCENTIVE AWARDS

The Committee shall, in its discretion, assign a specific number of points (the "Points") to each participant. The Points awarded to each participant will be communicated to the participant during the first ninety (90) days of each Plan Year. Such decisions may be revised during a Plan Year by the Committee due to major changes in position responsibilities occurring during the Plan Year.

The Committee, in its sole discretion, shall adjust the Points assigned to

each participant by multiplying such participant's Points by a percentage within the range set forth below corresponding to such participant's evaluated performance for such year (the "Weighted Points"):

EXCELLENT PERFORMANCE	90-100%
GOOD PERFORMANCE	75-89%
FAIR PERFORMANCE	60-74%
LESS THAN FAIR PERFORMANCE	0-59%

Each participant shall receive an Incentive Award equal to the product of his or her Weighted Points multiplied by the "Point Value". The Point Value shall be equal to (i) the amount of the Bonus Pool, divided by (ii) the aggregate Points (before adjustments) awarded to participants for each Plan year.

Any amounts remaining in the Bonus Pool following the calculation of the Incentive Awards pursuant to the preceding paragraph shall be available for discretionary distribution by the Committee to participants.

#### PAYMENT OF INCENTIVE AWARDS

Incentive Awards are paid on a date determined by the Committee which is within seventy-five (75) days following the conclusion of each Plan Year. At the discretion of the Committee, advance partial payment of Incentive Awards may be made based on anticipated Net Income. At the discretion of the Committee, special arrangements may be made for earlier payment to Early Termination Employees.

Incentive Awards shall be payable eighty percent (80%) in cash and twenty percent (20%) in shares of Class A Common Stock of Carnival Corporation; provided, however, that the Incentive Award to the President of CCL shall be payable as determined by the Committee. The number of shares issuable to each participant shall be determined by dividing the dollar amount of the stock portion of the participant's Incentive Award by the average closing price for the Class A Common Stock for the last ten (10) trading days of the Plan year, as quoted on the national stock exchange on which the Class A Common Stock is traded. Fractional shares of the Class A Common Stock will not be issued. The value of the Class A Common Stock received by Plan participants will be reported to governmental taxing authorities, and taxes shall be withheld in respect of such Class A Common Stock, in accordance with the requirements of applicable law.

#### DURATION OF PLAN

The Plan will be effective for the fiscal years 1994, 1995 and 1996. It is the intent of Carnival Corporation to make a decision on whether or not to renew the Plan for an additional year in August of each year in order to effect a 2-year planning horizon (e.g., decision by August 1995 as to whether or not to extend the Plan to 1997).

#### RESERVATION OF SHARES

Subject to adjustment as provided in the last sentence of this paragraph, the maximum number of shares of Class A Common Stock that shall be authorized and reserved for issuance under the Plan shall be 200,000 shares of Class A Common Stock. The maximum number of shares authorized and reserved may be increased from time to time by approval of the Board, and, if required pursuant to Rule 16b-3 under the Exchange Act, the stockholders of Carnival Corporation. The shares to be issued to participants pursuant to the Plan may be, at the election of Carnival Corporation, either treasury shares or shares authorized but unissued, and, if treasury shares are used, all references in the Plan to the issuance of shares shall, for corporate law purposes, be deemed to mean the transfer of shares from treasury. Any shares of Class A Common Stock that are subject to an Incentive Award that lapses or expires shall automatically again become available for use under the Plan. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares or any other change in the corporate structure or shares of Carnival Corporation, the Committee shall make appropriate adjustment as to the number and kind of securities subject to and reserved under the Plan and, in order to prevent the dilution or enlargement of the rights of participants, the number and kind of securities subject to outstanding stock awards.

#### PURCHASE FOR INVESTMENT

Class A Common Stock issued will be subject to a restriction on sale

commencing from date of issuance and continuing until, but not including, the first trading day in the second January following the end of the Plan year in respect of which the Class A Common Stock was issued (e.g., Class A Common Stock issued in respect of the Plan year ending November 30, 1994 would be subject to a restriction on sale that would not end until the first trading day in January, 1996). Holders will be eligible to receive dividends during the restriction period.

Whether or not the shares of Class A Common Stock covered by the Plan have been registered under the Securities Act of 1933, as amended, each person acquiring shares of Class A Common Stock under the Plan may be required by Class A Common Stock to give a representation in writing that such person is acquiring such shares for investment and not with a view to, or for sale in connection with, the distribution of any part thereof. Carnival Corporation will endorse any necessary legend referring to the foregoing restriction upon the certificate or certificates representing any shares of Class A Common Stock issued or transferred to the Plan participants upon the grant of any shares of Class A Common Stock under the Plan.

#### AMENDMENT OF PLAN

The Board of Directors of Carnival Corporation may amend the Plan from time to time in such respects as the Board may deem advisable; provided, however, that no such amendment shall be effective without approval of the stockholders of Carnival Corporation if stockholder approval of the amendment is required pursuant to Rule 16b-3 under the Exchange Act.

#### GOVERNMENTAL AND OTHER REGULATIONS

The Plan and the Class A Common Stock awards under the Plan shall be subject to all applicable federal and state laws, rules and regulations and such approvals by any governmental or regulatory agency or national securities exchange, as may be required. Carnival Corporation shall not be required to issue or deliver any certificates or shares of stock prior to the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulations of any governmental body or national securities exchange which Carnival Corporation shall, in its sole discretion, determine to be necessary or advisable.

AMENDED AND RESTATED  
CARNIVAL CORPORATION  
1992 STOCK OPTION PLAN

(adopted by the Board of Directors on January 20, 1992,  
and amended on February 23, 1995, April 14, 1997 and  
January 5, 1998)

Carnival Corporation, a Panamanian corporation (the "Company"), hereby formulates and adopts the following 1992 Stock Option Plan (the "Plan") for employees of the Company and its Subsidiaries (as defined in paragraph 5).

1. Purpose. The purpose of the Plan is to secure for the Company the benefits of the additional incentive inherent in the ownership of Class A Voting Common Stock, par value \$.01 per share, of the Company ("Common Stock") by selected employees of the Company and its Subsidiaries who, in the judgment of the Committee (as defined in paragraph 2), are important to the success and the growth of the business of the Company and its Subsidiaries and to help the Company and its Subsidiaries secure and retain the services of such employees.

2. Administration. The Plan shall be administered in a manner consistent with the requirements for exemptive relief under Rule 16b-3 or its successor provision under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Plan shall be administered by a committee (the "Committee") consisting solely of two or more members of the Board of Directors of the Company (the "Board of Directors"), each of whom, to the extent necessary to comply with the requirements of Rule 16b-3 under the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations issued thereunder ("162(m)"), is intended to be a "disinterested person" within the meaning of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of Section 162(m); provided that the failure of any member of the Committee to qualify as a "disinterested person" or an "outside director" shall not affect the validity, terms or conditions of any award made hereunder which otherwise complies with the provisions of this Plan. The Committee shall select one of its members as Chairman and shall make such rules and regulations as it shall deem appropriate concerning the holding of its meetings and transaction of its business. A majority of the whole Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee. Any member of the Committee may be removed at any time either with or without cause by resolution adopted by the Board of Directors, and any vacancy on the Committee may at any time be filled by resolution adopted by the Board of Directors.

Subject to the express provisions of the Plan, the Committee shall have plenary authority to interpret the Plan, to prescribe, amend and rescind the rules and regulations relating to it and to make all other determinations deemed necessary and advisable for the administration of the Plan. The determinations of the Committee shall be conclusive.

3. Common Stock Subject to Options. Subject to the adjustment provisions of paragraph 13 below, a maximum of 6,000,000 shares of Common Stock may be made subject to options granted under the Plan. If, and to the extent that, options granted under the Plan shall terminate, expire or be canceled for any reason without having been exercised, new options may be granted in respect of the shares covered by such terminated, expired or canceled options. The granting and terms of such new options shall comply in all respects with the provisions of the Plan.

Shares sold upon the exercise of any option granted under the Plan may be shares of authorized and unissued Common Stock, shares of issued Common Stock held in the Company's treasury or both.

There shall be reserved at all times for sale under the Plan a number of shares of either authorized and unissued shares of Common Stock, shares of Common Stock held in the Company's treasury, or both, equal to the maximum number of shares which may be purchased pursuant to options granted or that may be granted under the Plan.

4. Grant of Options. The Committee shall have the authority and responsibility, within the limitations of the Plan, to determine the employees to whom options are to be granted, whether the options granted shall be "incentive stock Options" ("Incentive Options") within the meaning of section 422(b) of the Code, or options which are not Incentive Options

("Nonqualified Options"), the number of shares that may be purchased under each option and the option price; provided that the maximum number of shares in respect of which Incentive Options and/or Nonqualified Options may be granted to any individual employee in any calendar year during the term of the Plan shall be 1,000,000.

In determining the employees to whom options shall be granted and the number of shares to be covered by each such option, the Committee shall take into consideration the employee's present and potential contribution to the success of the Company and its Subsidiaries and such other factors as the Committee may deem proper and relevant.

5. Employees Eligible. Options may be granted to any key employee of the Company or any of its Subsidiaries. Options may be granted to employees who hold or have held options under this Plan or any similar or other awards under any other plan of the Company or any of its Subsidiaries. Employees who are also officers or directors of the Company or any of its Subsidiaries shall not by reason of such offices be ineligible as recipients of options.

For purposes of the Plan, a "Subsidiary" of the Company shall mean an "subsidiary corporation," as such term is defined in section 424(f) of the Code. Any entity shall be deemed a Subsidiary of the Company only for such periods as the requisite ownership relationship is maintained.

No person who would own, directly or indirectly, immediately after the granting of an option to such person, more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, except as permitted by section 422(c)(5) of the Code, shall be eligible to receive an Incentive Option under the Plan.

An employee receiving an option pursuant to the Plan is hereinafter referred to as an "Optionee".

6. Price. The option price of each share of Common Stock purchasable under any Incentive Option granted pursuant to the Plan shall not be less than the Fair Market Value (as defined below) thereof at the time the option is granted. The Committee is hereby given the authority to determine the price at which any Nonqualified Option may be granted.

For purposes of the Plan, "Fair Market Value" of a share of Common Stock means the average of the high and low sales prices of a share of Common Stock on the New York Stock Exchange Composite Tape on the date in question. If shares of Common Stock are not traded on the New York Stock Exchange on such date, "Fair Market Value" of a share of Common Stock shall be determined by the Committee in its sole discretion.

7. Duration of Options. Each option granted hereunder shall become exercisable, in whole or in part, at the time or times provided by the Committee, provided, however, that if an optionee's employment with the Company or any Subsidiary shall terminate by reason of death or "permanent and total disability," within the meaning of section 22(e)(3) of the Code ("Disability"), each outstanding option granted to such optionee shall become exercisable in full in respect of the aggregate number of shares covered thereby.

Notwithstanding any provision of the Plan to the contrary, unless otherwise provided by the Committee, the unexercised portion of any option granted under the Plan shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

- (a) the expiration of 10 years from the date on which such option was granted;
- (b) the expiration of one year from the date the Optionee's employment with the Company or any of its Subsidiaries shall terminate by reason of Disability; provided, however, that if the Optionee shall die during such one-year period, the provisions of subparagraph (c) below shall apply;
- (c) the expiration of one year from the date of the Optionee's death, if such death occurs either during employment by the Company or any of its Subsidiaries or during the one-year period described in subparagraph (b) above;
- (d) the date the Optionee's employment with the Company or any of its Subsidiaries shall terminate by reason of "cause" (as hereinafter defined). Termination by reason of "cause" shall mean termination by reason of participation and conduct during employment consisting of fraud, felony, willful misconduct or commission of any act which causes or may reasonably be expected

to cause substantial damage to the Company or any of its Subsidiaries;

- (e) the expiration of three months from the date the Optionee's employment with the Company or any of its Subsidiaries shall terminate other than by reason of death, Disability or termination for cause; and
- (f) in whole or in part, at such earlier time or upon the occurrence of such earlier event as the Committee in its discretion may provide upon the granting of such option.

The Committee may determine whether any given leave of absence constitutes a termination of employment. The options granted under the Plan shall not be affected by any change of employment so long as the Optionee continues to be an employee of the Company or any of its Subsidiaries.

8. Exercise of Options. An option granted under this Plan shall be deemed exercised when the person entitled to exercise the option (a) delivers written notice to the Company at its principal business office, directed to the attention of its Secretary, of the decision to exercise, (b) concurrently tenders to the Company full payment for the shares to be purchased pursuant to such exercise, and (c) complies with such other reasonable requirements as the Committee establishes pursuant to paragraph 2 of the Plan. Payment for shares with respect to which an option is exercised may be made in cash, check or money order and, subject to the Committee's consent, by Common Stock. No person will have the rights of a shareholder with respect to shares subject to an option granted under this Plan until a certificate or certificates for the shares have been delivered to him.

9. Nontransferability of Options. No option or any right evidenced thereby shall be transferable in any manner other than by will or the laws of descent and distribution, and, during the lifetime of an Optionee, only the Optionee (or the Optionee's court-appointed legal representative) may exercise an option. In the Committee's discretion, an option may be transferred pursuant to a "qualified domestic relations order," as defined in section 414(p) of the Code.

10. Rights of Optionee. Neither the Optionee nor the Optionee's executor or administrator shall have any of the rights of a stockholder of the Company with respect to the shares subject to an option until certificates for such shares shall actually have been issued upon the due exercise of such option. No adjustment shall be made for any regular cash dividend for which the record date is prior to the date of such due exercise and full payment for such shares has been made therefor.

11. Right to Terminate Employment. Nothing in the Plan or in any option shall confer upon any Optionee the right to continue in the employment of the Company or any of its Subsidiaries or affect the right of the Company or any of its Subsidiaries to terminate the Optionee's employment at any time, subject, however, to the provisions of any agreement of employment between the Company or any of its Subsidiaries and the Optionee.

12. Nonalienation of Benefits. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. To the extent permitted by applicable law, no right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such benefits.

13. Adjustment Upon Changes in Capitalization, etc. In the event of any stock split, stock dividend, stock change, reclassification, recapitalization or combination of shares which changes the character or amount of Common Stock prior to exercise of any portion of an option theretofore granted under the Plan, such option, to the extent that it shall not have been exercised, shall entitle the Optionee (or the Optionee's executor or administrator) upon its exercise to receive in substitution therefor such number and kind of shares as the Optionee would have been entitled to receive if the Optionee had actually owned the stock subject to such option at the time of the occurrence of such change; provided, however, that if the change is of such a nature that the Optionee, upon exercise of the option, would receive property other than shares of stock, the Committee shall make an appropriate adjustment in the option to provide that the Optionee (or the Optionee's executor or administrator) shall acquire upon exercise only shares of stock of such number and kind as the Committee, in its sole judgment, shall deem



equitable; and provided, further, that any such adjustment shall be made so as to conform to the requirements of section 424(a) of the Code.

In the event that any transaction (other than a change specified in the preceding paragraph) described in section 424(a) of the Code affects the Common Stock subject to any unexercised option, the Board of Directors of the surviving or acquiring corporation shall make such similar adjustment as is permissible and appropriate.

If any such change or transaction shall occur, the number and kind of shares for which options may thereafter be granted under the Plan shall be adjusted to give effect thereto.

14. Purchase for Investment. Whether or not the options and shares covered by the Plan have been registered under the Securities Act of 1933, as amended, each person exercising an option under the Plan may be required by the Company to give a representation in writing that such person is acquiring such shares for investment and not with a view to, or for sale in connection with, the distribution of any part thereof. The Company will endorse any necessary legend referring to the foregoing restriction upon the certificate or certificates representing any shares issued or transferred to the Optionee upon the exercise of any option granted under the Plan.

15. Form of Agreements with Optionees. Each option granted pursuant to the Plan shall be in writing and shall have such form, terms and provisions, not inconsistent with the provisions of the Plan, as the Committee shall provide for such option. The effective date of the granting of an option shall be the date on which the Committee approves such grant. Each Optionee shall be notified promptly of such grant, and a written agreement shall be promptly executed and delivered by the Company and the Optionee.

16. Termination and Amendment of Plan and Options. Unless the Plan shall theretofore have been terminated as hereinafter provided, options may be granted under the Plan at any time, and from time to time, prior to the tenth anniversary of the Effective Date (as defined below), on which date the Plan will expire, except as to options then outstanding under the Plan. Such options shall remain in effect until they have been exercised, have expired or have been canceled.

The Plan may be terminated or amended at any time by the Board of Directors; provided, however, that any such amendment shall comply with all applicable laws (including Code section 422), applicable stock exchange listing requirements and applicable requirements for exemption (to the extent necessary) under Rule 16b-3 under the Exchange Act.

No termination, modification or amendment of the Plan, without the consent of the Optionee, may adversely affect the rights of such person with respect to such option. With the consent of the Optionee and subject to the terms and conditions of the Plan, the Committee may amend outstanding option agreements with any Optionee.

17. Effective Date of Plan. The Plan shall become effective upon its adoption by the Board of Directors (the "Effective Date"), subject, however, to its approval by the Company's shareholders within 12 months after the date of such adoption.

18. Government and Other Regulations. The obligation of the Company with respect to options granted under the Plan shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agency as may be required, including without limitation the effectiveness of any registration statement required under the Securities Act of 1933, as amended, the rules and regulations of any securities exchange on which the Common Stock may be listed.

19. Withholding. The Company's obligation to deliver shares of Common Stock in respect of any option granted under the Plan shall be subject to all applicable federal, state and local tax withholding requirements. Federal, state and local tax withholding due upon the exercise of any option (or upon any disqualifying disposition of shares of Common Stock subject to an Incentive Option), in the Committee's sole discretion, may be paid in shares of Common Stock (including the withholding of shares subject to an option) upon such terms and conditions as the Committee may determine.

20. Separability. If any of the terms or provisions of the Plan conflict with the requirements of Rule 16b-3 under the Exchange Act and/or section 422 of the Code, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3 and/or section 422 of the Code. With respect to Incentive Options,

if the Plan does not contain any provision required to be included herein under section 422 of the Code, such provision shall be deemed to be incorporated herein with the same force and effect as if such provision had been set out at length herein; provided, further, that to the extent any option which is intended to qualify as an Incentive Option cannot so qualify, such option, to that extent, shall be deemed to be a Nonqualified Option for all purposes of the Plan.

21. Non-Exclusivity of the Plan. Neither the adoption of the Plan by the Board of Directors nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitation on the power of the Board of Directors to adopt such other incentive arrangements as it may deem desirable, including without limitation the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

22. Exclusion from Pension and Profit-Sharing Computation. By acceptance of an option, each Optionee shall be deemed to have agreed that such grant is special incentive compensation that will not be taken into account in any manner as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan of the Company or any of its Subsidiaries. In addition, such option will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Optionee which is payable to such beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries.

23. Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of Florida.

CARNIVAL CRUISE LINES, INC.  
1993 RESTRICTED STOCK PLAN

(adopted by the Board of Directors on January 15, 1993,  
and amended on January 5, 1998)

1. Purpose of the Plan. The purpose of the Carnival Cruise Lines, Inc., 1993 Restricted Stock Plan (the "Plan") is to provide incentives in the form of ownership of the Class A Common Stock ("Common Stock"), of Carnival Cruise Lines, Inc. (the "Company"), to certain selected employees of the Company and its subsidiaries ("Participants"), by making awards of Common Stock ("Stock Awards"), subject to certain restrictions and forfeiture provisions.

2. Participation. Participation in the Plan shall be limited to officers, directors and key employees of the Company designated from time to time by the Compensation Committee of the Board of Directors of the Company.

3. Common Stock Reserved for the Plan. The shares subject to Stock Awards under the Plan shall consist of 500,000 authorized but unissued shares of Common Stock or previously issued shares reacquired and held by the Company, and such amount of shares shall be and is hereby reserved for issuance pursuant to this Plan.

4. Grant of Awards. (a) The Compensation Committee shall have the authority and responsibility, within the limitations of the Plan, to determine the officers, directors and key employees of the Company to whom Stock Awards shall be granted, the number of shares of Common Stock which will comprise each Stock Award, and the vesting schedule of each Stock Award.

(b) The Company shall not issue fractional shares under the Plan.

5. Terms and Conditions. Each Stock Award granted under the Plan shall be subject to the following express terms and conditions and to such other terms and conditions as the Compensation Committee may deem appropriate:

(a) Restrictions on Forfeitable Common Stock. Each of the Common Stock granted pursuant to a Stock Award shall be subject to the following restrictions until the Participant acquires a nonforfeitable right to the shares: such shares may not be sold, exchanged, transferred, pledged, hypothecated, or otherwise disposed of by the Participant until Participant's right to such shares becomes nonforfeitable. Notwithstanding the foregoing, nothing herein shall preclude a Participant from making a gift of any shares of Common Stock to a spouse, child, step-child, grandchild, parent, sibling, or legal dependent of the Participant or to a trust of which the beneficiary or beneficiaries of the corpus and the income are any of such persons or the Participant; provided that the Common Stock so given shall remain subject to the restrictions, obligations and conditions described in this section 5.

(b) Time When Common Stock Is Nonforfeitable. Participants shall acquire a fully nonforfeitable right to the Common Stock awarded under the Plan upon the earlier of (i) the date of the Participant's actual retirement at or after age 65, (ii) the date of the Participant's death or disability, or (iii) on such date as otherwise determined by the Compensation Committee. In addition, the Participant shall acquire nonforfeitable rights to the Common Stock awarded under the Plan in accordance with the vesting (i.e., acquisition of nonforfeitable rights) schedule as set by the Compensation Committee at the time of the Stock Award, provided that full vesting under such schedule shall take place no sooner than five years after date of Stock Award and no later than ten years after such date.

(c) Forfeiture Due to Termination of Employment. Unless otherwise determined by the Plan Administration Committee, if a Participant leaves the employment of the Company for any reason other than retirement at or after age 65, or death or disability, all shares as to which the Participant does not have a nonforfeitable right shall be forfeited and returned to the Company.

(d) Definition of Disability, Years of Service, and Retirement. The term "disability" as used in this section means "total and permanent disability". The terms "total and permanent disability," "years of

service," and "retirement" shall be determined in accordance with applicable Company personnel policies.

(e) Rights and Obligations With Respect to Stock. A certificate or certificates for all shares of Common Stock granted pursuant to a Stock Award hereunder shall be registered in the name of each Participant and delivered to him as soon as reasonably practicable, and he shall thereupon be a stockholder and, except as otherwise expressly provided to the contrary herein, have all the rights of a stockholder with respect to such shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such shares; provided, however, that such shares of Common Stock, and any new, additional or different securities the Participant may become entitled to receive with respect to such shares by virtue of a stock split or stock dividend or any other change in the corporate or capital structure of the Company, shall be subject to the terms and conditions hereof. In order to enforce such terms and conditions, the Company may cause a legend or legends making appropriate reference to such terms and conditions to be imposed on each share of Common Stock subject to a Stock Award.

6. Amendments or Termination. The Company may amend, alter or discontinue the Plan, but no amendment or alteration shall be made which would impair the rights of any Participant under any award previously granted without the consent of such Participant.

7. Compliance With Other Laws and Regulations. This Plan and Stock Awards hereunder shall be subject to all applicable federal and state laws, rules and regulations and such approvals by any governmental or regulatory agency or national securities exchange as may be required. The Company shall not be required to issue or deliver any certificates for shares of Common Stock prior to the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulation of any government body or national securities exchange which the Company shall, in its sole discretion, determine to be necessary or advisable.

8. Effective Date of Plan. The Plan shall be effective on the date the shareholders of the Company adopt the Plan.

THE CARNIVAL CORPORATION  
"FUN SHIPsm" NONQUALIFIED SAVINGS PLAN

Effective January 1, 1998

THE CARNIVAL CORPORATION  
"FUN SHIPsm" NONQUALIFIED SAVINGS PLAN

Effective January 1, 1998

ARTICLE 1. PURPOSE

Carnival Corporation has established The Carnival Corporation "Fun Ship "Nonqualified Savings Plan, effective January 1, 1998. The Carnival Corporation "Fun Ship" Nonqualified Savings Plan is a nonqualified deferred compensation plan for a select group of management or highly compensated employees of Carnival Corporation and its participating subsidiaries and affiliated companies as a means of sheltering a portion of an eligible individual's income from current taxation while accumulating resources for future investments.

## ARTICLE 2. DEFINITIONS

For the purpose of this Plan the following terms shall have the meanings as set forth below unless the context requires otherwise:

- 2.1 Affiliated Company means (a) a member with an Employer of a controlled group of corporations, (b) an unincorporated trade or business which is under common control with an Employer as determined in accordance with Section 414(c) of the Code, or (c) a member with an Employer of an affiliated service group, as defined in Section 414(m) of the Code. A corporation or an unincorporated trade or business shall not be considered an Affiliated Company during any period it does not satisfy clause (a), (b), or (c) of this definition. For purposes of this definition, a "controlled group of corporations" is a controlled group of corporations as defined in Section 414(b) of the Code.
- 2.2 Beneficiary means the surviving Spouse of the Participant, unless such surviving Spouse has previously consented to the designation of another person, estate, trust, or organization as Beneficiary in a writing acknowledging the effect of such designation, which writing is witnessed by a notary public. The Beneficiary of an unmarried participant or of a married Participant with a consenting Spouse shall mean any person(s) who, or estate, trust, or organization which, becomes entitled to receive benefits upon the death of a Participant. In the event an unmarried Participant fails to designate a Beneficiary, the Participant's estate shall be deemed to be his Beneficiary. A Participant shall file with the Retirement Committee a written designation of Beneficiary. Such a designation may be changed or revoked by a written notice filed with the Retirement Committee; however, such a change must be properly consented to by the Participant's Spouse, if the Spouse is not named as Beneficiary. In the case of a Participant with no Spouse, his designation of Beneficiary shall automatically be revoked upon the marriage or remarriage of the Participant.
- 2.3 Board means the Board of Directors of the Company.
- 2.4 Bonus means any discretionary year-end cash bonuses paid for services with an Employer.
- 2.5 Code means the Internal Revenue Code of 1986, as amended from time to time.
- 2.6 Company means Carnival Corporation or any successor by merger, consolidation or sale of assets.
- 2.7 Effective Date means January 1, 1998.
- 2.8 Eligible Earnings shall be determined for purposes of a Participant's Employee Deferral Contributions and the Matching Contributions and Profit-Sharing Contributions made on the Participant's behalf as follows:

(a) For purposes of a Participant's Employee Deferral Contributions for any payroll period, the Participant's Eligible Earnings shall consist of: (1) the following amounts received by the Participant for such payroll period: the Participant's regular base wages or salary, commissions, overtime, holiday pay, retroactive pay, workers' compensation payments made by the Employer, benefit hour payments, and discretionary bonuses that are not deferred under Section 4.4; plus (2) the amounts deferred for such payroll period under Section 4.1 and under any plan maintained by the Employer under Code Section 125 or 401(k).

(b) For purposes of any Matching Contributions made on behalf of a Participant for any payroll period, the Participant's Eligible Earnings shall consist of: (1) the following amounts received by the Participant for such payroll period: the Participant's base wages or salary, commissions, overtime, holiday pay, retroactive pay, workers' compensation payments made by the Employer, benefit hour payments, and discretionary bonuses that are not deferred under Section 4.4; (2) any discretionary bonuses that would have been received in such payroll period but are deferred under Section 4.4; plus (3) the amounts deferred for such payroll period under Section 4.1 and under any plan maintained by the Employer under Code Section 125 or 401(k).

(c) For purposes of any Profit-Sharing Contributions made on behalf of a Participant for any Plan Year, the Participant's Eligible Earnings shall consist of: (1) the following amounts received by the Participant for such Plan Year: the Participant's regular base wages or salary, commissions, overtime, holiday pay, retroactive pay, workers' compensation payments made by the Employer, benefit hour payments, and discretionary bonuses; (2) any discretionary year-end bonuses that would have been received in such Plan Year but are deferred under Section 4.4; plus (3) the amounts deferred for the Plan Year under Section 4.1 and under any plan maintained by the Employer under Code Section 125 or 401(k). Solely for purposes of determining the amount of a Participant's Profit-Sharing Contribution, Eligible Earnings in excess of the maximum compensation rate under Code Section 401(a)(17) (determined without regard to the reduction to \$150,000 (i.e., \$250,000 for 1996) as further indexed for cost of living by reference to the annual percentage change of the CPI-U, U.S. City Average, All Items (non-seasonally adjusted) for the period from August to August of the preceding year (i.e., the annual change published in September of the year prior to the year the compensation limit is in effect)) shall be disregarded.

Notwithstanding the foregoing, the term "Eligible Earnings" for any purpose under the Plan shall not include any fringe benefits (such as car allowances and relocation reimbursements).

2.9 Eligible Employee means any Employee who is member of a select group of management or highly compensated employees as determined by the Retirement Committee in accordance with Section 3.1.

2.10 Employee means a common law employee of the Company or an Affiliated Company.

2.11 Employee Deferral Contributions means the salary reduction contributions made at the direction of a Participant by his Employer pursuant to Article 4.

2.12 Employer means the Company, Carnival Cruise Lines or any other Affiliated Company which has adopted this Plan under Section 10.3.

2.13 ERISA means the Employee Retirement Income Security Act of 1974, as amended.

2.14 Hour of Service means an hour for which an Employee directly or indirectly receives, or is entitled to receive, remuneration from an Employer or an Affiliated Company in relation to his employment, including hours credited for vacation, holiday, sickness or disability (which shall be credited to the Employee with respect to the period for which remuneration is paid) and hours for which back pay has been paid, awarded or agreed to (irrespective of mitigation of damages) by the Employer or Affiliated Company, which shall be credited to the Employee for the period to which the award or agreement pertains rather than the period in which the award or agreement is made. Notwithstanding the foregoing, the following special rules shall apply in determining an Employee's Hours of Service:

(a) An Employee who is classified as "exempt" or "salaried" by his Employer shall be credited with 90 Hours of Service for each bi-weekly period in which the Employee is credited with at least one Hour of Service, and an Employee who is classified as "non-exempt" or "hourly" by his Employer shall be credited with the actual number of Hours of Service credited under this Section 2.14.

(b) In no event shall more than 501 Hours of Service be credited to an Employee on account of any single period (other than any period of paid Permitted Leave) during which the Employee performs no duties.

(c) In no event shall an Employee be credited with any Hours of Service for which the Employee directly or indirectly receives, or is entitled to receive, remuneration from any entity before it becomes an Affiliated Company.

(d) Hours of Service shall be credited to an Employee in accordance with the records of the Employee's Employer and Department of Labor Regulations Section 2530.200b-2.

2.15 Matching Contributions means the contributions made by

an Employer, pursuant to Section 5.1, on behalf of a Participant who elects to make Employee Deferral Contributions.

- 2.16 Parental Leave means an Employee's paid or unpaid leave of absence from employment with the Employee's Employer because of pregnancy, birth of the Employee's child, placement of a child with the Employee in connection with adoption of the child or caring for a child immediately following birth or adoption. An Employee's Employer shall determine the first and last day of any Parental Leave taken by the Employee.
- 2.17 Participant means an Eligible Employee who satisfies the participation requirements under Article 3.
- 2.18 Permanent Disability means a Participant's disability that, in the discretion of the Committee or its delegate, causes the Participant to be completely unable to perform any and every duty pertaining to his employment with the Company or an Affiliated Company, provided, however, a Participant will not be considered to have a Permanent Disability if: (a) such Participant is engaged in any occupation or employment for wage or profit or (b) such disability is the result of an intentionally self-inflicted injury, participating in a riot, committing a felony or any type of assault or engaging in an illegal occupation or illegal conduct.
- 2.19 Permitted Leave means an Employee's approved leave of absence from employment with his Employer for any reason other than Termination of Employment, including but not limited to military service, illness, disability (other than Permanent Disability), pregnancy, educational pursuits, service as a juror, temporary employment with a government agency, or any other leave of absence approved by the Employee's Employer. In approving a Permitted Leave, an Employee's Employer shall determine the dates as of which the Permitted Leave shall begin and end.
- 2.20 Plan means The Carnival Corporation "Fun Ship " Nonqualified Savings Plan, the Plan set forth herein, as amended from time to time.
- 2.21 Plan Year means the 12-consecutive month period commencing January 1st and ending on the following December 31st.
- 2.22 Profit-Sharing Contributions means the contributions made on behalf of each eligible Participant pursuant to Section 5.3.
- 2.23 Retirement means the later of: (a) the time a Participant attains age 65, or (b) the fifth anniversary of the time the Participant commences participation in the Plan.
- 2.24 Retirement Committee (or Committee) means the Retirement Committee as appointed under The Carnival Corporation "Fun Ship " Savings Plan.
- 2.25 Severe Financial Hardship means a severe financial hardship that includes (a) unreimbursed health care expenses described in section 213(d) of the Code for the Participant, his or her spouse or any of the Participant's dependents as defined in Section 152 of the Code; (b) reasonable costs related to the purchase of the Participant's primary residence; (c) tuition payment for 12 months of post-secondary education (not to include trade schools, beauty college, etc.) for the Participant, his or her spouse or dependents; and (d) payments necessary to prevent the eviction of the Participant from his or her primary residence or foreclosure on the mortgage of that residence.
- 2.26 Spouse means the person who is legally married to an Employee according to the law of the Employee's residence.
- 2.27 Termination of Employment means a Participant's termination of employment with his Employer and any Affiliated Company, whether voluntary or involuntary, for



any reason, including but not limited to quit, discharge, Retirement, death or Permanent Disability, and other than for Parental Leave, Permitted Leave, transfers from shoreside employment (or vice-versa), or transfers between an Employer and an Affiliated Company.

2.28 Valuation Date means any day on which the New York Stock Exchange or any successor to its business is open for trading, or such other date as may be designated by the Retirement Committee.

2.29 Year of Service means any calendar year for which an Employee is credited with at least 1,000 Hours of Service.

ARTICLE 3. ELIGIBILITY TO PARTICIPATE

3.1 Determination of Eligible Employee Status: Prior to each calendar quarter, beginning with the calendar quarter that begins on the Effective Date, the Retirement Committee or delegate will determine which Employees are Eligible Employees. An Employee who is determined to be an Eligible Employee shall thereafter become a Participant in accordance with Section 3.2.

3.2 Commencement of Participation: Each Eligible Employee shall be provided an opportunity to designate the percentage of his Compensation to be deferred under Section 4.1 and to irrevocably designate the percentage or dollar amount of his annual Bonus to be deferred under Section 4.4 ("Bonus Deferral"). Any such Eligible Employee who makes such a designation shall become a Participant on the first day of the payroll period that coincides with or immediately follows the first day of the calendar quarter subsequent to the Retirement Committee's determination of Eligible Employee status under Section 3.1, provided the Eligible Employee is employed as of such date. Any such designation must be made in the manner authorized by the Retirement Committee and must be accompanied by:

(a) an authorization for the Eligible Employee's Employer to make regular payroll deductions to cover the amount of such deferrals elected pursuant to Section 4.1;

(b) an irrevocable authorization to defer receipt of a percentage or a dollar amount of future Bonus amounts as elected under Section 4.4.

(c) an investment election with respect to any Employee Deferral Contributions, Bonus Deferrals, and the vested portion of any future Matching Contributions or Profit-Sharing Contributions under Section 6.3;

(d) a designation of Beneficiary; and

(e) a designation as to the form and timing of the distribution of the vested portion of his Participant Account.

Notwithstanding the foregoing, an Eligible Employee's failure to designate a contribution percentage or a bonus deferral percentage or bonus deferral amount under the first sentence of this Section 4.2 shall not affect his status as a Participant for purposes of an allocation of a Profit-Sharing Contribution in accordance with the requirements of Section 5.3. However, such an Eligible Employee must make a designation under subsection (c), (d) and (e) above as a condition of becoming a Participant for purposes of Section 5.3 and Article 7.

Further, notwithstanding the foregoing, in advance of the December 1 preceding each Plan Year, the Committee shall designate those Employees who are, or are expected to be, participants in The Carnival Corporation "Fun Ship " Savings Plan for such Plan Year who shall be an Eligible Employee under this Plan solely for purposes of making Bonus Deferrals pursuant to Section 4.4. Any such Eligible Employee shall not be eligible to authorize Employee Deferral Contributions pursuant to Section 4.1 for such Plan Year and shall not be eligible to receive an allocation of any Profit-Sharing Contribution under Section 5.3 for such Plan Year.

3.3 Cessation of Participation: A Participant shall cease to be a Participant as of the day all distributions to the Participant and the Participant's Beneficiaries have been made or upon the determination by the Retirement Committee that the Participant is no longer an Eligible Employee.

ARTICLE 4. EMPLOYEE DEFERRALS

- 4.1 Employee Deferral Contributions: Each Participant may authorize the Employer by which he is employed, in the manner described in Section 3.2, to have an Employee Deferral Contribution made on his behalf. Such election shall apply to the Participant's Eligible Earnings attributable to services performed subsequent to the election. Such Employee Deferral Contribution shall be a stated whole percentage of the Participant's Eligible Earnings, equal to not less than 1% nor more than 100%, as designated by the Participant. The percentage of Eligible Earnings designated by a Participant to measure the Employee Deferral Contributions to be made on the Participant's behalf shall remain in effect, notwithstanding any change in his Eligible Earnings, until he elects to change or suspend such percentage in accordance with Section 4.2 or Section 4.3, below.
- 4.2 Changes in Contributions: A Participant may change his contribution percentage election under Section 4.1 at any time by applying to make such change in the manner prescribed by the Committee. Any such change shall become effective as of the first full payroll period that begins coincident with or immediately following the first day of the calendar quarter following the date the Participant applies to make such change.
- 4.3 Suspension of Contributions: A Participant may suspend his Employee Deferral Contributions at any time by applying for a suspension in the manner prescribed by the Committee. Any such suspension shall become effective as soon as administratively practicable following the date the Participant applies for the suspension. A Participant whose Employee Deferral Contributions have been suspended under this subsection may resume having Employee Deferral Contributions made on his behalf by applying to change his contribution percentage election in accordance with Section 4.2.
- 4.4 Bonus Deferrals: By November 30 of each year, each Participant may authorize, in the manner authorized by the Retirement Committee, to defer a portion of his Bonus that would otherwise be payable for services performed in the twelve-month period beginning on the December 1 immediately following such November 30. A Participant's annual election to defer a Bonus shall be irrevocable, except that the Retirement Committee may permit a Participant to waive the remainder of his Bonus deferral commitment upon a finding that the Participant has suffered a Severe Financial Hardship.
- 4.5 Vesting of Elective Deferral Contributions and Bonus Deferrals: A Participant's Elective Deferral Contributions and earnings thereon, and deferrals of Bonus amounts and earnings thereon, shall be fully vested and nonforfeitable at all times.

ARTICLE 5. EMPLOYER CONTRIBUTIONS

5.1 Matching Contributions: An Eligible Employee shall become a Participant for purposes of this Section 5.1 only after being credited with at least 1,000 Hours of Service in the 12-month period commencing with the first day on which he is credited with an Hour of Service or in any Plan Year that commences after such day. Once such Eligible Employee becomes a Participant, his Employer shall contribute an amount equal to 50% of the Participant's Employee Deferral Contributions, up to a maximum amount that does not exceed the lesser of (1) 50% of the applicable dollar limit in effect under Code Section 402(g) (5) for such Plan Year, or (2) 50% of 6% of the Participant's Eligible Earnings for such Plan Year. Matching Contributions shall be made as soon as practicable after the end of each payroll period.

5.2 Vesting of Matching Contributions: Matching Contributions made on behalf of a Participant and earnings thereon shall be fully vested and nonforfeitable upon the Participant's Termination of Employment solely by reason of his Retirement, death or Permanent Disability. In the absence of any of the preceding events, Matching Contributions made on behalf of the Participant, and earnings thereon, shall vest in accordance with the schedule set forth below:

Years of Service	Percent Vested
Less than 2	0%
2	25%
3	50%
4	75%
5 or more	100%

5.3 Profit-Sharing Contributions: An Eligible Employee who is not a participant in The Carnival Corporation "Fun Ship " Savings Plan shall be eligible for an allocation of a Profit-Sharing Contribution under this Section 5.3 only after being credited with at least 1,000 Hours of Service in the 12-consecutive month period commencing with the first day on which he is credited with an Hour of Service or in any Plan Year that commences after such day. Following the end of each Plan Year, the Employers, at their discretion, shall contribute to the Account of each Eligible Participant (as defined below) an amount equal to a specified percentage of such Participant's Eligible Earnings, according to each Participant's Years of Service, determined as of the end of such Plan Year, under the following schedule:

Years of Service	Percent of Eligible Earnings
Less than 2	0%
2 - 5	1%
6 - 9	2%
10 - 13	3%
14 - 16	5%
17 - 19	7%
20 - 22	9%
23 - 25	12%
26 or more	15%

For purposes of this Section 5.3, the term "Eligible Participant" shall mean, with respect to any Plan Year, each Participant who is credited with a Year of Service for such Plan Year and is employed by the Employer on the last calendar day of such Plan Year.

5.4 Vesting of Profit-Sharing Contributions: Profit-Sharing Contributions made on behalf of a Participant and the earnings thereon shall be fully vested and nonforfeitable upon the Participant's Termination of Employment solely by reason of his Retirement, death or Permanent Disability. In the absence of any of the preceding events, the Profit-Sharing Contributions made on behalf of the Participant, and earnings thereon, shall vest in accordance with the schedules set forth below:

Years of Service	Percent Vested
Less than 5	0%
5 or more	100%

ARTICLE 6. INVESTMENTS AND PARTICIPANT  
ACCOUNTS

6.1 Establishment of Accounts: The Retirement Committee shall establish and maintain a separate account in the name of each Participant (to be referred to herein as "Participant Account") and shall establish the following subaccounts under each Participant Account:

(a) an Employee Deferral Contributions Subaccount to which shall be credited the Participant's Employee Deferral Contributions and any earnings and losses credited thereto;

(b) a Bonus Deferral Subaccount to which shall be credited the Participant's Bonus Deferrals and any earnings and losses credited thereto;

(c) a Matching Contributions Subaccount to which shall be credited any Matching Contributions made on the Participant's behalf and any earnings and losses credited thereto; and

(d) a Profit-Sharing Subaccount to which shall be credited any Profit-Sharing Contributions made on the Participant's behalf and any earnings and losses credited thereto.

Each Participant shall receive a quarterly statement reflecting his Participant Account balance.

6.2 Obligation of the Company: Individual benefits under the Plan are payable as they become due solely from assets allocated to individual Plan accounts in a rabbi trust or from the general assets of the Company. To the extent a Participant or any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured creditor of the Company. Neither this Plan nor any action taken pursuant to the terms of this Plan shall be considered to create a fiduciary relationship between the Company and the Participants or any other persons or to require the establishment of a trust in which the assets are beyond the claims of any unsecured creditor of the Company.

6.3 Establishment of Investment Funds: The Retirement Committee will establish one or more Investment Funds (such as those described in Appendix A) which will be maintained for the purpose of determining the investment return to be credited to each Participant's Account. The Retirement Committee may change the number, identity or composition of the Investment Funds from time to time. Each Participant will indicate the Investment Funds based on which vested amounts allocated in accordance with Articles 4 and 5 are to be adjusted. Each Participant's Account will be increased or decreased by the net amount of investment earnings or losses that it would have achieved had it actually been invested in the deemed investments. The Company is not required to purchase or hold any of the deemed investments. Investment Fund elections must be made in a minimum of 1% increments and at such times and in such manner as the Retirement Committee will specify. A Participant may change his Investment Fund election periodically in such manner as the Retirement Committee may specify. Any such change shall become effective as of the first business day coincident with or immediately following the first day of the calendar quarter following the date the Participant applies to make such change. The Retirement Committee shall designate the deemed investments in which the nonvested portion of each Participant's Account, if any, shall be invested. As the vested portion of a Participant's Account increases, the investment of such amounts shall remain invested in the deemed investment designated by the Committee until the Participant requests a change in accordance with this Section. If a Participant fails to make an Investment Fund election, the amount in the Participant's Account will be deemed to have been invested in a money market fund or any other fund as determined by the Retirement Committee.

6.4 Crediting Investment Results: No less frequently than as of each Valuation Date, each Participant Account will be increased or decreased to reflect investment results. Each Participant Account will be credited with the investment return of the investment funds in which the Participant elected to be deemed to participate. The credited investment return is

intended to reflect the actual performance of the Investment Funds net of any applicable investment management fees or administrative expenses determined by the Company. Notwithstanding the above, the amount of any payment of Plan benefits pursuant to Article 7 or upon Plan termination shall be determined as of Valuation Date preceding the date of payment.

ARTICLE 7. DISTRIBUTIONS

7.1 Form and Timing of Distribution: Each Participant shall elect the form and timing of the distribution with respect to the entire vested portion of his Participant Account at such time and in the manner authorized by the Retirement Committee. Any distribution election made under this Plan shall supersede any form and timing distribution election made under the Carnival Corporation Nonqualified Deferred Compensation Plan.

(a) Form of Payment: The Participant's election shall indicate the form of distribution of the entire vested portion of his Participant Account in a lump sum or monthly installments over 5 or 10 years.

(b) Time of Payment: The Participant's election shall indicate that payment shall be made (in the case of a lump sum election) or shall commence (in the case of an installment election):

(1) as soon as administratively practicable following the Participant's Termination of Employment;

(2) as soon as administratively practicable following the calendar year of the Participant's Termination of Employment;

(3) in the month following the earlier of (A) the Participant's attainment of age 55 and 15 Years of Service, or (B) the Participant's attainment of age 65, provided that the Participant is no longer employed as of such date; or

(4) in a specific month and year.

Notwithstanding the foregoing, if a Participant elects his distribution to be made or commenced in accordance with paragraph (3) above, and such date falls before the Participant's Termination of Employment, the Participant's distribution shall be made or commenced in accordance with paragraph (1) above. Further, if a Participant elects his distribution to be made or commenced in accordance with paragraph (4) above, and such date falls before the Participant's Termination of Employment, the Participant must complete new designations and authorizations pursuant to Section 3.2 in order to continue making Employee Deferral Contributions and/or Bonus Deferrals, and to continue receiving Matching Contributions and/or Profit-Sharing Contributions on his behalf.

Notwithstanding the foregoing, subject to the approval of the Retirement Committee, a Participant may change his form and timing election applicable to his Participant Account once every five years, provided that such request to change is made at least twelve (12) consecutive months prior to the date on which such distribution would otherwise have been made or commenced.

7.2 Distribution after Death: Notwithstanding the foregoing, if a Participant dies prior to receiving the entire amounts in his Account, the remaining vested amounts shall be paid in a lump sum to the Participant's Beneficiary designated on the Election Agreement as soon as practicable following the end of the month in which the Retirement Committee is notified of the Participant's death. The amount of any such distribution shall be determined as of the Valuation Date in the month in which the Retirement Committee is notified.

7.3 Distribution after Permanent Disability: Notwithstanding the foregoing, if a Participant incurs a Permanent Disability, distributions hereunder shall commence, in accordance with the form of distribution previously elected by the Participant, as soon as practicable following end of the month in which the Retirement Committee is notified of the Participant's Permanent Disability. The amount of any such distribution shall be determined as of the Valuation Date in the month in which the Retirement Committee is notified.

7.4 Distribution Due to Severe Financial Hardship: Notwithstanding the foregoing, distributions hereunder may commence if the Retirement Committee determines, based upon uniform, established standards, that the Participant has: (a) suffered a Severe Financial Hardship, and (b) exhausted all other financial resources that are reasonably available to such



Participant. Upon such determination, the Participant will receive an amount necessary to satisfy the Severe Financial Hardship but in no event will the Participant receive less than \$500, nor more than the total of all deferrals made by the Participant and all vested contributions made on the Participant's behalf, plus interest credited to the Participant's Account as of the date of the distribution. The Retirement Committee shall determine the Investment Fund or Funds under Section 6.3 from which the amount necessary to satisfy the Severe Financial Hardship shall be distributed. The Participant shall be limited to two distributions due to Severe Financial Hardship each calendar year.

ARTICLE 8. ADMINISTRATION

8.1 Administration: The Plan shall be administered by the Retirement Committee, as appointed under The Carnival Corporation "Fun Ship " Savings Plan. The provisions of Article 11 of The Carnival Corporation "Fun Ship " Savings Plan are hereby incorporated by reference. Notwithstanding anything to the contrary in such provisions, the Retirement Committee shall have the full and exclusive discretionary authority to administer the Plan, and any responsibilities and duties under this Plan which are not specifically delegated to anyone else. Responsibility for determining the eligibility of Employees and establishing the requirements for participation shall be vested in the Committee, which shall be responsible for any interpretation of the Plan that may be required. Notwithstanding the foregoing, the Committee may delegate any of its administrative duties as necessary to persons who are not Committee members.

8.2 Plan Expenses: The expenses of administering the Plan shall be borne by the Company. No member of the Retirement Committee shall receive any remuneration for service in such capacity. However, expenses of the Retirement Committee or its members paid or incurred in connection with administering the Plan shall be reimbursed by the Company.

8.3 Indemnification: The Company shall indemnify and hold harmless the members of the Committee and those so delegated by the Committee who perform administrative tasks for the Plan against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

8.4 Claims Procedure: Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Retirement Committee or its delegate, which shall respond in writing as soon as practicable. If the claim or request is denied, the written notice of denial shall state:

(a) The reasons for denial, with specific reference to the Plan provisions on which the denial is based.

(b) A description of any additional material or information required and an explanation of why it is necessary.

(c) An explanation of the Plan's claim review procedure.

8.5 Claims Review Procedure: Any person whose claim or request is denied or who has not received a response within 30 calendar days may request review by notice given in writing to the Retirement Committee or its delegate. The claim or request shall be reviewed by the Retirement Committee or its delegate, either of whom may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

The decision on review shall normally be made within 60 calendar days. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be 120 calendar days. The decision shall be in writing and shall state the reasons and the relevant Plan provisions. All decisions on review shall be final and binding on all parties concerned.

ARTICLE 9. AMENDMENT AND TERMINATION

It is the intention of the Company to continue this Plan indefinitely. Nevertheless, subject to the provisions hereinafter set forth, the Board may, at any time or from time to time, by written resolution modify or discontinue the Plan in whole or in part and reduce, suspend or discontinue contributions hereunder; provided, however, that no action may be taken which, by reason thereof, will discontinue or reduce the amount of payments (except as may be required pursuant to any plan arising from insolvency or bankruptcy proceedings) to any Participant who has had a Termination of Employment or incurred a Permanent Disability and no action may be taken which, by reason thereof, will reduce the vested amount in any Participant Account. Any modification or amendment of the Plan may be made retroactive if it does not violate the preceding sentence or if, notwithstanding such preceding sentence, the modification or amendment is necessary or appropriate to conform the Plan to, or to satisfy the conditions of, ERISA, the Code, or any other law, governmental regulation or ruling.

ARTICLE 10. GENERAL PROVISIONS

- 10.1 Non-Alienation of Benefits: Except as otherwise provided by law, no person shall have the right to assign, alienate, transfer, hypothecate or otherwise subject to lien an interest in or benefit under the Plan nor shall benefits under the Plan be subject to the claims of any creditor.
- 10.2 Adoption by Affiliated Company: Any Affiliated Company, whether or not presently existing, may, with the written approval of the Board, adopt this Plan by proper corporate action.
- 10.3 Withdrawal: Any Employer may at any time withdraw from the Plan upon giving the Board and the Retirement Committee at least 30 calendar days written notice of its intention to withdraw. The Board in its discretion may require, in writing, that an Employer withdraw from the Plan.
- 10.4 No Right to Employment: The Plan confers no right upon any Employee to continue employment with his Employer or any Affiliated Company.
- 10.5 Participant's Rights Unsecured: The right of any Participant or beneficiary to receive payment under the provisions of the Plan shall be as an unsecured claim against the general assets of the Company or a participating subsidiary, as the case may be, and no provisions contained in the Plan shall be construed to give any Participant or beneficiary at any time a security interest in the Participant's account or any asset of the Company or a subsidiary. The liabilities of the Company or a subsidiary to any Participant or beneficiary pursuant to the Plan shall be those of a debtor pursuant to such contractual obligations as are created by the Plan. Accounts, if any, which may be set aside by the Company or subsidiaries for accounting purposes shall not in any way be held in trust for, or to be subject to the claims of a Participant or Beneficiary.
- 10.6 Withholding: There shall be deducted from all payments under this Plan the amount of any taxes required to be withheld by any Federal, state or local government. The Participants and their beneficiaries, distributees, and personal representatives will bear any and all Federal, foreign, state, local or other income or other taxes imposed on amounts paid under this Plan.
- 10.7 Severability: In the event any provision of this Plan would serve to invalidate the Plan, that provision shall be deemed to be null and void, and the Plan shall be construed as if it did not contain the particular provision that would make it invalid.
- 10.8 Controlling Law: The Plan shall be governed by the laws of the State of Florida, except to the extent preempted by ERISA and any other law of the United States.

SIGNATURE

IN WITNESS WHEREOF the undersigned has caused this instrument to be executed this 31st day of December, 1997.

CARNIVAL CORPORATION

BY:/s/ Micky Arison

Attest:

---

APPENDIX A

INVESTMENT FUNDS AVAILABLE UNDER THE PLAN

Investment Funds may be added to or eliminated from the Plan at any time at the discretion of the Retirement Committee. The following types of Investment Funds are available under the Plan on and after the Effective Date:

1. Name of Fund
2. Type of Fund
3. Description of Fund

1. Merrill Lynch Reserves Money Fund
2. Stable Value Fund
3. Invests primarily in a broadly diversified portfolio of Guaranteed Investment Contracts and in obligations of U.S. government-agency securities as well as high-quality money market securities.

1. Alliance Bond Corporate Fund
2. Corporate Bond Fund
3. Normally invests at least 65% of assets in investment-grade debt securities. May hold corporate bonds, convertibles, U.S. Government obligations, and dollar-denominated foreign debt.

1. Merrill Lynch Global Allocation Fund, Inc.
2. Global Asset Allocation Fund
3. Fully managed investment policy using U.S. and foreign equity, debt and money market securities, the combination of which will be varied from time to time (with respect to types of securities and markets) in response to changing market and economic trends.

1. Merrill Lynch S&P 500 Index Fund
2. Index Fund
3. Seeks to provide investment results that, before expenses, mirror the total return of the Standard & Poor's (S&P) 500 Composite Stock Price Index by allocating investments among common stocks in approximately the same weighting as the S&P Index.

1. Davis New York Venture Fund
2. Large-Cap Growth Fund
3. Invests in common stocks and convertible securities that management believes have above-average appreciation potential. The fund may also invest up to 10% of its assets in securities of foreign issuers and up to 10% of its assets in restricted securities.

1. Merrill Lynch Growth Fund
2. Mid-Cap Growth Fund
3. Invests in securities that management considers to be undervalued. Emphasizes securities of issuers with a market capitalization of \$500 million or greater, but has the flexibility to invest in smaller capitalization

companies. Also may invest up to 20% of its total assets in foreign securities.

1. Pioneer Capital Growth Fund
2. Small-Cap Growth Fund
3. Normally invests at least 80% of assets in common stocks issued primarily by small-capitalization companies. May also invest in convertible bonds, preferred stock and upon to 25% of its assets in foreign securities.

1. Hotchkis & Wiley International Equity Fund
2. International Growth Fund
3. Seeks to provide current income and long-term growth of income, accompanied by growth of capital. Actively managed with a value-driven, bottom-up approach to stock selection, looking for companies with potential for growth in book value and in dividend increases.

AMENDMENTS TO  
THE CARNIVAL CORPORATION NONQUALIFIED RETIREMENT PLAN  
FOR HIGHLY COMPENSATED EMPLOYEES

The Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees (the "Plan") is hereby amended as of August 29, 1997, effective December 31, 1997 as follows:

(1) The preamble of the Plan is amended to read as follows:

Carnival Corporation (the "Company"), a corporation with its principal office in Miami, Florida, established, effective January 1, 1989, an unfunded, nonqualified plan for a select group of management or highly compensated employees. The Plan was amended and restated, effective January 1, 1995, to incorporate certain changes that the Company determined to be necessary. The Plan is amended, effective December 31, 1997, to provide that benefit accruals under the Plan will cease for those Participants who made a one-time irrevocable election to participate in The "Fun Ship " Nonqualified Savings Plan, as follows:

(2) The following sentence is added to the end of Section 1.6 of the Plan as follows:

Notwithstanding the foregoing, after December 31, 1997 no Benefit Accrual Years of Service shall be credited to any Participant under this Plan who made a one-time irrevocable election effective as of January 1, 1998 to participate in The "Fun Ship " Nonqualified Savings Plan.

(3) The following sentence is added to the end of Section 2.1 of the Plan as follows:

Notwithstanding the foregoing, effective January 1, 1998, for purposes of Articles 2 and 3 and for determining a Participant's Benefit Accrual Years of Service and Vesting Years of Service, no individual who elected to participate in The "Fun Ship " Nonqualified Savings Plan shall continue active participation in the Plan. Effective January 1, 1998, no individual shall become eligible to become a Participant hereunder.

(4) The following sentence is added to the end of Section 5.1 of the Plan as follows:

Notwithstanding the foregoing, any Participant who made a one-time irrevocable election to participate in The "Fun Ship " Nonqualified Savings Plan, effective as of January 1, 1998, shall become fully vested in his Retirement Benefit.

(5) The last sentence of Section 1.9 of the Plan is amended to read as follows:

Employee's Compensation shall not exceed the maximum compensation rate under section 401(a)(17) of the Code (determined without regard to the reduction to \$150,000 (i.e., \$250,000 for 1996) as further indexed for cost of living by reference to the annual percentage change of the CPI-U, U.S. City Average, All Items (non-seasonally adjusted) for the period from August to August of the preceding year (i.e. the annual change published in September of the year prior to the year the compensation limit is in effect).



AMENDMENTS TO  
THE CARNIVAL CORPORATION QUALIFIED RETIREMENT PLAN

The Carnival Corporation Qualified Retirement Plan (the "Plan") is hereby amended as of August 29, 1997, effective December 31, 1997 as follows:

(1) The following sentence is added to the preamble of the Plan as follows:

Effective December 31, 1997, benefit accruals under the Carnival Corporation Qualified Retirement Plan will cease.

(2) The following sentence is added to the end of Section 1.8 of the Plan as follows:

Notwithstanding the foregoing, no Benefit Accrual Years of Service shall be credited to any Participant under this Plan after December 31, 1997.

(3) The following sentence is added to the end Section 2.2 of the Plan as follows:

Notwithstanding the foregoing, effective January 1, 1998, for purposes of Articles 2 and 3 and for determining a Participant's Benefit Accrual Years of Service and Vesting Years of Service, no individual shall continue active participation in the Plan or become eligible to become a Participant hereunder.

(4) The following sentence is added to the end Section 5.1 of the Plan as follows:

Notwithstanding the foregoing, any Participant employed by an Employer on December 31, 1997, shall become fully vested in his Retirement Benefit.

CARNIVAL CORPORATION  
 STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS  
 (In thousands, except per share data)

	For the Years Ended November 30,		
	1997	1996	1995
Net income	\$666,050	\$566,302	\$451,091
Adjustments to net income for the purpose of computing fully diluted earnings per share:			
Interest reduction from assumed conversion of 4.5% Convertible Debentures		4,661	5,538
Adjusted net income	\$666,050	\$570,963	\$456,629
Weighted average shares outstanding	298,210	290,180	284,220
Adjustments to weighted average shares outstanding for the purpose of computing fully diluted earnings per share:			
Additional shares issuable upon conversion of 4.5% Convertible Debentures		5,540	6,618
Adjusted weighted average shares outstanding	298,210	295,720	290,838
Earnings per share:			
Primary	\$2.23	\$1.95	\$1.59
Fully Diluted*	\$2.23	\$1.93	\$1.57

\* This exhibit is provided to comply with SEC regulations. In accordance with Accounting Principles Board Opinion No. 15, the Company does not present fully diluted EPS in its financial statements because the convertible debentures are anti-dilutive or result in a less than 3% dilution for the periods presented.

CARNIVAL CORPORATION  
 RATIO OF EARNINGS TO FIXED CHARGES  
 (In thousands, except ratios)

	FOR THE YEARS ENDED NOVEMBER 30,				
	1997	1996	1995	1994	1993
Income from continuing operations	\$666,050	\$566,302	\$451,091	\$381,765	\$318,170
Income tax expense	6,233	9,045	9,374	10,053	5,497
Income from continuing operations before income taxes	672,283	575,347	460,465	391,818	323,667
Adjustment to earnings:					
Income from affiliates in excess of dividends received	(46,569)	(43,224)	0	0	0
Earnings as adjusted	625,714	532,123	460,465	391,818	323,667
Fixed Charges:					
Interest expense	55,898	64,092	63,080	51,378	34,325
Interest portion of rental expense (1)	3,528	3,093	2,529	2,575	2,894
Fixed charges associated with discontinued operations	0	0	0	928	1,451
Capitalized interest	16,846	25,799	18,762	21,888	24,609
Total fixed charges	76,272	92,984	84,371	76,769	63,279
Fixed charges not affecting earnings:					
Capitalized interest	(16,846)	(25,799)	(18,762)	(21,888)	(24,609)
Earnings before fixed charges	\$685,140	\$599,308	\$526,074	\$446,699	\$362,337
Ratio of earnings to fixed charges	9.0 x	6.4 x	6.2 x	5.8 x	5.7 x

(1) Represents one-third of rental expense, which Company management believes to be representative of the interest portion of rental expense.

CARNIVAL CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except par value)

ASSETS	NOVEMBER 30,	
	1997	1996
CURRENT ASSETS		
Cash and cash equivalents	\$ 139,989	\$ 111,629
Short-term investments	9,738	12,486
Accounts receivable	57,090	38,109
Consumable inventories, at average cost	54,970	53,281
Prepaid expenses and other	74,238	75,428
Total current assets	336,025	290,933
PROPERTY AND EQUIPMENT, net	4,327,413	4,099,038
OTHER ASSETS		
Investments in and advances to affiliates	479,329	430,330
Goodwill, less accumulated amortization of \$62,256 and \$55,274	212,607	219,589
Other assets	71,401	61,998
	\$5,426,775	\$5,101,888
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 59,620	\$ 66,369
Accounts payable	106,783	84,748
Accrued liabilities	154,253	126,511
Customer deposits	420,908	352,698
Dividends payable	44,578	32,416
Total current liabilities	786,142	662,742
LONG-TERM DEBT	1,015,294	1,277,529
CONVERTIBLE NOTES		39,103
DEFERRED INCOME AND OTHER LONG-TERM LIABILITIES	20,241	91,630
COMMITMENTS AND CONTINGENCIES (Note 9)		
SHAREHOLDERS' EQUITY		
Class A Common Stock; \$.01 par value; one vote per share; 399,500 shares authorized; 297,204 and 239,733 shares issued and outstanding	2,972	2,397
Class B Common Stock; \$.01 par value; five votes per share; 100,500 shares authorized; zero and 54,957 shares issued and outstanding		550
Paid-in-capital	866,097	819,610
Retained earnings	2,731,213	2,207,781
Other	4,816	546
Total shareholders' equity	3,605,098	3,030,884
	\$5,426,775	\$5,101,888

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

CARNIVAL CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)

	YEARS ENDED NOVEMBER 30,		
	1997	1996	1995
REVENUES	\$2,447,468	\$2,212,572	\$1,998,150
COSTS AND EXPENSES			
Operating expenses	1,322,669	1,241,269	1,131,113
Selling and administrative	296,533	274,855	248,566
Depreciation and amortization	167,287	144,987	128,433
	1,786,489	1,661,111	1,508,112
OPERATING INCOME BEFORE INCOME FROM			
AFFILIATED OPERATIONS	660,979	551,461	490,038
INCOME FROM AFFILIATED OPERATIONS, NET	53,091	45,967	
OPERATING INCOME	714,070	597,428	490,038
NONOPERATING INCOME (EXPENSE)			
Interest income	8,675	18,597	14,403
Interest expense, net of capitalized interest	(55,898)	(64,092)	(63,080)
Other income	5,436	23,414	19,104
Income tax expense	(6,233)	(9,045)	(9,374)
	(48,020)	(31,126)	(38,947)
NET INCOME	\$ 666,050	\$ 566,302	\$ 451,091
EARNINGS PER SHARE	\$2.23	\$1.95	\$1.59

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

CARNIVAL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	YEARS ENDED NOVEMBER 30,		
	1997	1996	1995
<b>OPERATING ACTIVITIES</b>			
Net income	\$666,050	\$566,302	\$451,091
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	167,287	144,987	128,433
Income from affiliates in excess of dividends received	(46,569)	(43,224)	
Other	2,540	19,639	7,681
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(21,229)	(4,432)	(12,655)
Consumable inventories	(1,689)	(4,461)	(3,698)
Prepaid expenses and other	903	(4,919)	(20,849)
Increase (Decrease) in:			
Accounts payable	22,035	(5,489)	3,487
Accrued liabilities	20,042	13,028	(1,385)
Customer deposits	68,210	60,092	35,101
Net cash provided from operating activities	877,580	741,523	587,206
<b>INVESTING ACTIVITIES</b>			
Decrease in short-term investments, net	2,748	37,710	19,720
Additions to property and equipment, net	(497,657)	(901,905)	(485,097)
Proceeds from sale of fixed assets	17,041	94,291	1,196
Proceeds from litigation settlements applied to cost of ships		43,050	19,426
Purchase of equity interests in affiliates	(38,378)	(163,112)	
Other reductions in (additions to) investments in and advances to affiliates	39,540	(23,903)	11,783
Decrease (increase) in other assets	21,805	94,644	(95,108)
Net cash used for investing activities	(454,901)	(819,225)	(528,080)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock	5,162	3,728	49,032
Principal payments of long-term debt	(424,391)	(735,246)	(406,600)
Dividends paid	(130,456)	(103,877)	(85,098)
Proceeds from long-term debt	155,366	971,361	382,800
Net cash (used for) provided from financing activities	(394,319)	135,966	(59,866)
Net increase (decrease) in cash and cash equivalents	28,360	58,264	(740)
Cash and cash equivalents at beginning of year	111,629	53,365	54,105
Cash and cash equivalents at end of year	\$139,989	\$111,629	\$ 53,365

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

CARNIVAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

Carnival Corporation and subsidiaries (the "Company") operate three separate cruise lines under the names Carnival Cruise Lines, Holland America Line and Windstar Cruises and a tour business, Holland America Westours. Carnival Cruise Lines operates eleven cruise ships primarily cruising in the Caribbean, Mexican Riviera and Alaska. Holland America Line operates eight cruise ships cruising primarily in Alaska, the Caribbean and the Mediterranean and Windstar Cruises operates three luxury, sail-powered vessels which call on more exotic locations inaccessible to larger ships. Holland America Westours markets sight-seeing tours and cruise/tour packages to Alaska. Holland America Westours also operates 14 hotels in Alaska and the Canadian Yukon, two luxury day boats offering tours to the glaciers of Alaska and the Yukon River, over 300 motor coaches used for sight-seeing and charters in the states of Washington and Alaska and in the Canadian Rockies and 13 private domed rail cars which are run on the Alaska Railroad between Anchorage and Fairbanks. The Company markets its services primarily in North America.

The Company has an approximate 50% direct equity interest in two cruise operations, Seabourn Cruise Line Limited ("Seabourn") and Il Ponte S.p.A., the parent company of Costa Crociere, S.p.A. ("Costa"). In addition, the Company has a 28% interest in Airtours plc ("Airtours"), a large publicly traded air-inclusive integrated tour company headquartered in the United Kingdom, and a 23% interest in a casino and hotel management company, CHC International, Inc. ("CHC"). Seabourn operates three luxury cruise vessels to worldwide destinations. Costa operates seven cruise ships in the Mediterranean, Northern Europe, the Caribbean and South America and its cruises are marketed primarily to Europeans. Airtours provides holidays for approximately five million people per year primarily from the United Kingdom and Scandinavia and operates 34 aircraft, three cruise ships and approximately 30 hotels. CHC manages casinos in the United States and Canada.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of Financial Statements

The accompanying financial statements present the consolidated balance sheets, statements of operations and cash flows of the Company. Preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. Actual results could differ from these estimates. All material intercompany transactions and accounts have been eliminated in consolidation.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents includes investments with original maturities of three months or less and are stated at cost which approximates market. Included in cash and cash equivalents at November 30, 1997 and 1996 is \$105 million of investments which are primarily comprised of commercial paper and \$73 million of certificates of deposit, respectively.

Short-term investments are primarily comprised of marketable debt securities, including U.S. Government and corporate debt securities. These investments are categorized as available for sale and, in accordance with SFAS 115, are stated at their fair value. Unrealized holding gains and losses are included as a component of shareholders' equity until realized.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	YEARS
Vessels	25-30
Buildings	20-40
Equipment	2-20
Leasehold improvements	shorter of the term of lease or related

The Company capitalizes interest on vessels and other capital projects during the construction period. Interest is capitalized using rates equivalent to the average borrowing rate of the Company's long-term debt.

Costs associated with drydocking are capitalized and charged to expense over the lesser of 12 months or the period to the next scheduled drydocking.

The Company reviews long-lived assets, identifiable intangibles, goodwill and reserves for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable.

#### Investments in Affiliates

The Company accounts for such investments based on its ability to exercise influence over financial and operating policies of the investee or its relative ownership interest. The Company consolidates affiliates in which it has control or a direct ownership interest of greater than 50%. For affiliates where significant influence exists or where the level of ownership is between 20% and 50%, the investment is accounted for using the equity method. When the Company does not have significant influence, the level of ownership interest is less than 20% or where the ability to exercise control or significant influence is temporary, the cost method of accounting is followed.

The Company's percentage share of the affiliated companies' net income (loss), net of amortization of goodwill, as well as any related interest income or royalty fee income from those affiliates is recorded as "Income from Affiliated Operations" in the accompanying statements of operations. The Company's investments in and advances to affiliates are reported as "Investments in and Advances to Affiliates" in the accompanying balance sheets. Also included in "Investments in and Advances to Affiliates" is goodwill relating to affiliates totaling \$266 million which is being amortized over periods ranging from 30 to 40 years.

#### Goodwill

Goodwill of \$275 million resulting from the acquisition of HAL Antillen, N.V. ("HAL"), the parent company of Holland America Line, Windstar Cruises and Holland America Westours, is being amortized using the straight-line method over 40 years.

#### Revenue Recognition

Customer cruise deposits, which represent unearned revenue, are included in the balance sheet when received and are recognized as cruise revenue upon completion of voyages with durations of ten days or less and on a pro rata basis, computed using the number of days completed during the reporting period, for voyages in excess of ten days. Revenues from tour and related services are recognized at the time the service is performed.

#### Advertising Costs

The Company capitalizes and amortizes direct-response advertising and expenses other advertising costs as incurred except for costs which result in tangible assets, such as brochures, which are treated as prepaid supplies and charged to operations as consumed. Advertising expense totaled \$112 million in 1997, \$109 million in 1996 and \$98 million in 1995.

#### Financial Instruments

The Company's financial instruments include forward foreign currency contracts and interest rate swap transactions held for purposes other than trading. These contracts are entered into to hedge the impact of foreign currency and interest rate fluctuations. Changes in the market value and any discounts or premiums on forward foreign currency contracts which hedge exposures of firm commitments related to the construction of cruise ships are recorded when the related foreign currency payments are made with any resulting gain or loss included in the cost of the vessel. Changes in the market value and any discounts or premiums on forward foreign currency contracts which hedge exposures related to certain of the Company's investments in affiliates are recognized currently as an increase or decrease directly to shareholders' equity. Changes in market value of forward foreign currency agreements entered into to hedge estimated foreign currency transactions are recognized into income currently. Discounts and premiums related to forward agreements entered into to hedge estimated foreign currency transactions are amortized to income over the life of the



agreement. Gains and losses on interest rate swap transactions designated as hedges are recorded as reductions or increases in interest expense over the life of the swap agreement.

#### Income Taxes

Non U.S. companies are exempt from U.S. corporate income tax on U.S. source income from international passenger cruise operations if (i) their countries of incorporation exempt shipping operations of U.S. persons from income tax (the "Incorporation Test") and (ii) they meet either the "CFC Test" or the "Publicly Traded Test". The Company and its subsidiaries involved in the cruise ship operations meet the Incorporation Test because they are incorporated in countries which provide the required exemption to U.S. persons involved in shipping operations. A Company meets the CFC Test if it is a controlled foreign corporation ("CFC") on any day during its fiscal year. A CFC is defined by the Internal Revenue Code as a foreign corporation more than 50% of the vote or value of whose stock is owned by U.S. persons, each of whom owns or is considered to own 10% or more of the corporation's voting power ("U.S. Shareholders"). Through July 15, 1997, the date upon which all of the Class B Common Stock of the Company (the "Class B Common Stock") was converted to Class A Common Stock (the "Conversion Date"), all of the outstanding shares of Class B Common Stock of the Company, which represented more than 50% of the total combined voting power of all classes of stock, was owned by The Micky Arison 1994 "B" Trust (the "B Trust"), which is a "United States Person", and thus, the Company met the definition of a CFC. Accordingly, the Company believes that it met the CFC Test for its entire 1997 taxable year.

A corporation meets the Publicly Traded Test if the stock of the corporation (or the direct or indirect corporate parent thereof) is "primarily and regularly traded on an established securities market" in the United States. Although no Treasury regulations have been promulgated that explain when stock is primarily and regularly traded for purposes of this exemption, Treasury regulations have been promulgated interpreting a similar phrase under another section. Under that section's regulations, stock is considered primarily and regularly traded if: (i) 80% (by vote and value) of the stock of the corporation is listed on an established securities market in the United States where more shares are traded than in any other country, (ii) trades of such stock are effected on such market, other than in de minimis quantities, on at least 60 days during the taxable year, (iii) the aggregate number of shares so traded is equal to 10% or more of the average number of shares outstanding during the taxable year, and (iv) the company is not "closely held". The Company believes that it will meet the foregoing requirements for the portion of its taxable year beginning after the Conversion Date and for future taxable years.

Accordingly, the Company believes that virtually all of its income (with the exception of its United States source income from the operation of transportation, hotel and tour business of HAL Antillen N.V.) is exempt from United States federal income taxes. However, if the Company or the subsidiaries were found to meet neither the CFC Test nor the Publicly Traded Test for 1997 or any future year, much of their income would become subject to taxation by the United States at higher than normal corporate tax rates.

#### Earnings Per Share

Earnings per share computations are based on the weighted average number of shares of Class A and B Common Stock and common equivalent shares (related to stock options) outstanding during each of the years. Total shares used in the computation were 298.2 million, 290.2 million and 284.2 million for fiscal 1997, 1996 and 1995, respectively.

#### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	November 30,	
	1997	1996
	(in thousands)	
Vessels	\$4,536,382	\$4,269,403
Vessels under construction	182,929	163,178
	4,719,311	4,432,581
Land, buildings and improvements	194,013	170,466
Transportation and other equipment	268,520	204,776
Total property and equipment	5,181,844	4,807,823
Less-accumulated depreciation and amortization	(854,431)	(708,785)
	\$4,327,413	\$4,099,038

Interest costs associated with the construction of vessels and buildings are capitalized during the construction period and amounted to \$16.8 million in 1997, \$25.8 million in 1996 and \$18.8 million in 1995.

#### NOTE 4 - INVESTMENTS IN AND ADVANCES TO AFFILIATES

In June 1997, the Company and Airtours completed a joint offer to acquire the equity securities of Costa, an Italian cruise company. With the completion of the offer, the Company and Airtours each own 50% of Il Ponte, S.p.A. ("Il Ponte"), a holding company which was purchased from the Costa family. As of November 30, 1997, Il Ponte owned 98% of the ordinary share capital, 93% of the savings shares and 47% of the savings share warrants of Costa. The cost of acquiring the Company's portion of Il Ponte and Costa was approximately \$133 million, of which approximately \$95 million was paid by Il Ponte and the balance was paid by the Company. The \$95 million which was paid by Il Ponte was funded by borrowings which the Company guaranteed. In January 1998, Il Ponte completed a tender offer for the remaining shares of Costa and currently owns approximately 100% of the ordinary share capital, savings shares and savings share warrants of Costa. The Company's portion of the cost of the tender for the remaining shares was approximately \$8 million and was funded by Il Ponte increasing the borrowing discussed above to approximately \$103 million. The Company is recording its equity in Il Ponte's results of operations on a two month lag basis.

In April 1996, the Company acquired its 28% interest in Airtours for approximately \$307 million. Approximately \$163 million was paid in cash and the balance in 5,301,186 shares of the Company's Class A Common Stock. As of November 30, 1997, the market value of the Company's investment in Airtours, based on the closing price of Airtours' stock on the London Stock Exchange, was approximately \$830 million as compared with the book value of the Company's investment in Airtours of \$370 million. The Company is recording its equity in Airtours' results of operations on a two month lag basis.

The Company owns a 23% interest in CHC. In addition, the Company holds \$16 million of 6% notes receivable (the "TCC Notes") from the sale of a 25% interest in CHC to other shareholders of CHC (the "TCC Principals"). One of the TCC Principals is a member of the Company's board of directors. The TCC Notes contain a put option which the TCC Principals can exercise, requiring the Company to repurchase 25% of CHC in exchange for the full principal and interest due under the TCC Notes. If not exercised, the option expires in November 1998. In October 1997, CHC entered into a merger agreement with Patriot American Hospitality, Inc. ("Patriot") under which Patriot will acquire CHC's hotel management division in exchange for shares of Patriot's preferred stock. CHC's gaming division will be spun off into a separate subsidiary which will be retained by the existing CHC shareholders. This transaction is expected to result in a small gain which the Company will record when the transaction closes. As of November 30, 1997, the carrying value of the Company's CHC investment, including the TCC Notes, is approximately \$24 million and is included in "Investments in and advances to affiliates" in the accompanying balance sheets.

CHC pays a royalty fee to the Company of 1% of CHC's gross revenues, as adjusted, not to be less than \$100,000 per year, for the use of the "Carnival" name. Such fees amounted to approximately \$.5 million, \$.4 million and \$.3 million in fiscal years ended November 30, 1997, 1996 and 1995, respectively of which approximately \$.9 million and \$.5 million was receivable as of November 30, 1997 and 1996, respectively.

In September 1997, the Company announced that it was dissolving its Asian cruise joint venture with Hyundai Merchant Marine (formed in September 1996) and would repurchase the cruise ship Tropicale from the joint venture. The Company recorded a charge of \$3.6 million in the fourth quarter of 1997 resulting from the dissolution of the joint venture. In September 1997, the Company repurchased the Tropicale from the joint venture for \$93 million. The remaining deferred gain of \$55.2 million which resulted from the sale of the Tropicale to the joint venture in 1996, was reclassified as a reduction of the Company's cost basis of the Tropicale upon its repurchase from the joint venture.

It is not practicable to estimate the fair value of Il Ponte as Il Ponte is not a publicly traded entity and its subsidiary, Costa Crociere S.p.A., although publicly traded on the Milan Exchange, has had very light trading volume since the acquisition of the majority of Costa's shares by Carnival and Airtours.

Financial information for affiliated companies accounted for by the equity method is as follows (in thousands):

Balance Sheet Data:	As of End of Fiscal Year	
	1997	1996
Current assets	\$1,297,311	\$ 998,172
Noncurrent assets	\$1,792,080	\$ 898,239
Current liabilities	\$1,359,822	\$1,013,805
Noncurrent liabilities	\$1,233,207	\$ 533,672
Minority interest	\$ 17,766	\$ 108
Shareholders' equity	\$ 478,596	\$ 348,826

Income Statement Data:	For the Fiscal Year Ended	
	1997	1996
Net sales	\$3,965,223	\$2,877,892
Gross margin	\$ 702,162	\$ 444,009
Net income	\$ 174,354	\$ 106,605

#### NOTE 5 - LONG-TERM DEBT AND CONVERTIBLE NOTES

Long-term debt consists of the following:

	November 30,	
	1997	1996
	(in thousands)	
Commercial Paper	\$ 288,614	\$ 307,298
Unsecured 5.75% Notes Due March 15, 1998	200,000	200,000
\$200 Million Multi-currency Revolving Credit Facility Due 2002		166,000
Mortgages and other loans payable bearing interest at rates ranging from 8% to 9.9%, secured by vessels, maturing through 1999	79,830	140,277
Unsecured 6.15% Notes Due October 1, 2003	124,960	124,953
Unsecured 7.20% Debentures Due October 1, 2023	124,876	124,871
Unsecured 7.7% Notes Due July 15, 2004	99,924	99,913
Unsecured 7.05% Notes Due May 15, 2005	99,851	99,831
Other loans payable	56,859	80,755
	1,074,914	1,343,898
Less portion due within one year	(59,620)	(66,369)
	\$1,015,294	\$1,277,529

The commercial paper outstanding as of November 30, 1997 bears interest at approximately 5.6% and is due in January 1998. Since the commercial paper is backed by the long-term revolving credit facilities described below, balances outstanding under the commercial paper programs have been classified as long-term in the accompanying balance sheets.

The Company's commercial paper program is supported by a one billion dollar unsecured revolving credit facility due December 2001 (the "U.S. Dollar Revolver") and a \$200 Million Multi-currency Revolving Credit Facility Due 2002 (the "Multi-currency Revolving Credit Facility"). Both revolving credit facilities bear interest at a maximum of LIBOR plus 14 basis points ("BPS") and provide for a facility fee of six BPS on the total facility. Any funds outstanding under the commercial paper programs reduce the aggregate amount available under the U.S. Dollar Revolver and the Multi-currency Revolving Credit Facility. As of November 30, 1997, the Company had \$911 million available for borrowing under the U.S. Dollar Revolver and Multi-currency Revolving Credit facilities.

The Unsecured 5.75% Notes Due March 15, 1998 are expected to be repaid through borrowings under the commercial paper programs, the Company's U.S. Dollar Revolver or through the issuance of additional long-term debt and, as such, have been classified as long-term in the accompanying November 30, 1997 balance sheet.

In January 1998, the Company issued \$200 million of 6.65% Debentures due January 15, 2028.

The Company has an interest rate swap agreement which converts the fixed rate unsecured 5.75% Notes Due March 15, 1998 (the "\$200 Million Notes") to a floating rate LIBOR based loan (see Note 7).

Property and equipment with a net book value of \$684 million at November 30, 1997 is pledged as collateral against the mortgage indebtedness.

As of November 30, 1997, the scheduled annual maturities of the Company's long-term debt are summarized as follows (in thousands):



Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to five votes, except (i) for the election of directors, and (ii) as otherwise provided by law. Annually, the holders of Class A Common Stock, voting as a separate class, are entitled to elect 25% of the directors to be elected. The holders of Class B Common Stock, voting as a separate class, are entitled to elect 75% of the directors to be elected, so long as the number of shares of Class B Common Stock is at least 12-1/2% of the number of outstanding shares of both classes of Common Stock.

Each share of Class B Common Stock is convertible at any time into one share of Class A Common Stock. In that regard, on July 15, 1997, the B Trust exercised its right to convert all of the 54,957,142 shares of Class B Common Stock held by it into an equal number of shares of Class A Common Stock. Prior to July 1, 1997, the B Trust had been restricted from converting such shares under a stockholders' agreement with the Company. Prior to the conversion of the Class B Common Stock, the B Trust was the controlling stockholder of the Company. As a result of the conversion of the Class B Common Stock, there are no shares of Class B Common Stock outstanding.

So long as there are no Class B shares outstanding, directors that would have been elected by a separate vote of Class B shareholders will instead be elected by the holders of Class A Common Stock.

At November 30, 1997 there were approximately 6.2 million shares of Class A Common Stock reserved for exercise of stock options, issuance of shares under the employee stock purchase plan, dividend reinvestment plan and restricted stock plans.

During 1997, the Company declared quarterly cash dividends aggregating \$.48 per share. In October 1997, the Board of Directors increased the quarterly dividends from \$.11 per share to \$.15 per share.

#### NOTE 7 - FINANCIAL INSTRUMENTS

The Company estimates the fair market value of financial instruments through the use of public market prices, quotes from financial institutions and other available information. Considerable judgment is required in interpreting data to develop estimates of market value and, accordingly, amounts are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

##### Short-term Investments

Short-term investments, classified as available for sale at November 30, 1997 and 1996 consisted primarily of U.S. Government Securities with maturities within ten years. As of November 30, 1997, 1996 and 1995, net unrealized losses amounted to \$.7 million, \$1.1 million and \$1.6 million, respectively. Proceeds from the sale of short-term investments for the years ended November 30, 1997, 1996 and 1995 were approximately \$3 million, \$38 million and \$20 million, respectively. For the purpose of determining gross realized gains and losses, the cost of short-term investments sold is based upon specific identification.

##### Long-term Debt and Convertible Notes

The fair value of the Company's long-term debt, including the current portion, was approximately \$1.089 billion and \$1.363 billion at November 30, 1997 and 1996, respectively, which is approximately \$14 million and \$19 million more than the carrying value at November 30, 1997 and 1996, respectively. The fair value of the long-term debt is more than the carrying amount due to the Company's issuance of fixed rate debt obligations in prior years at interest rates above market rates at November 30, 1997. The fair value of the Company's long-term debt is estimated based on the quoted market price for the same or similar issues or on the applicable year end rates offered to the Company for debt of similar terms and maturity. At November 30, 1996 the carrying amount of the Convertible Notes was approximately \$29 million less than the fair value primarily due to increases in the price of the Company's Class A Common Stock.

##### Foreign Currency and Interest Rate Swap Agreements

The Company enters into forward foreign currency contracts to reduce its exposures relating to changes in foreign currency rates. These

instruments are subject to gain or loss from changes in foreign currency rates, however, any realized gain or loss would generally be offset by gains or losses on the actual foreign currency transaction. The Company also enters into interest rate swap agreements to adjust the relationship between the amount of the Company's fixed and floating rate debt. Certain exposures to credit losses related to counter party nonperformance exist, however, the Company does not anticipate nonperformance by the counter parties as they are primarily large, well-established financial institutions. The fair values of the Company's forward and swap hedging instruments discussed below are based on prices quoted by financial institutions for these or similar instruments, adjusted for maturity differences.

Several of the Company's contracts for the construction of cruise vessels are stated in foreign currencies. The Company entered into forward foreign currency contracts to fix the price of the vessels into U.S. dollars (see Note 9). As of November 30, 1997 and 1996, these forward contracts were in a gain position of approximately \$8 million and \$114 million, respectively. At the expiration of the forwards, which coincides with the payments related to vessels under construction, any gains or losses will be included in the cost of the vessel. The Company also entered into a forward foreign currency contract totaling approximately \$34 million to hedge its investment in Il Ponte. In addition, the Company has some expenses in foreign currencies and entered into foreign currency contracts totaling approximately \$20 million to reduce the impact of changes in exchange rates. As of November 30, 1997, there were no significant gains or losses related to the Il Ponte hedge transaction or other currency transactions entered into to hedge estimated expenses.

#### NOTE 8 - RELATED PARTY TRANSACTIONS

The Company's Chairman of the Board was the indirect majority shareholder of Carnival Air Lines, Inc. ("Carnival Air"), an airline which conducted charter services and scheduled carrier services to The Bahamas, Puerto Rico and other locations in the Caribbean from several U.S. cities and between various U.S. cities. In September 1997, Carnival Air was merged with and became a wholly owned subsidiary of Pan Am Corporation ("Pan Am"). As a result of the merger, the Company's Chairman of the Board became an indirect shareholder of approximately 42% of Pan Am. During the fiscal years ended November 30, 1997, 1996 and 1995, the Company paid approximately \$1 million, \$2 million and \$3 million, respectively, to Carnival Air for services associated with transporting a limited number of the Company's cruise passengers. During the fiscal year ended November 30, 1997, the Company paid approximately \$1.1 million to Pan Am for such services.

The Company also earned license fees of approximately \$.5 million, \$.5 million and \$.4 million during the fiscal years ended November 30, 1997, 1996 and 1995, respectively, from Carnival Air for the license of the "Carnival" trademark to Carnival Air. In connection with the merger, Pan Am agreed to pay to the Company unpaid license fees owed by Carnival Air. As of November 30, 1997, Pan Am was past due on the unpaid license fees and owes the Company approximately \$1 million, inclusive of interest. Pan Am has also agreed to discontinue the use of "Carnival" trademarks on the promotion of its ongoing business and to proceed to eliminate the marks from its aircraft and other equipment during its ordinary maintenance schedule. The Company also receives license fees from CHC (see Note 4).

A director of the Company is a partner in a law firm. The law firm acted as the Company's primary outside counsel and provided services to the Company in connection with various litigation, corporate and other matters during fiscal years ended November 30, 1997, 1996 and 1995. The Company paid the law firm \$1.1 million, \$1.0 million and \$6.2 million in fiscal years ended November 30, 1997, 1996 and 1995, respectively.

The owner of a travel agency located in Seattle, Washington is the wife of the Chief Executive Officer of HAL who is also a director of the Company. The travel agency sells cruises and other similar products and receives a commission based on the amount of sales generated. During the years ended November 30, 1997, 1996 and 1995, the travel agency generated revenues for the Company of approximately \$8 million, \$7 million and \$5 million, respectively, and received commissions from the Company related to such revenues of approximately \$1.2 million, \$1.2 million and \$.8 million, respectively.

Pursuant to an agreement between the Company and certain irrevocable trusts, the beneficiaries of which are the children of the Company's founder and certain others, the Company has granted to the trusts certain

registration rights with respect to 14,277,028 shares of Class A Common Stock held for investment by the trusts. The Company has agreed to prepare and file with the SEC a registration statement and pay all expenses relating to such registration, except for fees and disbursements of counsel for the trusts, selling costs, underwriting discounts and applicable filing fees.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Capital Expenditures

The following table provides a description of ships currently under contract for construction (in millions, except berth data):

Vessel	Expected Service Date	Contract Denomination	Number of Lower Berths	Estimated Total Cost	Remaining Cost to Be Paid
Holland America Line:					
Volendam	6/99	Lire	1,440	\$ 300	\$ 274
Zaandam	1/00	Lire	1,440	300	286
Carnival Cruise Lines:					
Elation	3/98	U. S. Dollar	2,040	300	245
Paradise	12/98	U. S. Dollar	2,040	300	280
Carnival Triumph	7/99	Lire	2,766	410	352
Carnival Victory	8/00	U. S. Dollar	2,766	440	435
Windstar Cruises:					
Wind Surf *	5/98	U. S. Dollar	312	45	40
			12,804	\$2,095	\$1,912

\* The Wind Surf is the existing Club Med I which the Company is acquiring from Club Mediterranee, S.A. and Services et Transports.

Contracts denominated in foreign currencies have been fixed into U.S. Dollars through the utilization of forward currency contracts (see Note 7). In connection with the vessels under construction described above, the Company has paid \$183 million through November 30, 1997 and anticipates paying approximately \$686 million during the twelve month period ending November 30, 1998 and approximately \$1.2 billion beyond November 30, 1998. In September 1997, the Company announced that it is in negotiations with shipyards for an additional newbuilding package for its Carnival Cruise Lines, Holland America Line and Costa brands which is expected to cost approximately \$2 billion.

Litigation

Several actions (collectively the "Passenger Complaints") have been filed against the Company or Holland America Westours on behalf of purported classes of persons who paid port charges to the Company or Holland America Westours, alleging that statements made in advertising and promotional materials concerning port charges were false and misleading. Four such actions are pending against the Company in the Circuit Court for Miami-Dade County, Florida, and others are pending against the Company in state or federal courts in Tennessee, Arizona, Ohio, Kentucky, Michigan, Georgia and Alabama. One such action was filed against Holland America Westours in the Superior Court in King County, Washington. The Florida, Tennessee, Alabama and Washington actions have been brought on behalf of purported nationwide classes; the others on behalf of purported statewide classes. The Passenger Complaints allege violations of the various state consumer protection acts and claims of fraud, conversion, breach of fiduciary duties and unjust enrichment. Plaintiffs seek compensatory damages or, alternatively, refunds of portions of port charges paid, attorneys' fees, costs, prejudgment interest, punitive damages and injunctive and declaratory relief.

In May 1997, on the Company's motions, the Florida actions were dismissed without prejudice. In June 1997 amended complaints were filed, and the Company's motion to dismiss these complaints is currently under judicial consideration. The Arizona and Tennessee Courts granted the Company's motions dismissing those actions, and the plaintiffs in those cases intend to appeal. The Company's motions are still under judicial consideration in each of the other actions. Holland America Westours' motion to dismiss the Washington action was denied, as was the plaintiffs' motion for class certification.

In June and August 1996, two complaints were filed against the

Company and Holland America Westours, respectively, in California Superior Court (collectively the "Travel Agent Complaints") on behalf of purported classes of travel agencies who during the past four years booked a cruise with the Company or Holland America Westours, claiming that advertising practices regarding port charges resulted in an improper commission bypass. These actions allege claims of breach of contract, negligent misrepresentation, unjust enrichment, unlawful business practices and common law fraud, and they seek unspecified compensatory damages (or alternatively, the payment of usual and customary commissions on port charges paid by passengers in excess of certain charges levied by government authorities), an accounting, attorneys' fees and costs, punitive damages and injunctive relief. The court granted the motions of the Company and Holland America Westours to dismiss one of the California actions and stay the second such action on grounds of forum non conveniens. The plaintiff in the dismissed California action filed a complaint similar to the one it had filed in California, in Florida. The Company has moved to dismiss this complaint.

The pending Passenger and Travel Agent Complaints are in preliminary stages and it is not now possible to determine the ultimate outcome of the lawsuits. Management believes that the Company has substantial and meritorious defenses to the claims. Management understands that purported class actions similar to the Passenger and Travel Agent Complaints have been filed against several other cruise lines.

In the normal course of business, various other claims and lawsuits have been filed or are pending against the Company. The majority of these claims and lawsuits are covered by insurance. Management believes the outcome of any such suits which are not covered by insurance would not have a material adverse effect on the Company's financial condition or results of operations.

#### Operating Leases

Rental expense for all operating leases for the years ended November 30, 1997, 1996 and 1995 was approximately \$10.6 million, \$9.3 million and \$7.6 million, respectively. As of November 30, 1997, minimum annual rentals for all operating leases, with initial or remaining terms in excess of one year, were as follows (in thousands):

1998	\$ 8,247
1999	5,712
2000	5,799
2001	4,606
2002	3,904
Thereafter	14,410
	\$42,678

#### Guaranty

The Company has guaranteed approximately \$103 million of the debt of Il Ponte S.p.A. that was incurred in connection with the Company's acquisition of an interest in Costa (see Note 4).

#### NOTE 10 - SEGMENT INFORMATION

The Company's cruise segment currently operates 19 passenger cruise ships and three luxury sailing vessels. Cruise revenues are comprised of sales of tickets and other revenues from on-board activities. A tour business operated by HAL, consisting of 14 hotels, two luxury day boats, over 300 motor coaches and 13 private domed rail cars comprise the assets that generate revenue for the tour segment. The corporate segment is primarily comprised of equity investments and includes the Company's investments in and advances to affiliates and its portion of the results of operations of affiliates accounted for using the equity method of accounting. Intersegment revenues primarily represent charges for the cruise portion of a tour when a cruise is sold as a part of a tour package. Segment information for the three years ended November 30, 1997 was as follows:

	YEARS ENDED NOVEMBER 30,		
	1997	1996	1995
	(in thousands)		
REVENUES			
Cruise	\$2,257,567	\$2,003,458	\$1,800,775





Net Income:		
As reported	\$666,050	\$566,302
Pro-forma	\$664,324	\$565,952

Earnings per share:		
As reported	\$2.23	\$1.95
Pro-forma	\$2.23	\$1.95

These pro-forma amounts may not be representative of the effect on pro-forma net income in future years, since the estimated fair value of stock options is amortized over the vesting period, pro-forma compensation expense related to grants made prior to 1996 is not considered and additional options may be granted in future years.

The weighted average fair value of the Company's options granted during 1997 and 1996 were \$11.58 and \$8.98 per share, respectively, at dates of grant. The fair values of options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions for the years ended November 30, 1997 and 1996, respectively; dividend yields of 1.78% for both periods; expected volatility of 22.7% and 28.6%; risk free interest rates of 6.2% and 5.8%; and expected option life of 6 years for both periods.

#### Restricted Stock Plans

The Company has restricted stock plans under which certain key employees are granted restricted shares of the Company's Class A Common Stock. Shares are awarded in the name of each of the participants, who have all the rights of other Class A stockholders, subject to certain restriction and forfeiture provisions. Unearned compensation is recorded at the date of award based on the market value of the shares on the date of grant. Unearned compensation is amortized to expense over the vesting period. As of November 30, 1997 there were 1,919,319 shares issued under the plans of which 118,719 remain to be vested.

#### Defined Contribution Plans

HAL has two defined contribution plans available to substantially all U.S. and Canadian employees. HAL contributes to these plans based on employee contributions and salary levels. Total expense relating to these plans in fiscal year ended November 30, 1997, 1996 and 1995 was approximately \$2.5 million, \$2.4 million and \$2.4 million, respectively.

#### Defined Benefit Pension Plans

The Company adopted two defined benefit pension plans (qualified and non-qualified) effective January 1, 1989 which together covered all full-time employees of Carnival Corporation working in the United States, excluding HAL employees. Effective January 1, 1998, the Company established a 401(K)/profit sharing plan and a non-qualified savings/profit sharing plan with the intent to largely replace the defined benefit plans. As a result, no further benefits will accrue under the qualified defined benefit plan effective December 31, 1997. Also, effective January 1, 1998, participants in the non-qualified defined benefit plan elected to either remain in the non-qualified defined benefit plan or participate in the non-qualified savings/profit sharing plan.

Carnival Corporation's funding policy for the qualified defined benefit plan is to annually contribute at least the minimum amount required under the applicable labor regulations.

Pension costs for the qualified and non-qualified defined benefit plans were approximately \$2.2 million, \$2.2 million and \$1.6 million for the years ended November 30, 1997, 1996 and 1995, respectively. The curtailment of the benefits under the qualified and non-qualified defined benefit plans resulted in a minimal gain.

The funded status of the defined benefit pension plans at November 30, 1997, which reflects the defined benefit plan curtailments discussed above, and November 30, 1996 was as follows:

	Qualified (in thousands)		Non-Qualified (in thousands)	
	1997	1996	1997	1996
Accumulated benefit obligation:				
Vested	\$ 6,597	\$5,014	\$7,327	\$5,376

Non-vested		329	180	145
	\$ 6,597	\$5,343	\$7,507	\$5,521
Projected benefit obligation	\$ 6,597	\$8,449	\$8,723	\$8,049
Plan assets	(8,802)	(6,737)		
(Overfunded) unfunded accumulated benefits	(2,205)	1,712	8,723	8,049
Unrecognized prior service cost		(322)	(326)	(174)
Unrecognized losses		(1,789)		(1,390)
(Prepaid) accrued pension obligation	\$(2,205)	\$ (399)	\$8,397	\$6,485

Assumptions used in accounting for the defined benefit pension plans are as follows:

Discount rate at end of year	7.5%
Rate of increase in future compensation levels	5.0%*
Expected long-term rate of return on assets	8.5%

\* Only applies to non-qualified defined benefit plan in 1997.

#### NOTE 12 - RECENT PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Standard ("SFAS") No. 128, "Earnings Per Share" which requires dual presentation of basic and diluted earnings per share rather than the current requirement for "primary" earnings per share. SFAS No. 128 is effective for periods ending after December 15, 1997 and early adoption is not permitted. Pro-forma basic and diluted earnings per share, as compared with primary earnings per share currently presented in the Company's financial statements for the years ended November 30, 1997, 1996 and 1995, is as follows:

	YEARS ENDED NOVEMBER 30,		
	1997	1996	1995
Earnings Per Share:			
As reported	\$2.23	\$1.95	\$1.59
Pro-forma:			
Basic	\$2.24	\$1.96	\$1.59
Diluted	\$2.23	\$1.92	\$1.57

#### NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

	YEARS ENDED NOVEMBER 30,		
	1997	1996	1995
	(in thousands)		
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 56,967	\$ 68,337	\$ 62,868
Income taxes	\$ 5,755	\$ 8,752	\$ 8,671
Noncash investing and financing activities:			
Class A Common Stock issued for various stock plans	\$ 2,247	\$ 1,102	\$ 854
Class A Common Stock issued for conversion of Convertible Notes (see Note 5)	\$ 39,085	\$ 76,294	
Class A Common Stock issued for acquisition of an interest in Airtours (see Note 4)		\$144,171	
Conversion of Class B Common Stock into Class A Common Stock	\$ 550		
Sale of Rotterdam V	\$ 31,208		

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of  
Carnival Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Carnival Corporation and its subsidiaries at November 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP

Miami, Florida  
January 19, 1998

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Carnival Corporation and its subsidiaries (the "Company") earns its cruise revenues primarily from (i) the sale of passenger tickets, which includes accommodations, meals, most shipboard activities and in many cases airfare, and (ii) the sale of goods and services on board its cruise ships, such as casino gaming, liquor sales, gift shop sales and other related services. The Company also derives revenues from the tour and related operations of HAL Antillen N.V. ("HAL").

For selected segment information related to the Company's revenues, gross operating profit, operating income and other financial information, see Note 10 in the accompanying financial statements. The following table presents operations data expressed as a percentage of total revenues and selected statistical information for the periods indicated:

	YEARS ENDED NOVEMBER 30,		
	1997	1996	1995
REVENUES	100%	100%	100%
COSTS AND EXPENSES:			
Operating expenses	54	56	57
Selling and administrative	12	12	12
Depreciation and amortization	7	7	6
OPERATING INCOME BEFORE INCOME FROM AFFILIATED OPERATIONS	27	25	25
INCOME FROM AFFILIATED OPERATIONS, NET	2	2	
OPERATING INCOME	29	27	25
NONOPERATING INCOME (EXPENSE)	(2)	(1)	(2)
NET INCOME	27%	26%	23%
SELECTED STATISTICAL INFORMATION:			
Passengers carried	1,945,000	1,764,000	1,543,000
Passenger cruise days	11,908,000	10,583,000	9,201,000
Occupancy percentage	108.3%	107.6%	105.0%

GENERAL

The growth in the Company's revenues during the last three fiscal years has primarily been a function of the expansion of its fleet capacity.

Fixed costs, including depreciation, fuel, insurance and crew costs represent more than one-third of the Company's operating expenses and do not significantly change in relation to changes in passenger loads and aggregate passenger ticket revenue.

The Company's cruise and tour operations experience varying degrees of seasonality. The Company's revenue from the sale of passenger tickets for Carnival Cruise Lines' ("Carnival") ships is moderately seasonal. Historically, demand for Carnival cruises has been greater during the periods from late June through August and lower during the fall months. HAL cruise revenues are more seasonal than Carnival's cruise revenues. Demand for HAL cruises is strongest during the summer months when HAL ships operate in Alaska and Europe for which HAL obtains higher pricing. Demand for HAL cruises is lower during the winter months when HAL ships sail in more competitive markets. The Company's tour revenues are extremely seasonal with a majority of tour revenues generated during the late spring and summer months in conjunction with the Alaska cruise season.

Average cruise capacity for the three cruise lines wholly-owned by the Company is expected to increase 6% during fiscal 1998 as a result of the introduction into service of Carnival's cruise ship Elation in March 1998. Average capacity is expected to increase 13% and 15% during fiscal

1999 and 2000, respectively, as a result of new vessel deliveries.

In June 1997, the Company acquired an interest in Il Ponte S.p.A. ("Costa"), the parent company of Costa Crociere S.p.A., which it records using the equity basis of accounting. Starting with the Company's quarter ended November 30, 1997, the Company's portion of Costa's operating results were recorded by the Company on a two month lag basis. The Company's portion of Airtours plc's ("Airtours") operating results are similarly recorded on a two month lag basis. Costa's and Airtours' earnings are seasonal due to the seasonal nature of the European leisure travel industry and Mediterranean cruise season. During the last several years, Airtours' and Costa's quarters ending June 30 and September 30 have been profitable, with the quarter ending September 30 being their most profitable quarter. During this same period, Airtours and Costa experienced seasonal losses in their quarters ending December 31 and March 31.

Fiscal Year Ended November 30, 1997 Compared  
To Fiscal Year Ended November 30, 1996

#### Revenues

The increase in total revenues of \$234.9 million, or 10.6%, from 1996 to 1997 was due to a 12.7% increase in cruise revenues which was partially offset by a decrease in tour revenues. The increase in cruise revenues was primarily the result of an 11.7% increase in capacity for the period resulting from the addition of Carnival's cruise ships Inspiration and Carnival Destiny in March and November 1996, respectively, and Holland America Line's cruise ship Veendam in May 1996. The capacity increase resulting from the introduction of new vessels was also affected by the removal from service from Carnival's fleet of the Festivale in April 1996 and Holland America Line's Rotterdam V in September 1997. The Rotterdam VI entered service in November 1997, approximately five weeks later than planned because of late delivery by the shipyard. The expected impact on the Company's fourth quarter 1997 net earnings from the late delivery of the Rotterdam was largely mitigated.

Occupancy rates in fiscal 1997 were up .7% and gross revenue per passenger cruise day was up .1% resulting in an increase of .9% in gross yield (total revenue per lower berth).

Revenues from the Company's tour operations decreased \$20.7 million, or 7.9%, to \$242.6 million in 1997 from \$263.4 million in 1996. The decrease was primarily the result of a decrease in the tour and transportation revenues due to a reduction in the number of tour passengers.

#### Costs and Expenses

Operating expenses increased \$81.4 million, or 6.6%, from 1996 to 1997. Cruise operating costs increased by \$95.2 million, or 8.7%, to \$1,184.8 million in 1997 from \$1,089.6 million in 1996, primarily due to additional costs associated with the increased capacity in 1997. Tour operating expenses decreased \$15.3 million, or 7.4%, from 1996 to 1997 primarily due to the decrease in tour passengers.

Selling and administrative costs increased \$21.7 million, or 7.9%, primarily due to an increase in payroll and related costs associated with the increase in capacity during 1997 as compared with 1996.

Depreciation and amortization increased by \$22.3 million, or 15.4%, to \$167.3 million in 1997 from \$145.0 million in 1996 primarily due to the addition of the Inspiration, the Carnival Destiny and the Veendam.

#### Affiliated Operations

Approximately \$35.7 million of income from affiliated operations in 1997 was attributable to the Company's 28% interest in Airtours, acquired in April 1996. See "Affiliated Operations" for the "Fiscal Year Ended November 30, 1996 Compared To Fiscal Year Ended November 30, 1995" below for a description of the Company's equity in earnings from Airtours in 1996.

In June 1997 the Company acquired an approximate 50% interest in Costa. The Company is recording its share of Costa's earnings on a two month lag basis. During 1997, the Company's share of earnings from Costa, amounting to \$15.5 million, was recorded for Costa's three months ended September 30, 1997. Costa's earnings are seasonal and most of Costa's earnings are generated in their quarter ended September 30.

See "General" above for a discussion of Airtours' and Costa's seasonality. See Note 4 in the accompanying financial statements for more information regarding the Company's equity investments.

#### Nonoperating Income (Expense)

Interest income decreased \$9.9 million in 1997 primarily due to a decrease in cash balances and notes receivable. See "Nonoperating Income (Expense)" for the "Fiscal Year Ended November 30, 1996 Compared To Fiscal Year Ended November 30, 1995" below for a description of the higher cash and notes receivable balances in 1996. Gross interest expense (excluding capitalized interest) decreased \$17.1 million in 1997 as a result of reduced debt balances. Capitalized interest decreased \$9.0 million due to lower levels of investments in ship construction projects during fiscal 1997 as compared with fiscal 1996.

Other income in fiscal 1997 of \$5.4 million represents the net effect of the recognition of the remaining deferred gain from the sale of Carnival's Festivale, less a loss from the sale of Holland America Line's Rotterdam V, and certain other miscellaneous gains and losses. See "Nonoperating Income (Expense)" for the "Fiscal Year Ended November 30, 1996 Compared To Fiscal Year Ended November 30, 1995" below for a description of items included in other income (expense) in fiscal 1996.

Fiscal Year Ended November 30, 1996 Compared  
To Fiscal Year Ended November 30, 1995

#### Revenues

The increase in total revenues of \$214.4 million, or 10.7%, from 1995 to 1996 was comprised primarily of a \$202.7 million, or 11.3%, increase in cruise revenues for the period. The increase in cruise revenues was primarily the result of a 12.2% increase in capacity for the period resulting from the introduction into service of Carnival's cruise ships Imagination in July 1995 and Inspiration in March 1996 and Holland America Line's cruise ship Veendam in May 1996 less the removal from service from Carnival's fleet of the Festivale in April 1996. Occupancy rates were up 2.5% and gross revenue per passenger cruise day was down 3.3% resulting in a decrease of .9% in gross yield (total revenue per lower berth). Gross revenue per passenger cruise day decreased primarily due to a reduction in the percentage of passengers electing the Company's air program and due to slightly lower pricing in the cruise market. When a passenger elects to purchase his/her own air transportation, rather than use the Company's air program, both the Company's cruise revenues and operating expenses decrease by approximately the same amount. Also affecting cruise revenues in 1995 were lost revenues resulting from the cancellation of four one-week cruises in order to repair minor fire damage to Carnival's Celebration.

Revenues from the Company's tour operations increased \$21.4 million, or 8.9%, to \$263.4 million in 1996 from \$241.9 million in 1995. The increase was primarily the result of an increase in the tour and transportation revenues due to an increase in the number of tour passengers.

#### Costs and Expenses

Operating expenses increased \$110.2 million, or 9.7%, from 1995 to 1996. Cruise operating costs increased by \$99.5 million, or 10.1%, to \$1,089.6 million in 1996 from \$990.0 million in 1995, primarily due to additional costs associated with the increased capacity in 1996. Tour operating expenses increased \$20.3 million, or 11.0%, from 1995 to 1996 primarily due to an increase in tour passengers.

Selling and administrative costs increased \$26.3 million, or 10.6%, primarily due to an 11.6% increase in advertising expenses and an increase in payroll and related costs associated with the increase in capacity during 1996 as compared with 1995.

Depreciation and amortization increased by \$16.6 million, or 12.9%, to \$145.0 million in 1996 from \$128.4 million in 1995 primarily due to the addition of the Imagination, the Inspiration and the Veendam.

#### Affiliated Operations

During fiscal 1996, the Company recorded \$46.0 million of earnings from affiliated operations. A significant portion of such earnings are attributable to the Company's investment in Airtours. The Company acquired its equity interest in Airtours in April 1996 and is recording

its share of Airtours' earnings on a two month lag basis. During 1996, the Company's share of earnings for Airtours was recorded for Airtours' six months ended September 30, 1996 which amounted to \$35.7 million excluding the Company's capital costs incurred in connection with the investment. Airtours' operations are seasonal and historically have resulted in losses for the first half of its fiscal year. Had the Company recorded its equity in Airtours' earnings for Airtours' entire fiscal year ended September 30, 1996, the Company's share of Airtours' earnings would have been \$22.2 million instead of the \$35.7 million recorded by the Company in 1996.

#### Nonoperating Income (Expense)

Interest income increased \$4.2 million primarily due to the Company's holding of 13 percent senior secured notes (which were redeemed in April 1996) of Norwegian Cruise Line, Ltd. and, to a lesser degree, increases in cash balances. Cash balances, up to the closing of the Airtours transaction in April 1996, increased due to United Kingdom regulatory requirements applicable to the Company's tender offer to acquire its interest in Airtours. Gross interest expense (excluding capitalized interest) increased \$8.0 million primarily as a result of additional borrowings required in connection with the Company's investment in Airtours. Capitalized interest increased \$7.0 million due to higher investment levels in vessels under construction.

Other income increased to \$23.4 million in 1996 primarily as a result of a \$32.0 million gain from settlement of bankruptcy claims against Wartsila less a loss of \$15.8 million on the sale of the notes receivable generated from the sale of Carnival's Crystal Palace Hotel and Casino. Other income of \$19.1 million in 1995 is primarily a result of a \$14.4 million gain from the settlement of litigation with Metra Oy and a gain from the sale of the Company's entire interest in Epirotiki Cruise Line. These gains in 1995 were partially offset by the loss from the Celebration fire incident discussed above and certain other non-related, non-recurring items.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Sources and Uses of Cash

The Company's business provided \$877.6 million of net cash from operations during fiscal 1997, an increase of 18.3% compared to the corresponding period in 1996.

During fiscal 1997, the Company expended approximately \$497.7 million on capital projects, of which \$294.4 million was spent in connection with its ongoing shipbuilding program. The remainder was spent on the acquisition of a private island in the Caribbean to be used as a destination for certain HAL itineraries, transportation equipment, vessel refurbishments, tour assets and other equipment.

The Company made scheduled principal payments totaling approximately \$66.4 million under various individual vessel mortgage loans during fiscal 1997. During this same period, the Company made net repayments of \$184.7 million under its commercial paper programs.

In June 1997, the Company and Airtours completed the acquisition of Costa. The cost of the acquisition of Costa in the Company's financial statements was approximately \$38 million. In addition, the Company guaranteed approximately \$103 million of indebtedness related to the acquisition. See Note 4 of Notes to Consolidated Financial Statements for additional information related to this acquisition.

##### Future Commitments

The Company has contracts for the delivery of six new vessels over the next three years. The Company will pay approximately \$646 million during fiscal 1998 relating to the construction and delivery of those new cruise ships and approximately \$1.2 billion beyond November 30, 1998. In September 1997, the Company announced that it is in negotiations with shipyards for an additional newbuilding package for its Carnival Cruise Lines, Holland America Line and Costa brands which is expected to cost approximately \$2 billion. The Company also has an agreement to acquire a 312 berth cruise ship in the spring of 1998 for approximately \$45 million. At November 30, 1997, the Company had \$1,074.9 million of long-term debt of which \$259.6 million is due during fiscal 1998. Included in the \$259.6 million of debt due during fiscal 1998 is \$200.0 million of Unsecured 5.75% Notes Due March 15, 1998 which the Company plans to repay through borrowings under the commercial paper programs or through issuance of long-term debt. See Note 5 in the



accompanying financial statements for more information regarding the Company's debt. The Company also enters into forward foreign currency contracts and interest rate swap agreements to hedge the impact of foreign currency and interest rate fluctuations.

Management has undertaken a company wide program to prepare the Company's computer systems and other applications for the year 2000. Possible year 2000 problems create risk for a company in that unforeseen problems in its own computer systems or those of its third party suppliers could have a material impact on a company's ability to conduct its business operations. The purpose of the Company's program is to identify significant year 2000 exposures and to update its computer systems and business operations to deal with those exposures. The Company expects to incur internal staff costs as well as consulting and other expenses to prepare the systems for the year 2000, which are not expected to be material to the Company's operating results.

#### Funding Sources

Cash from operations is expected to be the Company's principal source of capital to fund its debt service requirements and ship construction costs. In addition, the Company may also fund a portion of these cash requirements from borrowings under its U.S. Dollar Revolver or commercial paper programs and/or through the issuance of long-term debt in the public or private markets. As of November 30, 1997, the Company had \$911 million available for borrowing under its U.S. Dollar Revolver and Multi-currency Revolving Credit Facility.

To the extent that the Company should require or choose to fund future capital commitments from sources other than operating cash or from borrowings under its revolving credit facilities and/or commercial paper programs, the Company believes that it will be able to secure such financing from banks or through the offering of short-term or long-term debt and/or equity securities in the public or private markets. In January 1998, the Company issued \$200 million of 6.65% Debentures due January 15, 2028. Also, the Company has filed Registration Statements on Form S-3 (the "Shelf Registration") relating to shelf offerings of debt or equity securities. The remaining aggregate principal amount of debt or equity securities available under the Shelf Registration is \$800 million.

#### SELECTED FINANCIAL DATA

The selected financial data presented below for the fiscal years ended November 30, 1993 through 1997 and as of the end of each such fiscal year are derived from the financial statements of the Company and should be read in conjunction with such financial statements and the related notes.

	FISCAL YEAR ENDED NOVEMBER 30,				
	1997	1996	1995	1994	1993
	(in thousands, except per share data)				
<b>INCOME STATEMENT DATA:</b>					
Total revenues	\$2,447,468	\$2,212,572	\$1,998,150	\$1,806,016	\$1,556,919
Operating income before income from affiliated operations	\$ 660,979	\$ 551,461	\$ 490,038	\$ 443,674	\$ 347,666
Operating income	\$ 714,070	\$ 597,428	\$ 490,038	\$ 443,674	\$ 347,666
Net income	\$ 666,050	\$ 566,302	\$ 451,091	\$ 381,765	\$ 318,170
Earnings per share 1)	\$2.23	\$1.95	\$1.59	\$1.35	\$1.13
Dividends declared per share (1)	\$.480	\$.380	\$.315	\$.285	\$.280
Passenger cruise days	11,908	10,583	9,201	8,102	7,003
Percent of total capacity(2)	108.3%	107.6%	105.0%	104.0%	105.3%

	AS OF NOVEMBER 30,				
	1997	1996	1995	1994	1993
	(in thousands)				

#### BALANCE SHEET DATA:

Total assets	\$5,426,775	\$5,101,888	\$4,105,487	\$3,669,823	\$3,218,920
Long-term debt and					

Convertible Notes	\$1,015,294	\$1,316,632	\$1,150,031	\$1,161,904	\$1,031,221
Total shareholders' equity	\$3,605,098	\$3,030,884	\$2,344,873	\$1,928,934	\$1,627,206

-----

(1) All per share amounts for 1993 and 1994 have been adjusted to reflect a two-for-one stock split effective November 30, 1994.

(2) In accordance with cruise industry practice, total capacity is calculated based upon two passengers per cabin even though some cabins can accommodate three or four passengers. The percentages in excess of 100% indicate that more than two passengers occupied some cabins.

MARKET PRICE FOR CAPITAL STOCK

The following table sets forth for the periods indicated the high and low market prices for the Class A Common Stock on the New York Stock Exchange:

	SALES PRICE	
	HIGH	LOW
Fiscal Year ended November 30, 1997:		
First Quarter	\$36.750	\$29.750
Second Quarter	\$39.500	\$34.125
Third Quarter	\$45.250	\$37.625
Fourth Quarter	\$54.250	\$43.688
Fiscal Year ended November 30, 1996:		
First Quarter	\$29.000	\$22.750
Second Quarter	\$30.125	\$26.125
Third Quarter	\$31.500	\$24.500
Fourth Quarter	\$31.875	\$27.375

As of January 12, 1998, there were approximately 3,975 holders of record of the Company's Class A Common Stock. While no tax treaty currently exists between the Republic of Panama and the United States, under current law, the Company believes that distributions to its shareholders are not subject to taxation under the laws of the Republic of Panama.

SELECTED QUARTERLY FINANCIAL DATA (unaudited)

Quarterly financial results for the year ended November 30, 1997 are as follows:

	FOR THE QUARTER			
	FIRST	SECOND	THIRD	FOURTH
	(in thousands, except per share data)			
Total revenues	\$521,082	\$596,614	\$805,421	\$524,351
Gross profit	\$224,144	\$258,930	\$417,301	\$224,424
Operating income before income from affiliated operations	\$103,944	\$140,253	\$308,590	\$108,192
Operating income	\$ 94,962	\$137,541	\$318,961	\$162,606
Net income	\$ 85,360	\$127,447	\$297,893	\$155,350
Earnings per share	\$.29	\$.43	\$1.00	\$.52

Quarterly financial results for the year ended November 30, 1996 are as follows:

	FOR THE QUARTER			
	FIRST	SECOND	THIRD	FOURTH
	(in thousands, except per share data)			
Total revenues	\$448,788	\$516,836	\$771,989	\$474,959
Gross profit	\$185,092	\$214,292	\$375,794	\$196,125
Operating income before income				

from affiliated operations	\$ 80,975	\$110,230	\$267,155	\$ 93,101
Operating income	\$ 80,972	\$110,396	\$279,948	\$126,112
Net income	\$ 77,065	\$106,283	\$268,131	\$114,823
Earnings per share	\$.27	\$.37	\$.92	\$.39

#### FORWARD-LOOKING STATEMENTS

Certain statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Annual Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions which may impact levels of disposable income of consumers and pricing and passenger yields for the Company's cruise products; consumer demand for cruises; pricing policies followed by competitors of the Company; increases in cruise industry capacity; changes in tax laws and regulations (see Part II, Item 5 (d) - Taxation of the Company in the Company's filing of Form 10-K for the period ended November 30, 1997); the ability of the Company to implement its shipbuilding program and to expand its business outside the North American market where it has less experience; delivery of new vessels on schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise vessels at sea; and changes in laws and government regulations applicable to the Company.

Consent of Independent Certified Public Accountants

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Forms S-3 (No. 33-50947, No. 33-53136, No. 33-63563 and No. 333-43269) and Registration Statements on Forms S-8 (No. 33-45287, No. 33-51195, No. 33-53099 and No. 333-43885) of Carnival Corporation of our report dated January 19, 1998 appearing on page 30 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K.

/S/ PRICE WATERHOUSE

PRICE WATERHOUSE LLP  
February 25, 1998

YEAR	
NOV-30-1997	
NOV-30-1997	139,989
	9,738
	57,090
	0
	54,970
336,025	
	5,181,844
	854,431
	5,426,775
786,142	
	1,015,294
	2,972
0	
	0
	3,602,126
5,426,775	
	0
2,447,468	
	0
	1,322,669
	0
	0
	72,744
	672,283
	6,233
666,050	
	0
	0
	0
	666,050
	2.23
	2.23