



Carnival plc
UK GAAP Financial Statements
Year ended November 30, 2005

Registered number: 4039524

The Annual Report of Carnival plc comprises the Carnival plc UK GAAP financial statements contained herein, together with the Carnival Corporation & plc 2005 Annual Report and the Proxy Statement.

The standalone Carnival plc UK GAAP financial statements, contained herein, are required to satisfy reporting requirements of the Companies Act 1985, and do not include the results of Carnival Corporation. However the directors consider that within the DLC structure the most appropriate presentation of *Carnival plc's results and financial position is by reference to the U.S. GAAP financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2005 Annual Report that accompanies this document.*



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Carnival plc

Group profit and loss account

	Note	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Turnover	2	4,352.2	3,901.3
Cost of sales		(3,023.8)	(2,632.3)
Administrative expenses		(616.2)	(609.0)
Operating costs		(3,640.0)	(3,241.3)
Group operating profit	2	712.2	660.0
Loss on disposal of ships	2	(32.0)	—
Profit on ordinary activities before interest		680.2	660.0
Net interest payable and similar items	4	(120.0)	(110.3)
Profit on ordinary activities before taxation		560.2	549.7
Taxation	5	(23.9)	(27.6)
Profit on ordinary activities after taxation		536.3	522.1
Dividends	6	(191.1)	(116.5)
Retained profit for the financial year	17	345.2	405.6
Carnival plc standalone earnings per share (in U.S. dollars)			
Basic earnings per share	7	2.53	2.47
Diluted earnings per share	7	2.52	2.46

See accompanying notes to the financial statements.

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2005 Annual Report (see note 1). For information, we set out below the U.S. GAAP consolidated earnings per share included within the Carnival Corporation & plc consolidated financial statements for the twelve months ended November 30, 2005 and 2004 (in U.S. dollars):

DLC Basic earnings per share	2005: 2.80	2004: 2.31
DLC Diluted earnings per share	2005: 2.70	2004: 2.24

Carnival plc

Group balance sheet

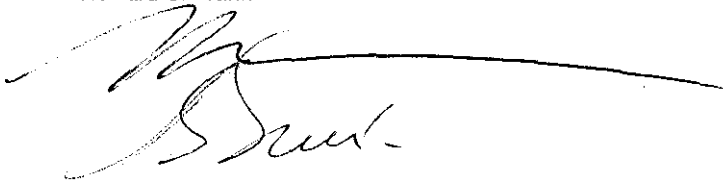
	Note	As at Nov. 30, 2005 U.S.\$m	As at Nov. 30, 2004 U.S.\$m
Fixed assets			
Intangible assets	8	703.8	749.4
Tangible assets			
Ships	9	6,525.7	7,303.2
Properties and other fixed assets	10	556.1	544.9
		7,081.8	7,848.1
Investments	11	4.7	7.9
		7,790.3	8,605.4
Current assets			
Stocks	12	102.5	106.3
Debtors	13	480.2	452.2
Cash at bank and in hand		778.0	174.5
		1,360.7	733.0
Creditors: amounts falling due within one year	14	(2,865.3)	(2,531.1)
Net current liabilities		(1,504.6)	(1,798.1)
Total assets less current liabilities		6,285.7	6,807.3
Creditors: amounts falling due after more than one year	14	(1,726.0)	(2,217.3)
Provisions for liabilities and charges	15	(77.7)	(72.1)
		4,482.0	4,517.9
Capital and reserves			
Called up share capital	16	352.9	352.2
Share premium account	17	75.6	64.7
Other reserves	17	35.6	35.6
Merger reserve	17	1,459.2	1,459.2
Profit and loss account	17	2,556.3	2,604.2
		4,479.6	4,515.9
Equity shareholders' funds		2.4	2.0
Equity minority interests			
		4,482.0	4,517.9

See accompanying notes to the financial statements.

Approved by the board of directors on February 21, 2006 and signed on its behalf by:

Micky Arison

Howard S. Frank



Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2005 Annual Report (see note 1).

Carnival plc

Group cash flow statement

	Note	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Net cash inflow from operating activities	18	1,177.9	1,076.8
Returns on investments and servicing of finance			
Interest received		11.2	7.9
Interest paid		(133.2)	(130.5)
Net cash outflow for returns on investments and servicing of finance		(122.0)	(122.6)
Taxation		(14.9)	(10.3)
Capital expenditure			
Purchase of ships		(626.3)	(1,663.5)
Purchase of other fixed assets		(112.1)	(111.6)
Disposal of ships		—	150.1
Disposal of other fixed assets		14.8	12.9
Net cash outflow for capital expenditure		(723.6)	(1,612.1)
Acquisitions and disposals			
Acquisition of subsidiaries and associates	18	1.6	(4.1)
Disposal of subsidiaries and associates		—	1.8
Cash disposed on corporate restructuring		—	(29.3)
Net cash inflow/(outflow) for acquisitions and disposals		1.6	(31.6)
Equity dividends paid		(148.5)	(105.4)
Net cash inflow/(outflow) before financing		170.5	(805.2)
Financing			
Issue of ordinary share capital		11.6	38.7
Movement on loans with Carnival Corporation		98.7	1,145.9
Loan drawdowns		1,721.9	2,224.7
Loan repayments		(1,391.6)	(2,672.3)
Repayment of finance lease		—	(8.5)
Net cash inflow from financing		440.6	728.5
Increase/(decrease) in net cash in the year	18	611.1	(76.7)

See accompanying notes to the financial statements.

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2005 Annual Report (see note 1).

Carnival plc

Company balance sheet

		As at Nov. 30, 2005 U.S.\$m	As at Nov. 30, 2004 U.S.\$m
	Note		
Fixed assets			
Intangible asset—goodwill	8	215.1	—
Tangible assets—ships	9	2,660.4	1,750.4
Properties and other fixed assets	10	14.8	15.7
Investments—subsidiaries	25	5,035.0	4,587.0
		<u>7,925.3</u>	<u>6,353.1</u>
Current assets			
Stock	12	41.3	25.1
Debtors	13	572.6	1,061.3
Cash at bank and in hand		219.8	89.3
		<u>833.7</u>	<u>1,175.7</u>
Creditors: amounts falling due within one year	14	(4,020.2)	(3,152.4)
Net current liabilities		<u>(3,186.5)</u>	<u>(1,976.7)</u>
Total assets less current liabilities		4,738.8	4,376.4
Creditors: amounts falling due after more than one year	14	(1,488.9)	(1,001.1)
Provisions for liabilities and charges	15	(25.4)	(28.5)
		<u>3,224.5</u>	<u>3,346.8</u>
Capital and reserves			
Called up share capital	16	352.9	352.2
Share premium account	17	75.6	64.7
Other reserves	17	35.6	35.6
Profit and loss account	17	2,760.4	2,894.3
Equity shareholders' funds		<u>3,224.5</u>	<u>3,346.8</u>

See accompanying notes to the financial statements.

Approved by the board of directors on February 21, 2006 and signed on its behalf by:

Micky Arison

Howard S. Frank



Carnival plc

Group statement of total recognised gains and losses

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Profit for the year	536.3	522.1
Exchange movements on foreign currency net investments	(393.1)	384.8
Total recognised gains and losses relating to the year	<u>143.2</u>	<u>906.9</u>

Reconciliation of movements in shareholders' funds

	Group Twelve months to Nov. 30, 2005 U.S.\$m	Group Twelve months to Nov. 30, 2004 U.S.\$m	Company Twelve months to Nov. 30, 2005 U.S.\$m	Company Twelve months to Nov. 30, 2004 U.S.\$m
Total recognised gains and losses for the year	143.2	906.9	57.2	2,741.9
Dividends	(191.1)	(116.5)	(191.1)	(116.5)
New shares issued	11.6	38.7	11.6	38.7
Net movement in own shares held	—	—	—	(3.6)
Net investment in the Merged Businesses by Carnival Corporation (note 17)	—	1,472.6	—	—
	<u>(36.3)</u>	<u>2,301.7</u>	<u>(122.3)</u>	<u>2,660.5</u>
Shareholders' funds at beginning of the year	4,515.9	2,214.2	3,346.8	686.3
Shareholders' funds at end of the year	<u>4,479.6</u>	<u>4,515.9</u>	<u>3,224.5</u>	<u>3,346.8</u>

See accompanying notes to the financial statements.

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2005 Annual Report (see note 1).

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Carnival plc (the "Company"), its subsidiaries and associates (collectively the "Group").

Basis of preparation of financial statements

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United Kingdom ("UK GAAP") under the historical cost convention, and in accordance with applicable UK accounting standards and the Companies Act 1985.

The Group financial statements comprise the consolidation of the accounts of the Company and all its subsidiaries and incorporate the Group's interest in its associates under the equity method of accounting.

On April 17, 2003, Carnival Corporation and Carnival plc (formerly known as P&O Princess Cruises plc) completed a dual listed company ("DLC") transaction (the "DLC transaction"), which implemented the Carnival Corporation & plc DLC structure. The DLC transaction combined the businesses of Carnival Corporation and Carnival plc (collectively known as "Carnival Corporation & plc") through a number of contracts and through amendments to Carnival Corporation's articles of incorporation and by-laws and to Carnival plc's memorandum of association and articles of association. The two companies have retained their separate legal identities, however, they operate as if they were a single economic enterprise. Each company's shares continue to be publicly traded; on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange for Carnival plc. In addition, Carnival plc American Depository Shares are traded on the NYSE. The contracts governing the DLC structure provide that Carnival Corporation and Carnival plc each continue to have separate boards of directors, but the boards and senior executive management of both companies are identical. Under the contracts governing the DLC the Carnival Corporation & plc consolidated earnings accrue equally to each unit of Carnival Corporation stock and each Carnival plc share. Further details relating to the DLC are included in note 3 of the Carnival Corporation & plc consolidated financial statements.

In order to provide the Carnival Corporation and Carnival plc shareholders with the most meaningful picture of their economic interest in the DLC formed by Carnival Corporation and Carnival plc, consolidated financial statements and management commentary of Carnival Corporation & plc have been included in the Carnival Corporation & plc 2005 Annual Report. The consolidated Carnival Corporation & plc financial statements have been prepared under purchase accounting principles whereby the DLC transaction has been accounted for as an acquisition of Carnival plc by Carnival Corporation. These consolidated Carnival Corporation & plc financial statements have been prepared under U.S. GAAP on the basis that all significant financial and operating decisions affecting the DLC companies are taken on the basis of U.S. GAAP information and consequences.

The standalone Carnival plc UK GAAP financial statements, including by way of note the Carnival Corporation & plc U.S. GAAP statements on pages 5 to 28 of the Carnival Corporation & plc 2005 Annual Report, are required to satisfy reporting requirements of the Companies Act 1985. However, the directors consider that within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is by reference to the U.S. GAAP financial statements of Carnival Corporation & plc.

Goodwill arising on acquisitions

Goodwill arising on business acquisitions, being the difference between the fair value of consideration compared to the fair value of net assets acquired, represents the residual purchase price after allocation to all identifiable net assets. Goodwill is included within intangible fixed assets and is stated at cost less accumulated amortisation. Where goodwill is regarded as having limited useful life the cost is amortised on a straight line basis over its expected useful life, which can be up to 40 years. A life of more than 20 years is adopted when the directors consider the period for which the value of the underlying business acquired exceeds the value of the identifiable net assets is demonstrably longer than 20 years. Where goodwill is regarded as having an indefinite useful economic life it is not amortised. This policy is appropriate due to the long-term nature of the business and the enduring nature of the brands, which are a key part of the strategy of the Group and are supported by continuing investment in the brands and new ships. Goodwill with an expected useful life of more than

Notes to the financial statements—(continued)

20 years is reviewed annually by the directors, by comparing the carrying value with the estimated fair value, to determine whether there has been any permanent impairment in value; any such reduction in value is taken to the profit and loss account.

Investments

Investments in subsidiary and associate undertakings are held at cost less provisions for impairment in the Company balance sheet.

Tangible fixed assets

Ships are stated at cost less accumulated depreciation. Subsequent ship improvement costs are capitalised as additions to the ship, while costs of planned major maintenance activities are accounted for as dry-docking costs.

Properties and other fixed assets, including computer hardware and software, are stated at cost less accumulated depreciation.

Interest incurred in respect of payments on account of assets under construction is capitalised to the cost of the assets concerned.

Depreciation is calculated to write off the cost to estimated residual value on a straight line basis over the expected useful life of the asset concerned as follows:

Cruise ships	30 years
Freehold buildings	20–40 years
Other fixed assets	2–20 years

Owned land and ships under construction are not depreciated.

Impairment of fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable based on estimated future cash flows. Provision for impairment in value of fixed assets is made in the profit and loss account.

Dry-docking costs

Dry-docking costs, comprising planned major maintenance activities, are deferred and expensed over the estimated period of benefit, generally 12 months or in some instances the period to the next scheduled dry-dock, which can be up to 30 months. Replacements made during a dry-dock are capitalised as fixed assets on a component basis and depreciated over their estimated useful lives, with the estimated net book value of assets being replaced written off.

Grants

Grants received towards the cost of tangible fixed assets are included in creditors as deferred income and credited to the profit and loss account over the life of the asset.

Stocks

Stocks consist of provisions, supplies, fuel and gift shop and art merchandise held for resale and are stated at the lower of cost or net realisable value.

Revenue and expense recognition

Turnover comprises sales to third parties (excluding VAT and similar sales and port taxes). Guest cruise deposits represent unearned revenues and are initially recorded as customer deposit liabilities when received. Customer deposits are subsequently recognised as cruise revenues, together with revenues from onboard and other activities and all associated direct costs of a voyage, upon completion of voyages with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. Future travel discount vouchers issued to guests are typically recorded as a reduction of revenues when such vouchers are utilised. Revenues and expenses from tour and travel services are recognised at the time the services are performed or expenses are incurred.

Notes to the financial statements—(continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Marketing and promotion costs

Marketing and promotion are expensed as incurred, except for brochures and media production costs, which are recorded as prepaid expenses and charged to the profit and loss account as brochures are consumed or upon the first airing of the advertisement.

Pension costs

Contributions in respect of defined contribution pension plans are charged to the profit and loss account when they are payable. Contributions in respect of defined benefit pension plans are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees. The cost of providing defined benefit pensions is charged to the profit and loss account on a systematic basis over the periods benefiting from the services of employees, and is calculated with the advice of an independent qualified actuary, using the projected unit method. This is in accordance with Statement of Standard Accounting Practice 24 "Accounting for pension costs." Additional disclosure as required by the transitional rules of FRS17 is also provided.

Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19. A net deferred tax asset is regarded as recoverable and recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Derivatives and other financial instruments

Carnival plc uses foreign currency swaps and interest rate swaps to manage its exposure to certain foreign currency exchange rate and interest rate risks and to hedge major capital expenditure or lease commitments by businesses in currencies other than their functional currency. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Foreign currencies

The reporting currency of the Group is the U.S. dollar. The Group's businesses generate earnings in a number of different currencies, principally Euros, pounds Sterling and U.S. dollars. Each business selects the currency in which the majority of its trade and assets are denominated as its functional currency. Transactions in currencies other than a business' functional currency are recorded at the rate of exchange ruling at the date of the transaction. Profits and losses of subsidiaries, branches, and joint ventures which have functional currencies other than U.S. dollars are translated into U.S. dollars at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated at the year end exchange rates.

Exchange differences arising from the retranslation of the opening net assets of subsidiaries, branches and joint ventures which have currencies of operation other than U.S. dollars and any related loans are taken to reserves, together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

Notes to the financial statements—(continued)

2. Segmental analysis

Carnival plc has a single business of operating cruise ships and North American related landside assets under various brand names as follows: Holland America Tours and Princess Tours in North America, Costa, P&O Cruises, Swan Hellenic, Ocean Village and AIDA Cruises in Europe and P&O Cruises (Australia) in Australia and New Zealand. In addition, the Group operates the Cunard brand, approximately 60% of the results of which are generated in North America with the remainder arising primarily in Europe.

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Turnover (by origin)		
Continuing operations		
North America	869.9	872.4
Europe and Australia	3,482.3	3,028.9
	<u>4,352.2</u>	<u>3,901.3</u>

The turnover for each geographic segment is materially generated from sales to customers in that region. The Group offers cruises across a substantial number of different itineraries, accordingly, analysing turnover by destination is not considered practical or meaningful.

Gross profit and gross profit margin can be affected by changes in the air/sea mix. The gross profit for the year ended November 30, 2005 was \$1,328.4m (2004 \$1,269.0m).

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Total operating profit		
Continuing operations		
North America	63.9	96.1
Europe and Australia	648.3	563.9
	<u>712.2</u>	<u>660.0</u>

The non-operating loss of \$32.0m in 2005 arose on the disposal of two ships in Europe and Australia. Of this loss, \$12.6m arose following the redeployment of vessels between the UK and North America when Carnival plc sold the Adonia to Princess Cruises. The sale resulted in a UK GAAP loss of \$12.6m for Carnival plc. In the Carnival Corporation & plc consolidated financial statements no loss arose because the transfer was between companies within the DLC. In addition on December 14, 2005, Carnival plc entered into an agreement to sell the Pacific Sky. The net sale proceeds will be approximately \$19.4m less than the UK GAAP carrying value, and thus a provision in anticipation of the disposal has been made in the 2005 results. The U.S. GAAP Pacific Sky carrying value is less than the net sale proceeds and, accordingly, no provision in anticipation of disposal has been recorded in the 2005 Carnival Corporation & plc consolidated financial statements.

	As at Nov. 30, 2005 U.S.\$m	As at Nov. 30, 2004 U.S.\$m
Net operating assets excluding goodwill and ships under construction		
Continuing operations		
North America	817.2	1,023.3
Europe and Australia	5,206.4	5,933.6
	<u>6,023.6</u>	<u>6,956.9</u>

Notes to the financial statements—(continued)

	As at Nov. 30, 2005 U.S.\$m	As at Nov. 30, 2004 U.S.\$m
The net operating assets are reconciled to net assets as follows:		
Net operating assets	6,023.6	6,956.9
Goodwill	692.9	749.4
Ships under construction	230.8	126.3
Amounts owed to the Carnival Corporation group	(297.1)	(521.6)
Net borrowings	(1,992.4)	(2,661.8)
Corporation tax and deferred tax	(69.6)	(67.7)
Dividends payable	(106.2)	(63.6)
Net assets	<u>4,482.0</u>	<u>4,517.9</u>

Net operating assets including goodwill and ships under construction in North America were \$963.6m (2004 \$1,153.3m), and in Europe and Australia \$5,983.7m (2004 \$6,679.3m).

3. Operating profit is stated after (charging)/crediting

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Depreciation of owned assets	(348.2)	(300.3)
Depreciation of assets held under finance leases	(0.6)	(3.3)
Amortisation of capital grants	11.7	12.4
Amounts written off goodwill	(3.0)	(1.0)
Operating lease costs:		
—ships	(45.5)	(14.6)
—property	(13.3)	(15.8)
—other	(4.4)	(4.7)
Auditors' remuneration:		
Audit	(1.7)	(1.7)
Tax advice	(0.2)	(0.3)
Other non-audit fees	—	(0.1)
Total fees paid to the auditors and their associates	<u>(1.9)</u>	<u>(2.1)</u>

The audit fee of the Company was \$0.5m (2004 \$0.6m). For the year ended November 30, 2005 \$1.7m was invoiced by the auditors to Carnival plc (2004 \$1.7m), based on an allocation of total DLC audit fees among all DLC entities; this does not necessarily represent the audit fee that would have been charged to Carnival plc as a standalone group. Further details of the audit fees are given in the Proxy Statement in the section entitled "Independent Registered Certified Public Accounting Firm".

4. Net interest payable and similar items

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Interest payable on:		
Bank loans and overdrafts	(138.7)	(122.5)
Loans from the Carnival Corporation group	(0.1)	(3.4)
	<u>(138.8)</u>	<u>(125.9)</u>
Interest capitalised	7.6	7.7
	<u>(131.2)</u>	<u>(118.2)</u>
Interest receivable on other deposits	11.2	7.9
	<u>(120.0)</u>	<u>(110.3)</u>

Notes to the financial statements—(continued)

Interest capitalised relates to tangible fixed assets under construction. The capitalisation rate is based on the weighted average of interest rates applicable to the Group's borrowings (excluding loans for specific purposes) during each period. The aggregate interest capitalised by the Group through November 30, 2005 was \$99.7m (2004 \$92.1m), substantially all of which relates to ships.

5. Taxation

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
The taxation charge is made up as follows:		
Current taxation:		
UK Corporation tax	(0.3)	(0.3)
Overseas taxation	(21.6)	(12.3)
	<u>(21.9)</u>	<u>(12.6)</u>
Overseas deferred taxation:		
Utilisation of recoverable tax losses	(2.1)	(17.4)
Origination/reversal of timing differences	0.1	2.4
	<u>(23.9)</u>	<u>(27.6)</u>
	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
The current taxation charge is reconciled to the UK standard rate as follows:		
Profit on ordinary activities before tax	560.2	549.7
Notional tax charge at UK standard rate (2005: 30.0%; 2004: 30.0%)	(168.1)	(164.9)
Effect of overseas taxes at different rates	58.9	64.4
Effect of UK tonnage tax and other permanent differences	87.3	87.9
	<u>(21.9)</u>	<u>(12.6)</u>

There was no charge or credit in respect of profits and losses on sale of ships and other fixed assets. The effective tax rate for the Group is expected to remain low due to the entry into the UK tonnage tax regime in 2001 and tax arrangements applicable to ships registered in Italy, including the entry of these ships into the Italian tonnage tax regime in 2005. The U.S. tour operations are taxed at the applicable U.S. federal and state corporate tax rates, approximately 40%.

6. Dividends

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Dividends paid, declared, proposed and accrued are as follows:		
Equity share capital		
First interim paid \$0.20 per share (2004 \$0.125)	42.6	26.4
Second interim paid \$0.20 per share (2004 \$0.125)	42.3	26.5
Third interim paid \$0.25 per share (2004 \$0.15)	53.1	31.8
Fourth interim proposed at \$0.25 per share (2004 \$0.15)	53.1	31.8
	<u>191.1</u>	<u>116.5</u>

Notes to the financial statements—(continued)

7. Earnings per ordinary share

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Carnival plc basic and diluted earnings	536.3	522.1
Weighted average number of shares (millions)		
Basic	212.2	211.4
Dilutive shares	0.8	1.2
Diluted number of shares	213.0	212.6
Carnival plc standalone basic earnings per share (in U.S. dollars)	2.53	2.47
Carnival plc standalone diluted earnings per share (in U.S. dollars)	2.52	2.46

As described in note 1 Carnival Corporation and Carnival plc implemented a DLC structure on April 17, 2003. Under the contracts governing the DLC the Carnival Corporation & plc consolidated earnings accrue equally to each unit of Carnival Corporation stock and each Carnival plc share. For this reason the U.S. GAAP earnings per share are provided for information on page 1.

The weighted average number of shares has been reduced for shares in the Company held by the Company's employee benefit trust for the satisfaction of incentive scheme awards that have not vested unconditionally.

The dilutive shares relate to ordinary shares to be issued on the exercise of employee share options.

8. Intangible assets

	Group			Company
	Goodwill	Other	Total	Goodwill
	U.S.\$m	intangibles	U.S.\$m	U.S.\$m
Cost				
Cost at December 1, 2004	794.2	—	794.2	—
Exchange movements	(61.4)	—	(61.4)	—
Additions	6.4	—	6.4	215.1
Transfer from other fixed assets (note 10)	—	10.9	10.9	—
Cost at November 30, 2005	739.2	10.9	750.1	215.1
Amortisation				
Amortisation at December 1, 2004	(44.8)	—	(44.8)	—
Exchange movements	1.5	—	1.5	—
Amortisation charge for the year	(0.2)	—	(0.2)	—
Impairment provision	(2.8)	—	(2.8)	—
Amortisation at November 30, 2005	(46.3)	—	(46.3)	—
Net book value				
At November 30, 2005	692.9	10.9	703.8	215.1
At November 30, 2004	749.4	—	749.4	—

Due to the enduring nature of the Group's brands and continued investment in the brands and new ships, goodwill of \$685.4m at November 30, 2005, including \$133.5m in respect of AIDA, \$215.1m in respect of Cunard and \$336.8m in respect of Costa, is regarded as having an indefinite life and is not amortised. In the opinion of the directors this departure from the requirements of the Companies Act 1985, for goodwill to be amortised, is adopted so that the financial statements give a true and fair view. It is not possible to quantify the effect of this departure because no finite life for goodwill can be identified.

Other intangibles in the Group represent port concession rights and are being amortised over the life of the concession.

Goodwill in the company comprises goodwill on the purchase of the Cunard business from Cunard Line Ltd; further details of this transaction are provided in note 9.

Notes to the financial statements—(continued)

9. Ships

	Group			Company Owned U.S.\$m
	Owned U.S.\$m	Leased U.S.\$m	Total U.S.\$m	
Cost				
Cost at December 1, 2004	8,731.6	130.7	8,862.3	2,316.8
Exchange movements	(794.0)	—	(794.0)	(206.1)
Additions	633.9	—	633.9	463.3
Transfer from Cunard Line Ltd	—	—	—	973.8
Transfer from other group companies	—	—	—	406.9
Disposals	(431.0)	(130.7)	(561.7)	(428.4)
Cost at November 30, 2005	8,140.5	—	8,140.5	3,526.3
Depreciation				
Depreciation at December 1, 2004	(1,550.7)	(8.4)	(1,559.1)	(566.4)
Exchange movements	145.3	—	145.3	50.3
Charge for year	(284.5)	(0.6)	(285.1)	(108.2)
Impairment provision	(19.4)	—	(19.4)	(19.4)
Transfer from Cunard Line Ltd	—	—	—	(80.7)
Transfer from other group companies	—	—	—	(234.4)
Disposals	94.5	9.0	103.5	92.9
Depreciation at November 30, 2005	(1,614.8)	—	(1,614.8)	(865.9)
Net book value				
At November 30, 2005	6,525.7	—	6,525.7	2,660.4
At November 30, 2004	7,180.9	122.3	7,303.2	1,750.4

Ships under construction included in the above for Group totalled \$230.8m (2004 \$126.3m) and in the Company totalled \$57.3m (2004 \$75.9m).

On January 1, 2005, the Company purchased all of the cruise operations formerly owned by Cunard Line Ltd, its wholly owned subsidiary. The purchase price was based on the book values of the assets held by Cunard Line Ltd. In addition a number of other ships were sold to or purchased from other companies in the DLC. Details of all such ship transfers are included in note 21, related party transactions. Accumulated depreciation at the date ships are purchased from other group companies is disclosed separately in the above Company note.

Notes to the financial statements—(continued)

10. Properties and other fixed assets

	Group Owned land and buildings U.S.\$m	Office equipment, plant and motor vehicles U.S.\$m	Total U.S.\$m	Company Office equipment, plant and motor vehicles U.S.\$m
Cost				
Cost at December 1, 2004	416.7	406.4	823.1	29.9
Exchange movements	(5.6)	(12.6)	(18.2)	(2.7)
Additions	48.7	63.4	112.1	4.6
Transfer to intangible assets (note 8)	(10.9)	—	(10.9)	—
Transfer from Cunard Line Ltd	—	—	—	7.9
Disposals	(26.0)	(19.0)	(45.0)	—
Cost at November 30, 2005	422.9	438.2	861.1	39.7
Depreciation				
Depreciation at December 1, 2004	(69.7)	(208.5)	(278.2)	(14.2)
Exchange movements	0.9	5.8	6.7	1.5
Charge for the year	(15.9)	(47.8)	(63.7)	(9.2)
Transfer from Cunard Line Ltd	—	—	—	(3.0)
Disposals	13.3	16.9	30.2	—
Depreciation at November 30, 2005	(71.4)	(233.6)	(305.0)	(24.9)
Net book value				
At November 30, 2005	351.5	204.6	556.1	14.8
At November 30, 2004	347.0	197.9	544.9	15.7

The book value of owned land is \$26.9m (2004 \$25.5m), which is not depreciated.

11. Investments—Group

	Associates (unlisted) U.S.\$m	Other investments (unlisted) U.S.\$m	Total U.S.\$m
Cost or valuation at December 1, 2004	11.7	—	11.7
Exchange movements	(0.4)	—	(0.4)
Additions	0.3	0.7	1.0
Transfer out on acquisition as subsidiary	(7.6)	—	(7.6)
Cost or valuation at November 30, 2005	4.0	0.7	4.7
Provision at December 1, 2004	(3.8)	—	(3.8)
Transfer out on acquisition as subsidiary	3.8	—	3.8
Provision at November 30, 2005	—	—	—
Net book value			
At November 30, 2005	4.0	0.7	4.7
At November 30, 2004	7.9	—	7.9

At November 30, 2005 the Group's principal associate is Terminal Napoli S.p.A., a provider of port services, registered in Italy in which the Group has a 20% interest.

Notes to the financial statements—(continued)

12. Stocks

	Group As at Nov. 30, 2005 U.S.\$m	Group As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2005 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m
Raw materials and consumables	69.1	69.7	34.1	20.1
Goods for resale	33.4	36.6	7.2	5.0
	<u>102.5</u>	<u>106.3</u>	<u>41.3</u>	<u>25.1</u>

13. Debtors

	Group As at Nov. 30, 2005 U.S.\$m	Group As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2005 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m
Amounts recoverable within and over one year				
Trade debtors	234.2	258.1	100.9	61.3
Amounts owed by subsidiary undertakings	—	—	322.3	932.9
Other debtors	54.7	37.2	8.3	25.8
Prepayments and accrued income	191.3	156.9	141.1	41.3
	<u>480.2</u>	<u>452.2</u>	<u>572.6</u>	<u>1,061.3</u>

Group other debtors include recoverable tax of \$23.9m (2004 \$20.9m), the recovery of which may extend over more than one year.

14. Creditors

	Group As at Nov. 30, 2005 U.S.\$m	Group As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2005 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m
Amounts falling due within one year				
Euro bond 2006	(355.4)	—	—	—
Euro bond 2005	—	(101.3)	—	—
Overdrafts	(7.8)	—	—	—
Bank loans	(875.1)	(629.1)	(237.3)	(56.3)
Finance lease creditors	—	(111.0)	—	—
Trade creditors	(358.7)	(317.2)	(57.6)	(13.8)
Amounts owed to Carnival Corporation group companies	(297.1)	(521.6)	(564.9)	(514.8)
Amounts owed to subsidiaries	—	—	(2,437.5)	(2,097.7)
Corporation tax	(60.0)	(56.9)	(1.4)	—
Other creditors	(32.4)	(48.8)	(27.7)	(1.6)
Accruals	(150.9)	(156.9)	(147.6)	(111.8)
Deferred income	(621.7)	(524.7)	(440.0)	(292.8)
Dividends payable	(106.2)	(63.6)	(106.2)	(63.6)
	<u>(2,865.3)</u>	<u>(2,531.1)</u>	<u>(4,020.2)</u>	<u>(3,152.4)</u>

Notes to the financial statements—(continued)

	Group As at Nov. 30, 2005 U.S.\$m	Group As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2005 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m
Amounts falling due after more than one year				
Bank loans, loan notes and bonds:				
Between one and five years				
Euro bond 2006	—	(398.4)	—	—
Bank loans	(963.1)	(1,144.8)	(923.1)	(552.2)
Other creditors	(15.8)	(10.3)	—	—
Deferred income	(178.1)	(212.1)	—	—
Over five years				
Sterling bonds 2012	(339.9)	(378.2)	(339.9)	(378.2)
Bank loans	(229.1)	(73.5)	(225.9)	(70.7)
	<u>(1,726.0)</u>	<u>(2,217.3)</u>	<u>(1,488.9)</u>	<u>(1,001.1)</u>

Bank loans and overdrafts include amounts of \$216.5m (2004 \$294.5m) secured on ships and other assets. Further details of interest rates on bank borrowings are given in note 24. The deeds of guarantee issued in conjunction with the formation of the DLC, and subsequent guarantees issued, effectively result in Carnival plc guaranteeing all of Carnival Corporation's indebtedness and certain other monetary obligations. Carnival Corporation has provided reciprocal guarantees over the Company's and certain of its subsidiaries' indebtedness. Further details of arrangements under the DLC structure are given in note 3 of the Carnival Corporation & plc 2005 Annual Report.

The maturity of bank loans, bonds, finance lease creditors and overdrafts is as follows:

	Group As at Nov. 30, 2005 U.S.\$m	Group As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2005 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m
Within one year	(1,238.3)	(841.4)	(237.3)	(56.3)
Between one and two years	(76.4)	(1,013.6)	(50.4)	(47.3)
Between two and five years	(886.7)	(529.5)	(872.7)	(504.9)
Between five and ten years	(512.3)	(450.2)	(511.2)	(448.9)
Over ten years	(56.7)	(1.6)	(54.6)	—
	<u>(2,770.4)</u>	<u>(2,836.3)</u>	<u>(1,726.2)</u>	<u>(1,057.4)</u>

15. Provisions for liabilities and charges

	Deferred taxation U.S.\$m	Other U.S.\$m	Total U.S.\$m
Group			
At December 1, 2004	(31.7)	(40.4)	(72.1)
Exchange differences	0.1	3.5	3.6
Utilised in the year	—	3.3	3.3
Charged to profit and loss	(1.9)	(10.6)	(12.5)
At November 30, 2005	<u>(33.5)</u>	<u>(44.2)</u>	<u>(77.7)</u>

During 2001 Carnival plc elected to enter the UK tonnage tax regime, which eliminated future potential tax liabilities on its shipping related profits in the UK.

Notes to the financial statements—(continued)

	Group As at Nov. 30, 2005	Group As at Nov. 30, 2004
Deferred taxation comprises:		
Accelerated capital allowances	(38.7)	(38.0)
Short-term timing differences	5.2	6.3
	<u>(33.5)</u>	<u>(31.7)</u>

No deferred tax is recognised on unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

Other provisions in the Group include \$11.9m (2004 \$15.1m) in respect of the estimated net residual commitments on vacant leasehold properties, which are expected to be settled over the next six years, and \$24.5m (2004 \$21.8m) in estimated pension and other post retirement obligations. Post retirement obligations include a provision for Italian staff leaving indemnity of \$13.5m (2004 \$13.1m); further details of the staff leaving indemnity are given in note 20.

The significant provisions in the Company include \$11.9m (2004 \$15.1m) in respect of commitments on vacant leasehold properties and \$10.9m (2004 \$8.7m) in respect of estimated pension and other post retirement obligations.

16. Called up share capital

The authorised ordinary share capital comprises 225,903,614 ordinary shares of \$1.66 each (2004 225,903,614 ordinary shares of \$1.66 each).

The allotted, called up and fully paid ordinary share capital is as follows:

	No. of Shares	U.S.\$m
At December 1, 2004	212,193,824	352.2
Shares issued	401,462	0.7
At November 30, 2005	<u>212,595,286</u>	<u>352.9</u>

During 2005 the Company issued 401,462 ordinary shares of \$1.66 each following the exercise of share options for total consideration of \$11.7m.

In connection with the formation of the DLC the Company authorised 100,000 and allotted 50,000 £1.00 redeemable preference shares and one special voting share of £1.00. The 50,000 redeemable preference shares allotted are entitled to a cumulative fixed dividend of 8% per annum. The preference shares rank behind other classes of shares in relation to the payment of capital on certain types of distribution of the Company.

Details of options over ordinary shares granted to employees are given in note 19.

17. Reserves

	Share premium account U.S.\$m	Other reserves U.S.\$m	Merger reserve U.S.\$m	Profit and loss account U.S.\$m	Total U.S.\$m
Group					
At December 1, 2004	64.7	35.6	1,459.2	2,604.2	4,163.7
Exchange movements	—	—	—	(393.1)	(393.1)
Issue of shares	10.9	—	—	—	10.9
Retained profit for the financial year	—	—	—	345.2	345.2
At November 30, 2005	<u>75.6</u>	<u>35.6</u>	<u>1,459.2</u>	<u>2,556.3</u>	<u>4,126.7</u>

Notes to the financial statements—(continued)

	Share premium account U.S.\$m	Other reserves U.S.\$m	Profit and loss account U.S.\$m	Total U.S.\$m
Company				
At December 1, 2004	64.7	35.6	2,894.3	2,994.6
Exchange movements	—	—	(182.6)	(182.6)
Issue of shares	10.9	—	—	10.9
Retained profit for the financial year	—	—	48.7	48.7
At November 30, 2005	75.6	35.6	2,760.4	2,871.6

In accordance with s230 of the Companies Act 1985 the Company has not presented its own profit and loss account. The profit attributable to shareholders of the Company for the period was \$239.8m (2004 \$2,532.2m). The profit and loss account comprises \$1,081.1m (2004 \$1,215.0m) of distributable reserves and \$1,679.3m (2004 \$1,679.3m) of undistributable reserves.

At November 30, 2005 Group and Company "Other reserves" represent the difference between the market and nominal value of shares issued as initial consideration of \$35.6m in respect of the purchase of 49% of AIDA Cruises Limited in November 2000. The shares issued in respect of the initial consideration were accounted for in accordance with the merger relief provisions of the Companies Act 1985.

During the year ended November 30, 2004 Carnival Corporation & plc completed a corporate restructuring involving the transfer within the DLC group of subsidiary companies below Carnival Corporation and Carnival plc. These transactions were undertaken primarily to facilitate business integration and the flow of funds between affiliated companies. Due to the nature of the DLC structure, this series of transactions was accounted for as a group reconstruction in accordance with Financial Reporting Standard 6, using merger accounting principles to reflect the combination of Carnival plc with the merged businesses. The directors consider that within the DLC structure the use of merger accounting for the restructuring was required to give a true and fair presentation of the transfer of businesses from Carnival Corporation. This represents a departure from the provision of the Companies Act 1985 which sets out the conditions for merger accounting based on the assumption that a merger is effected through the issue of equity shares. The main consequence of adopting merger rather than acquisition accounting was that the balance sheet of the Group included the assets and liabilities of the merged businesses at their book values prior to the merger, rather than at their fair values at the date of the merger. Further, as a result of this accounting treatment, the disposal of businesses to Carnival Corporation gave rise to no gain or loss. The difference between the book value and the fair value of these businesses (which equates to the value of the consideration received) of approximately \$1.47bn, was shown as a movement in 2004 equity shareholders' funds. In the particular circumstances of the merger, the effect of applying acquisition accounting cannot reasonably be quantified.

As at November 30, 2005 the Carnival plc Employee Benefit Trust held 175,538 shares in Carnival plc (2004 175,538 shares), with an aggregate nominal value of \$0.3m (2004 \$0.3m). At November 30, 2005 the market value of these shares was \$9.8m (2004 \$9.8m). If they had been sold at this value there would have been no tax liability (2004 nil) on the capital gain arising from the sale. The costs of funding and administering the scheme are charged to the profit and loss account of the Company in the period to which they relate.

Notes to the financial statements—(continued)

18. Notes to the Group cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Group operating profit	712.2	660.0
Depreciation and amortisation including capital grant amortisation	337.1	291.2
Loss on disposal of fixed assets	4.4	1.0
Goodwill amortisation and other amounts written off investments	3.0	4.8
Increase in stocks	(2.5)	(44.6)
(Increase)/decrease in debtors	(54.1)	31.2
Increase in creditors and provisions	177.8	133.2
Net cash inflow from operating activities	1,177.9	1,076.8

(b) Reconciliation of net cash flow to movement in net debt

	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
Increase/(decrease) in net cash in the year	611.1	(76.7)
Cash inflow from loans with Carnival Corporation	(98.7)	(1,145.9)
Cash outflow/(inflow) from changes in short-term borrowings	330.6	(242.1)
Cash (inflow)/outflow from third party debt and lease financing	(660.9)	698.2
Change in net debt resulting from cash flows	182.1	(766.5)
Princess Cruises debt disposed on corporate restructuring	—	748.8
Carnival Corporation loan note on sale of Princess Cruises	—	3,967.7
Other non-cash transactions with Carnival Corporation (note 21)	434.2	358.6
Net movement on disposal of U.S. dollar debt	—	(103.1)
Amortisation of bond issue costs	(2.3)	(1.4)
Exchange movements in net debt	279.9	(278.4)
Movement in net debt in the year	893.9	3,925.7
Net debt at the beginning of the year	(3,183.4)	(7,109.1)
Net debt at the end of the year	(2,289.5)	(3,183.4)

(c) Analysis of net debt

	At Dec. 1, 2004 U.S.\$m	Cash flow U.S.\$m	Other non-cash movements U.S.\$m	Exchange movements U.S.\$m	At Nov. 30, 2005 U.S.\$m
Cash available on demand	174.5	618.9	—	(15.4)	778.0
Less: bank overdrafts	—	(7.8)	—	—	(7.8)
	174.5	611.1	—	(15.4)	770.2
Loan with Carnival Corporation	(521.6)	(98.7)	323.2	—	(297.1)
Short-term debt	(841.4)	330.6	(739.3)	11.8	(1,238.3)
Medium and long-term debt	(1,883.9)	(660.9)	737.0	283.5	(1,524.3)
Finance leases	(111.0)	—	111.0	—	—
Net debt	(3,183.4)	182.1	431.9	279.9	(2,289.5)

Non-cash movements in loans with Carnival Corporation include the net effect of the Adonia, Pacific Princess and Tahitian Princess transfers, total \$441.1m, the settlement of the Pacific Princess and Tahitian Princess finance leases, \$111.0m, and settlement \$6.9m of tax liabilities.

(d) Acquisition of subsidiaries and associates comprises the purchase of the remaining 50% of Victoria Travel Ltd. The purchase consideration comprised cash of \$5.0m and the net assets acquired were \$2.6m, including cash balances of \$6.6m.

Notes to the financial statements—(continued)

19. Employees

	Twelve months to Nov. 30, 2005	Twelve months to Nov. 30, 2004
The average number of employees was as follows:		
Shore staff	7,225	7,253
Sea staff	18,009	17,988
	<u>25,234</u>	<u>25,241</u>
	Twelve months to Nov. 30, 2005 U.S.\$m	Twelve months to Nov. 30, 2004 U.S.\$m
The aggregate payroll costs were:		
Wages and salaries	522.1	512.2
Social security costs	31.5	24.0
Pension costs	17.9	16.3
	<u>571.5</u>	<u>552.5</u>

Details of directors' remuneration, including share options, long-term incentive plans and pension entitlements, are set out in the Directors' Remuneration Report in Annex B to the Proxy Statement. During the year none of the directors made any gains on the exercise of options over Carnival plc shares (2004 nil).

Employee Option Schemes

Options under the Carnival plc Executive Share Option Plan ("the Option Plan"), are exercisable in a period normally beginning not earlier than three years and ending no later than ten years from the date of the grant. Options granted immediately after the demerger from P&O in October 2000 to replace options over P&O deferred stock previously held by Carnival plc employees are exercisable over the same period as the options replaced. The exercise price is set at the closing market price on the day the option was granted.

	Weighted average exercise price per share or ADS \$	Number of options over shares or ADSs
Options outstanding at December 1, 2004	38.42	3,283,367
Options granted during the year	53.86	471,352
Options exercised during the year	29.93	(401,462)
Options lapsed or cancelled	39.93	(116,872)
Options outstanding at November 30, 2005	<u>41.67</u>	<u>3,236,385</u>
Options exercisable at November 30, 2005	<u>21.75</u>	<u>422,659</u>

The average remaining life of outstanding options at November 30, 2005 was 7.9 years (2004 8.5 years).

20. Pensions

Carnival plc is a contributing employer to various pension schemes, including some multiemployer merchant navy industry schemes. The defined benefit schemes are formally valued triennially by independent qualified actuaries.

In the UK, P&O Cruises operates its own funded defined benefit pension scheme, the assets of which are managed on behalf of the trustee by independent fund managers. This scheme is closed to new membership which may result in higher service costs as the members of the scheme approach retirement. As at March 31, 2004, the date of the most recent formal actuarial valuation, the scheme had assets with a market value of \$103.2m, representing 90 per cent of the benefits accrued to members

Notes to the financial statements—(continued)

allowing for future increases in earnings. Approximately 67 per cent of the scheme's assets are invested in bonds and 33 per cent in equities. The principal valuation assumptions were as follows:

	%
Rate of salary increases	4.2
Rate of pension increases	2.7
Discount rate (for accounting purposes a discount rate of 5.5% is used)	5.25
Expected return on assets	5.25

The Merchant Navy Ratings Pension Fund ("MNRPF") is a funded defined benefit multiemployer scheme in which British sea staff employed by companies within the Carnival plc group have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual. Companies within the Carnival plc group, along with other employers, are making payments into the scheme under a non-binding Memorandum of Understanding to reduce the deficit. Payments by Carnival plc's group companies to the scheme in 2005 totalled \$2.5m, which represented 7 per cent of the total payments made by all employers. As at March 31, 2005, the date of the most recent formal actuarial valuation, the scheme had assets with a market value of \$1,105m, representing 86 per cent of the benefits accrued to members. Approximately 66 per cent of the scheme's assets were invested in bonds, 27 per cent in equities and 7 per cent in property. The valuation assumptions were as follows:

	%
Rate of salary increases	4.2
Rate of pension increases (where increases apply)	2.7
Discount rate—pre-retirement	6.5
Discount rate—post-retirement	5.0

The Merchant Navy Officers Pension Fund ("MNOF") is a funded defined benefit multiemployer scheme in which British officers employed by companies within the Carnival plc group have participated and continue to participate. This scheme is closed to new membership. Despite a March 2005 court ruling regarding the allocation of the deficit to participating employers, there are still a number of uncertainties remaining as to Carnival plc's portion of the fund's ultimate deficit. Accordingly, whilst the Group is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis Carnival plc accounts for the scheme on a contributions paid basis. The scheme is divided into two sections—the New Section and the Old Section. As at March 31, 2003, the date of the most recent formal actuarial valuation, the New Section had assets with a market value of \$1,983m, representing approximately 86 per cent of the benefits accrued to members. The valuation assumptions were as follows:

	%
Rate of salary increases	4.0
Rate of pension increases (where increases apply)	2.5
Discount rate	7.8
Expected return on assets	7.8

At the date of the valuation, approximately 59 per cent of the New Section's assets were invested in equities, 28 per cent in bonds and 13 per cent in property and cash. The Old Section has been closed to benefit accrual since 1978. As at March 31, 2003, the date of the most recent formal actuarial valuation, the Old Section had assets with a market value of \$2,235m representing approximately 115 per cent of the benefits accrued to members. The assets of the Old Section are substantially invested in bonds. Contributions from Carnival plc group companies to the MNOF during the period to November 30, 2005 were \$2.7m (2004 \$1.3m).

The Group also contributed to a number of small overseas schemes, including defined contribution (401k) plans for its U.S. employees.

Notes to the financial statements—(continued)

The pension charges arising from the schemes described above were:

	2005 U.S.\$m	2004 U.S.\$m
The P&O Cruises Pension Scheme	4.9	5.9
Merchant Navy pension funds	5.8	3.8
U.S. plans and other overseas plans	7.2	6.6
	<u>17.9</u>	<u>16.3</u>

Differences between the amounts charged and the amounts paid by Carnival plc are included in pre-payments or creditors as appropriate. At November 30, 2005, total prepayments amounted to \$7.7m (2004 \$6.7m), and total creditors amounted to \$1.7m (2004 \$3.6m), giving a net pension asset in the balance sheet of \$6.0m (2004 net asset \$3.1m).

Additional information presented under FRS17 "Retirement Benefits":

While the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under FRS17 'Retirement Benefits' the following additional information has been presented in respect of the P&O Cruises Pension Scheme, Carnival plc's share of the MNRPF and the unfunded U.S. plans. In accordance with FRS 17, the MNOPF is not included in this analysis as Carnival plc's share of its underlying assets and liabilities cannot be identified with certainty. However, some additional information on the overall funding position of the MNOPF is provided below.

The pension liabilities for accounting purposes of the P&O Cruises scheme, Carnival plc's share of the MNRPF and the unfunded U.S. plans were estimated at November 30, 2005 and November 30, 2004 by Carnival plc's qualified independent actuary. The assumptions used are best estimates chosen from a range of possible actuarial assumptions, bearing in mind the guidance given under FRS17, which may not necessarily be borne out in practice. Using weighted averages, these assumptions for the UK and U.S. schemes together were as follows:

	2005 %	2004 %	2003 %
Rate of increase in salaries	4.2	4.2	4.0
Rate of increase in pensions (where increases apply)	2.7	2.7	2.5
Discount rate	4.8	5.2	5.3
Inflation rate	2.7	2.7	2.5
Expected return on assets (only relevant for UK schemes):			
—equities	7.7	7.7	7.5
—bonds	4.8	5.2	5.3
—gilts (government bonds)	4.2	4.6	4.8

The aggregated assets and liabilities in the UK and U.S. plans as at November 30, 2005, 2004 and 2003 were estimated to be as follows:

	2005 Value U.S.\$m	2005 Expected rate of return %	2004 Value U.S.\$m	2004 Expected rate of return %	2003 Value U.S.\$m	2003 Expected rate of return %
Equities	65.9	7.7	64.9	7.7	52.5	7.5
Bonds	102.6	4.8	103.4	5.2	87.3	5.3
Gilts	36.7	4.2	32.3	4.6	18.0	4.8
Total market value of assets	205.2	5.6	200.6	5.9	157.8	6.0
Present value of the schemes' liabilities	(245.5)		(238.5)		(195.6)	
Net pension liability	<u>(40.3)</u>		<u>(37.9)</u>		<u>(37.8)</u>	

The net pension liability of \$40.3m (2004 \$37.9m) compares with the net pension asset accounted for under SSAP 24 of \$6.0m (2004 net asset \$3.1m).

Notes to the financial statements—(continued)

On full compliance with FRS17, the amounts that would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses for these UK and U.S. plans for the period ended November 30, 2005 would have been as follows:

	2005 U.S.\$m	2004 U.S.\$m
Analysis of amounts charged to operating profits:		
Current service cost	(6.1)	(5.6)
Analysis of amount credited to other finance income:		
Interest on pension scheme liabilities	(11.9)	(10.4)
Expected return on assets in the pension schemes	11.6	10.2
Net charge to other finance income	(0.3)	(0.2)

The total profit and loss charge, excluding defined contribution scheme expenses, of \$6.4m (2004 \$5.8m) compares with \$10.7m (2004 \$9.7m) under SSAP 24.

	2005 U.S.\$m	2004 U.S.\$m
Analysis of amounts recognised in Statement of Recognised Gains and Losses (STRGL):		
Actual return less expected return on assets	6.7	8.4
Experience gain/(loss) on liabilities	1.9	(10.3)
Loss on change of assumptions (financial and demographic)	(18.5)	(13.6)
Total loss recognised in STRGL before adjustment for tax	(9.9)	(15.5)

	2005	2004	2003	2002
History of experience gains and losses				
Actual return less expected return on assets	\$6.7m	\$8.4m	\$3.0m	(\$11.4m)
As a % of scheme assets at end of year	3.3%	4.2%	1.9%	8.3%
Experience gain/(loss) on scheme liabilities	\$1.9m	(\$10.3m)	(\$4.3m)	\$9.4m
As a % of scheme liabilities at end of year	0.8%	4.3%	2.2%	5.3%
Total actuarial (loss)/gain recognised in STRGL	(\$9.9m)	(\$15.5m)	5.4m	(\$13.8m)
As a % of scheme liabilities at end of year	4.0%	6.5%	2.8%	7.8%

	2005 U.S.\$m	2004 U.S.\$m
Movement in net pension liability in the scheme during the year		
Net pension liability at December 1, 2004	(37.9)	(37.8)
Contributions paid	10.3	7.2
Current service cost	(6.1)	(5.6)
Other finance charge	(0.3)	(0.2)
Actuarial loss	(9.9)	(15.5)
Transfer of liabilities on corporate restructuring	—	16.7
Exchange	3.6	(2.7)
Net pension liability at November 30, 2005	(40.3)	(37.9)

The allocation of the MNOPF New Section fund deficit to participating employers' was the subject of a Court ruling in March 2005. Based on the decision reached by the Court, the Group is currently estimated to be liable for approximately 2.5% of any fund deficit, after apportionment to Princess Cruise Lines Ltd for participation by its employees in the fund. At March 31, 2003, the date of the most recent formal actuarial valuation of the New Section, prepared by the MNOPF's actuary, the Group's estimated 2.5% share of the fund deficit was approximately \$7.6 million, assuming a 7.8% discount rate. During August 2005 the Group received invoices from the MNOPF trustee requiring payment over the next ten years of \$11.0m, representing the trustee's revised estimate, at that time, of the Group's share of the deficit. At November 30, 2005, Carnival plc's independent actuary informally

Notes to the financial statements—(continued)

updated the March 31, 2003 valuation for UK accounting purposes, and estimated that the Group's share of New Section deficit could increase to \$29m, assuming a 4.8% discount rate. The amount of the fund deficit could vary considerably if different assumptions and/or estimates were used in its calculation. It is possible that the fund's trustee could invoice the Group for additional amounts in the future for various reasons, including if they believe the fund requires further funding.

On adoption of IFRS, which will be in the year ending November 30, 2006, the difference between the fair value of the assets held in the Group's pension schemes and the value of the schemes' liabilities measured on an actuarial basis, using the projected unit method, will be recognised in the balance sheet as a pension scheme asset or liability, as appropriate, which would have a consequential effect on reserves. The carrying value of any resulting pension scheme asset would be restricted to the extent that the Group is able to recover the surplus either through reduced future contributions or refunds. Due to the Group's tax structure the effect of deferred tax on the resulting pension scheme asset or liability is expected to be minimal. Based upon the actuarial estimates described above the effect on the Group's net assets at November 30, 2005 from applying FRS17 would have been a net reduction of \$46.3m (2004 \$41.0m).

Under Italian employment legislation Costa is required to maintain a staff leaving indemnity. Under the indemnity employees are entitled to receive a payment, calculated by reference to their length of service and final salary, if they cease employment with Costa. These payments are not conditional on employees reaching normal retirement age. At November 30, 2005 \$13.5m (2004 \$13.1m) had been provided by Costa; the amount provided represents the full potential liability accrued to employees up to the end of each financial year.

21. Related party transactions

Within the DLC structure there are a number of instances where Carnival Corporation group companies provide services to the Carnival plc group and also where Carnival plc group companies provide services to the Carnival Corporation group. Costs paid by the Carnival plc group to the Carnival Corporation group during 2005 in respect of cruises sold together with a land tour package by Holland America Tours and Princess Tours were \$115.1m, representing the most significant trading relationship between the two groups.

During the year three ships were transferred from the Carnival plc group to Princess Cruises, namely: Adonia, Pacific Princess and Tahitian Princess. The Pacific Princess and Tahitian Princess were transferred at net book value and Adonia was transferred at a loss of \$12.6m. The Adonia was renamed Sea Princess and chartered to Carnival plc.

At November 30, 2005 the Carnival plc group owed \$297.1m (2004 \$521.6m) to the Carnival Corporation group. In addition, Carnival Investments Limited, a subsidiary of Carnival Corporation, owns 19.6% of the Company's shares and, therefore, receives dividends from the Company.

Details of related party transactions between the directors and both Carnival plc and Carnival Corporation are set out within the "Transactions of Management and Directors" section of the Proxy Statement, that accompanies this document.

22. Commitments

Capital

	As at Nov. 30, 2005 U.S.\$m	As at Nov. 30, 2004 U.S.\$m
Contracted		
Ships	3,342.5	2,964.2
Other	28.4	11.5
	<u>3,370.9</u>	<u>2,975.7</u>

Ship capital commitments at November 30, 2005 include contract stage payments, design and engineering fees, construction oversight costs, various owner supplied items and capitalised interest.

Notes to the financial statements—(continued)

Other commitments at each year end, in respect of the next year, under non-cancellable operating leases are as follows:

	Property 2005 U.S.\$m	Other 2005 U.S.\$m	Total 2005 U.S.\$m	Property 2004 U.S.\$m	Other 2004 U.S.\$m	Total 2004 U.S.\$m
Expense in 2006 or 2005 on leases expiring:						
Within one year	2.5	0.2	2.7	1.4	12.9	14.3
Between one and five years	9.5	71.8	81.3	13.1	6.2	19.3
After five years	9.5	—	9.5	4.4	—	4.4
	<u>21.5</u>	<u>72.0</u>	<u>93.5</u>	<u>18.9</u>	<u>19.1</u>	<u>38.0</u>

In addition to the operating lease commitments, at November 30, 2005 the Group had commitments to pay \$9.7m, in respect of next year, for usage, extending over more than five years, of certain port facilities.

23. Contingent liabilities

As part of the DLC structure, Carnival plc has given a number of guarantees over Carnival Corporation obligations, details of which are given in note 3 of the Carnival Corporation & plc 2005 Annual Report.

Costa instituted arbitration proceedings in Italy in 2000 to confirm the validity of its decision not to deliver its ship, the Costa Classica, to the shipyard of Cammell Laird Holdings PLC ("Cammell Laird") under a €79 million contract for the conversion and lengthening of the ship in November 2000. Costa also gave notice of termination of the contract in January 2001. It is expected that the arbitration tribunal's decision will be made in 2007 at the earliest. In the event that an award is given in favour of Cammell Laird, the amount of damages, which Costa would have to pay, if any, is not currently determinable. *The ultimate outcome of this matter cannot be determined at this time.*

Carnival plc has provided counter indemnities relating to bonds provided by third parties in support of Carnival plc's obligations arising in the normal course of business. Generally these bonds are required by travel industry regulators in the various jurisdictions in which Carnival plc operates and any liabilities arising from them are considered remote.

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

24. Financial instruments

Carnival plc uses financial instruments to finance its operations. The financial instruments used by Carnival plc include cash, overdrafts, bonds and loans. Derivative financial instruments are used to manage some of the currency and interest rate risks arising from its operations and its sources of finance. The derivatives used for this purpose are principally foreign currency swaps and interest rate swaps.

The main financial risks to which Carnival plc is exposed are summarised below. No transactions of a speculative nature are undertaken.

The accounting policies for derivatives and other financial instruments are described in note 1.

For the purpose of this note, other than currency disclosures, trade debtors and creditors have been excluded. *The primary debtors and creditors included are bank loans, short-term borrowings and provisions for vacant property obligations, in accordance with FRS13.*

Notes to the financial statements—(continued)

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

Foreign currency risk

Carnival plc has international business operations. Its reporting currency is the U.S. dollar, but has continuing operations in a number of other currencies, the most important of which are Sterling and the euro. In general, Carnival plc's profits and shareholders' funds benefit if Sterling or the euro are strong against the U.S. dollar. The U.S. dollar/sterling and the U.S. dollar/euro exchange rates for the respective years were as follows:

	Average exchange rates for periods ended	Period end exchange rates
November 30, 2005		
U.S.\$:£	1.836	1.730
U.S.\$:euro	1.258	1.185
November 30, 2004		
U.S.\$:£	1.818	1.911
U.S.\$:euro	1.235	1.329

Subsequent to the corporate restructuring described in note 17 the Group continues to report its results in U.S. dollars as this is the main currency of the DLC. However, approximately 86% of Carnival plc's net operating assets are denominated in non U.S. dollar currencies at November 30, 2005, of which approximately 55% are denominated in euros, 28% in Sterling with the remainder in U.S. and Australian dollars, with the result that Carnival plc's U.S. dollar consolidated balance sheet, and in particular shareholders' funds, can be affected by currency movements. Carnival plc partially mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated. In addition non U.S. dollar results are translated into U.S. dollars at average exchange rates for the purposes of consolidation. The impact of currency movements on operating profit is also consequently partially mitigated by some interest costs being incurred in corresponding non U.S. dollar currencies. An analysis of financial liabilities by currency is shown below.

Carnival plc's businesses generally generate their turnover and incur costs in their main functional currency. Subsequent to the corporate restructuring the following exceptions to this include:

- Costa generates some revenue in U.S. dollars and South American currencies.
- Cunard generates some revenues and expenses in Sterling.
- The tours businesses generate some revenues and expenses in Canadian dollars.
- Substantially all the businesses incur some costs in U.S. dollars, including some fuel and crew costs.

Notes to the financial statements—(continued)

Carnival plc's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account are set out below. These exposures comprising the monetary assets and liabilities of Carnival plc that are not denominated in the functional currency of the operating unit concerned, excluding certain non U.S. dollar borrowings treated as hedges of net investments in non U.S. dollar functional currency operations, are as follows:

	Net foreign currency monetary assets/(liabilities)				
	U.S. Dollar U.S.\$m	Sterling U.S.\$m	Euro U.S.\$m	Other U.S.\$m	Total U.S.\$m
Functional currency of Group operation:					
U.S. dollars	—	(11.2)	(2.8)	8.2	(5.8)
Sterling	(21.5)	—	2.7	(14.5)	(33.3)
Euro	(41.9)	0.9	—	19.7	(21.3)
Other	2.5	(0.1)	0.8	1.1	4.3
Total at November 30, 2005	<u>(60.9)</u>	<u>(10.4)</u>	<u>0.7</u>	<u>14.5</u>	<u>(56.1)</u>
Functional currency of Group operation:					
U.S. dollars	—	2.5	0.4	(0.7)	2.2
Sterling	(2.9)	—	1.2	(5.9)	(7.6)
Euro	(22.2)	(3.3)	—	(4.5)	(30.0)
Other	—	—	—	1.2	1.2
Total at November 30, 2004	<u>(25.1)</u>	<u>(0.8)</u>	<u>1.6</u>	<u>(9.9)</u>	<u>(34.2)</u>

Interest rate risk

To protect the financial results against movements in interest rates, Carnival plc maintains a proportion of its borrowings at a fixed rate of interest. The interest rate profile of the financial liabilities of Carnival plc, after taking account of hedging activities, is as follows:

	Total U.S.\$m	Financial liabilities on which no interest is charged U.S.\$m	Variable rate financial liabilities U.S.\$m	Fixed rate financial liabilities U.S.\$m	Weighted average interest rate for fixed rate financial liabilities %	Average time over which interest rate is fixed months
Currency:						
U.S. dollars	468.1	—	118.5	349.6	4.7%	7.2
Sterling	790.2	—	297.4	492.8	6.9%	79.2
Euro	1,717.9	178.1	659.5	880.3	3.8%	5.7
Total at November 30, 2005	<u>2,976.2</u>	<u>178.1</u>	<u>1,075.4</u>	<u>1,722.7</u>	<u>4.9%</u>	<u>27.0</u>
Currency:						
U.S. dollars	222.2	10.3	95.9	116.0	3.8%	7.7
Sterling	584.2	—	15.1	569.1	6.3%	91.3
Euro	2,267.4	212.1	828.7	1,226.6	4.7%	19.4
Total at November 30, 2004	<u>3,073.8</u>	<u>222.4</u>	<u>939.7</u>	<u>1,911.7</u>	<u>5.1%</u>	<u>40.1</u>

Notes to the financial statements—(continued)

The variable rate financial liabilities include bank borrowings and overdrafts bearing interest at rates fixed in advance for periods ranging from one to six months by reference to the applicable reference rate, primarily LIBOR for U.S. dollar, Sterling and EURIBOR for euro borrowings.

The interest rate profile of the financial assets of Carnival plc is as follows:

	Total U.S.\$m	Variable rate financial assets U.S.\$m	Financial assets on which no interest is received U.S.\$m
Currency:			
U.S. dollars	139.7	134.5	5.2
Sterling	106.8	99.3	7.5
Euro	511.6	500.1	11.5
Other	19.9	12.5	7.4
Total at November 30, 2005	<u>778.0</u>	<u>746.4</u>	<u>31.6</u>
Currency:			
U.S. dollars	63.1	49.5	13.6
Sterling	66.2	60.9	5.3
Euro	29.8	22.8	7.0
Other	15.4	10.8	4.6
Total at November 30, 2004	<u>174.5</u>	<u>144.0</u>	<u>30.5</u>

The majority of variable rate financial assets comprise bank accounts bearing interest at the applicable money market deposit rates.

Liquidity risk

At November 30, 2005 Carnival plc had \$3.48bn of undrawn committed bank facilities, \$1.83bn of which expire in 2010 and \$1.65bn after more than 10 years.

Credit risk

Management does not consider that the Group has any significant concentration of credit risk. Potential concentrations comprise principally cash and cash equivalents and trade debtors. Carnival plc enters into derivative transactions and maintains cash deposits with several major banks. Management periodically reviews the credit rating of the institutions and believes that any credit risk is minimal. Concentration of credit risk with respect to trade debtors is limited due to the short-term maturities and large number of debtors comprising Carnival plc's customer base.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a positive fair value at November 30, 2005.

Notes to the financial statements—(continued)

Fair values of financial assets and liabilities

A comparison by category of book value and fair value of Carnival plc's financial assets and liabilities is as follows:

	As at Nov. 30, 2005		As at Nov. 30, 2004	
	Book value U.S.\$m	Fair value U.S.\$m	Book value U.S.\$m	Fair value U.S.\$m
Primary financial instruments held or issued to finance Carnival plc operations:				
Notes and bonds	(695.3)	(737.2)	(877.9)	(933.4)
Other loans	(2,067.3)	(2,049.3)	(1,958.4)	(1,952.1)
Cash	778.0	778.0	174.5	174.5
Bank overdrafts	(7.8)	(7.8)	—	—
Other long-term creditors	(193.9)	(193.9)	(222.4)	(222.4)
Provision for vacant property obligations	(11.9)	(11.9)	(15.1)	(15.1)
Derivative financial instruments held or issued to hedge currency exposure on expected future transactions:				
Forward foreign currency swaps	—	5.9	—	47.7
Interest rate swaps	(9.4)	(18.4)	(6.8)	(27.5)
	<u>(2,207.6)</u>	<u>(2,234.6)</u>	<u>(2,906.1)</u>	<u>(2,928.3)</u>

The notional principal amount of derivative financial instruments held as hedges against the currency exposure on capital expenditure for ships is \$1,287.2m (2004 \$361.8m) in respect of foreign currency swaps and \$1,334.9m (2004 \$946.2m) in respect of foreign currency and interest rate swaps providing hedges against currency and interest rate exposures on loans.

The fair value of notes and bonds is based on quoted market price for public debt and for private debt is estimated on a discounted cash flow basis applying appropriate market interest rates.

Other loans, which include short-term borrowings and bank term loans, are largely at variable interest rates and, therefore, the book value generally approximates to the fair value.

The fair value of cash and short-term loans approximate to the book value due to the short-term maturity of the instruments.

The fair values of derivative financial instruments were estimated based on prices quoted by financial institutions for these instruments based on appropriate market rates.

Hedging

When Carnival plc's businesses enter into significant capital expenditure or lease commitments in currencies other than their main functional currency, these commitments are normally hedged using foreign currency swaps in order to fix the cost when converted to the functional currency.

Notes to the financial statements—(continued)

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on foreign currency swaps and interest rate swaps are as follows:

	Gains U.S.\$m	(Losses) U.S.\$m	Net gains/ (losses) U.S.\$m
At December 1, 2004	52.4	(25.4)	27.0
(Gains)/losses arising before December 1, 2004 that were recognised during the year ended November 30, 2005	(51.9)	2.9	(49.0)
Gains/(losses) arising before December 1, 2004 that were not recognised during the year ended November 30, 2005	0.5	(22.5)	(22.0)
Gains/(losses) arising in the year that were not recognised during the year ended November 30, 2005	7.9	11.0	18.9
Gains/(losses) at November 30, 2005	8.4	(11.5)	(3.1)
Of which:			
Gains/(losses) expected to be recognised in less than one year	0.2	(0.8)	(0.6)
Gains/(losses) expected to be recognised after more than one year	8.2	(10.7)	(2.5)
Gains/(losses) at November 30, 2005	8.4	(11.5)	(3.1)
Of which:			
Gains on contracted capital expenditure on ships	0.7	(2.3)	(1.6)
Gains/(losses) on other hedges	7.7	(9.2)	(1.5)
Gains/(losses) at November 30, 2005	8.4	(11.5)	(3.1)

The underlying commitments, after taking these contracts into account, are reflected within note 22.

25. Investment in subsidiaries

	Shares U.S.\$m	Loans U.S.\$m	Total U.S.\$m
At December 1, 2004	4,556.5	30.5	4,587.0
Exchange movements	(204.8)	—	(204.8)
Additions	699.6	—	699.6
Transfers	30.5	(30.5)	—
Disposals	(46.8)	—	(46.8)
At November 30, 2005	5,035.0	—	5,035.0

There were no material acquisitions during the year. Additions to investment in subsidiaries include \$689.9m in respect of further investment in previously owned subsidiaries, details of other subsidiary additions are included in note 18.

Notes to the financial statements—(continued)

The principal operating subsidiaries at November 30, 2005 were:

	Country of Incorporation/ Registration	Percentage of equity share capital owned at November 30, 2005	Business Description
P&O Princess Cruises International Ltd	England	100%†	Shipowner
Alaska Hotel Properties LLC	U.S.A.	100%	Hotel operations
P&O Travel Ltd	England	100%	Travel agent
Royal Hyway Tours Inc	U.S.A.	100%	Land tours
Tour Alaska LLC	U.S.A.	100%	Rail tours
CC U.S. Ventures, Inc.	U.S.A.	100%	Holding company
Costa Crociere S.p.A	Italy	99.98%	Passenger cruising
Cozumel Cruise Terminal S.A. de C.V.	Mexico	100%	Port operations
Global Fine Arts, Inc.	U.S.A.	100%	Art sales and picture framing
Holland America Line Inc	U.S.A.	100%	Hotel operations and land and rail tours

† Held directly by the Company.

Report of the independent auditors to the members of Carnival plc

We have audited the financial statements which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes, including the Carnival Corporation & plc consolidated financial statements on pages 5 to 28 of the Carnival Corporation & plc 2005 Annual Report. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part") in Annex B to the Proxy Statement.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only pages 1 to 4 and 32 to 47 of the Carnival Corporation & plc 2005 Annual Report, and the Proxy Statement and related Annexes, other than the auditable part of the Director's Remuneration Report contained in Annex B to the Proxy Statement.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code, specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Directors' Remuneration Report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at November 30, 2005 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

21 February 2006

Highlights

(in millions, except per share amounts and other operating data)	2005	2004	Pro Forma	
			2003 ^(a)	2003
Revenues	\$ 11,087	\$ 9,727	\$ 7,596	\$ 6,718
Net Income	\$ 2,257	\$ 1,854	\$ 1,210	\$ 1,194
Earnings Per Share	\$ 2.70	\$ 2.24	\$ 1.49	\$ 1.63
Dividends Per Share	\$ 0.80	\$ 0.525	\$ 0.44	\$ 0.44
Total Assets ^(b)	\$28,432	\$27,636	\$24,491	\$24,491
Other Operating Data				
Passengers Carried	6,848,386	6,306,168	5,422,456	5,037,553
Passenger Capacity ^{(b)(c)}	136,960	129,108	113,296	113,296
Number of Ships ^(b)	79	76	71	71
Number of Employees ^(b)	71,000	69,000	59,000	59,000

(a) Gives pro forma effect for the merger with P&O Princess as if the P&O Princess brands had been included in our consolidated results for all of 2003 and excludes \$51 million of P&O Princess' merger related costs, or \$0.06 earnings per share. This differs from the pro forma amounts shown in Note 3 to the consolidated financial statements as U.S. GAAP requires pro forma net income to be reduced by the amount of the merger related costs.

(b) As of the end of the year.

(c) Passenger capacity is calculated based on two passengers per cabin.



To Our Shareholders:

This was another year of significant achievement, with the company posting record revenues and earnings and carrying more passengers than ever. Our portfolio of 12 distinct cruise brands performed at very high levels, providing nearly 7 million guests with outstanding seagoing vacation experiences.

Carnival Corporation & plc has become the world's most profitable vacation company, with revenues surpassing \$11 billion and net income approaching \$2.3 billion. Our revenues increased 14 percent during the past year with 8 percent driven by added capacity of new ships and 6 percent from the combination of higher ticket prices, occupancies, and onboard guest spending. Our company benefited from the continued demand for cruising worldwide, with North American brands enjoying robust growth in 2005.

2005 also brought record increases in fuel prices, which cost the company an incremental \$0.21 per share and drove unit costs up 5 percent versus the prior year. Excluding fuel, the company maintained disciplined cost controls to achieve costs in line with the prior year.

Even with fuel prices reaching historic highs, we were still able to grow our earnings by more than 20 percent in 2005 to reach \$2.70 per share. This enabled us to return more value to our shareholders. Carnival's board of directors approved three dividend increases since October 2004 which doubled the dividend from an annual rate of \$0.50 to \$1.00 per share. The company also repurchased 8 million shares of our stock at a total cost of \$386 million during the year.

Weathering the Storm

This strong growth was achieved despite the most challenging hurricane season in modern history, with storms affecting homeports and ports of call in the U.S. and the Caribbean. Hurricane Katrina was particularly devastating, resulting in tremendous loss of life, displacing thousands of individuals from their homes along the Gulf Coast and causing millions of dollars in property damage.

In addition to chartering three ships to the relief efforts, Carnival and its employees and guests donated more than \$7 million to six different disaster relief organizations. I am

extremely proud of the efforts that our company and employees put forth in providing this much-needed assistance to the thousands of individuals affected by these storms.

Strong Cruise Brands, Wide-Ranging Choices

The cover of this annual report—which features the recognizable names and logos of our brands on a classic suitcase—conveys the rich heritage, nostalgia and romance of the sea, along with the adventurous spirit that our company was built upon.

Some of our brands trace their lineage to the 1800s, and operated some of the world's most famous ocean liners. They also played a pivotal role in history, transporting thousands of immigrants during the golden age of transatlantic travel. Others shaped and later defined the modern-day cruise industry, combining an entrepreneurial spirit with a commitment to innovation to usher in a new era in oceangoing vacation travel.

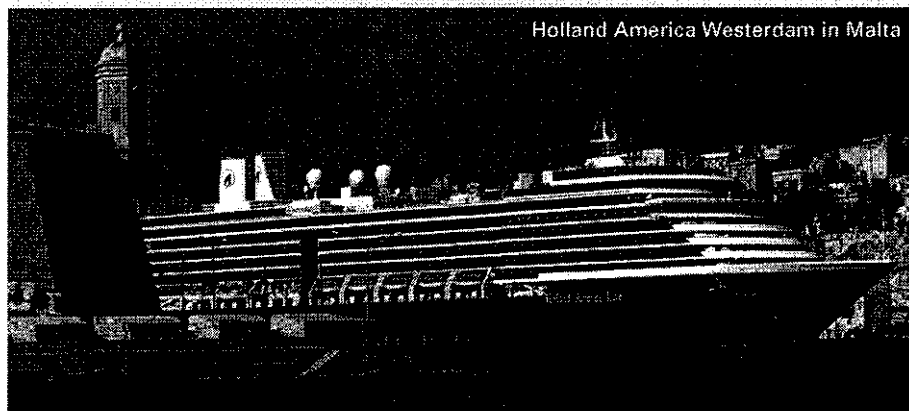
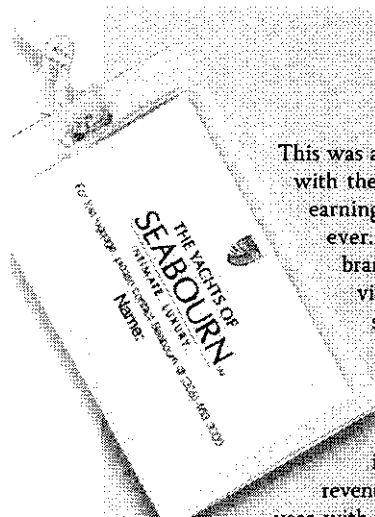
With the widest variety of styles in cruising, our company is not only steeped in tradition but also firmly committed to expanding today's vacation marketplace, with forward-thinking ideas and an eye toward the future. Carnival's respect for the past, focus on the present, and planning for the future has enabled our company to build a portfolio of 12 distinct brands that comprises the world's only global cruise company.

Although our brands are vastly different in terms of product, style and amenities, there's one common trait that they all share—each is the most successful in its respective area.

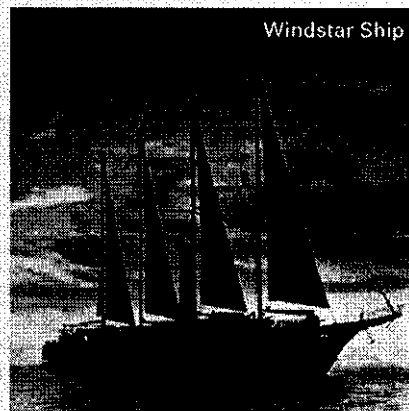
Investing in Our Future

Market segmentation both geographically and demographically continues to be key to Carnival's successful strategy. Achieving the deepest penetration for cruise travel requires the development of cruise products tailored to the specific preferences of our customers. That's why we have adopted a strategy of having each brand cater to the individual tastes of different cultures, from North America to the UK and Continental Europe and Australia. As each major geographic area develops, we introduce varied products aimed at different demographic segments of that area. We believe this business model promises many years of growth, not only in North America, the most developed area in which we operate, but also in Europe, which is rapidly growing, while also providing the platform for developing emerging areas including Asia.

The expected growth in the various areas in which we operate drives our ambitious newbuilding strategy. While some



Holland America Westerdam in Malta



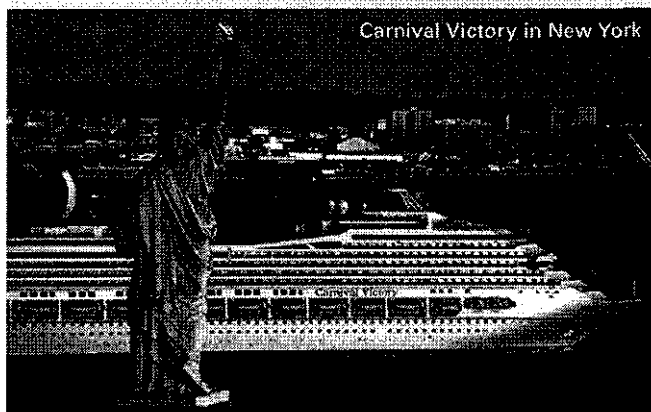
Windstar Ship

may question our ability to expand at this pace, in our view, the world holds huge potential for growth. Although Carnival Corporation & plc carried a record number of guests this year, only a small percentage of the population has ever taken a cruise, and thus it is our view that there is a vast untapped potential for growth. Innovatively designed new ships and features continue to be the drivers for this growth.

Last year, a record 9 million North Americans took a cruise, continuing to position cruising as a more mainstream vacation choice. And while Europeans are increasingly recognizing the tremendous value that cruising offers, still less than 3 million Europeans took a cruise last year. To meet the growing demand for cruises, Carnival Corporation & plc has committed to investing \$8 billion in ship construction for our core North American and European operating brands. In 2005, we ordered six new ships for our various brands and signed options for an additional two vessels. In total, 16 new ships are scheduled for delivery between 2006 and 2009—three each for Carnival Cruise Lines, Princess Cruises, Costa Cruises and AIDA Cruises, two for Holland America Line, and one each for Cunard Line and P&O Cruises. Based on our scheduled deliveries, capacity growth in North America for our three operating units will average 5 percent per year. In Europe, capacity growth is substantially higher, averaging 10 percent per annum; however, capacity is spread across different geographic areas. On an average annual basis, in the UK, we expect a 12 percent capacity increase, in Germany 13 percent, and in southern Europe 7 percent.

We are confident in our ability to absorb this additional capacity as we have planned a very rational delivery schedule with ship deliveries spread across our different operating units and in many different geographic areas. Asia is another vastly underserved area and we are working to bring contemporary cruising to this region.

Our newbuilding program continues to serve as the primary platform for future development of these areas. As new ships come on line, we are redeploying existing tonnage into other emerging areas to maximize utilization of our assets. For example, in spring 2007, a second ship will be transferred to Ocean Village, which is pioneering a new segment in the UK cruise industry by catering to younger, more active vacationers. In addition, we have sold P&O Cruises Australia's Pacific Sky, which has been replaced with a ship transferred from Costa Cruises. We are also transferring a third cruise ship to P&O Cruises Australia in fall 2007 as part of our plan to grow our cruise business in that part of the world.



An Entrepreneurial Spirit

While our targeted brands and strategic growth initiatives remain important ingredients for success, an entrepreneurial spirit is what our company thrives on. Our culture empowers our brand management to make daily decisions in the best interest of building their respective operating companies. Each is accountable for its individual performance.

This fluid and dynamic corporate culture fosters competition throughout each organization and challenges all individuals to create new, more efficient ways to improve our business. With constant innovation and commitment to excellence, our brands continue to "raise the bar" both for each other and the industry as a whole. This entrepreneurial spirit energizes our more than 71,000 worldwide employees to deliver unforgettable vacation experiences for our guests.

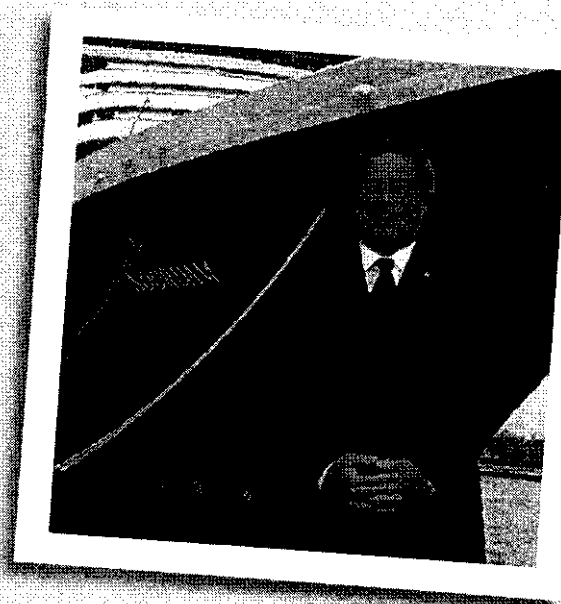
It's often said that people are the backbone of any company. I take this opportunity to thank our dedicated employees worldwide who continue to work so diligently at providing cruise vacations that exceed our guests' expectations. I also thank our board of directors for their contributions in the wake of increasing pressures and time commitments required in fulfilling their responsibilities.

I would also like to recognize the contributions of John McNulty, a valued and respected member of Carnival Corporation & plc's board of directors, who passed away suddenly in November. John's experience, wisdom and friendship will be missed by everyone in the Carnival organization.

And, finally, a word of thanks to our valued shareholders for their continued support and, of course, the millions of guests worldwide who choose a Carnival brand for their vacation.

Sincerely,

Micky Arison
Chairman and CEO
February 21, 2006



Shareholder Benefit

Carnival Corporation & plc is pleased to extend the following benefit to our shareholders:

	North American Brands	United Kingdom Brands	Continental European Brands	Australian Brand
Onboard credit per stateroom on sailings of 14 days or longer	US \$250	£ 125	€ 250	AUD 250
Onboard credit per stateroom on sailings of 7 to 13 days	US \$100	£ 50	€ 100	AUD 100
Onboard credit per stateroom on sailings of 6 days or less	US \$ 50	£ 25	€ 50	AUD 50

This benefit is applicable on sailings through July 31, 2007 aboard the brands listed below. Certain restrictions apply. Applications to receive these benefits must be made prior to cruise departure date.

This benefit is available to shareholders holding a minimum of 100 shares of Carnival Corporation or Carnival plc. Employees, travel agents cruising at travel agent rates, tour conductors or anyone cruising on a reduced-rate or complimentary basis are excluded from this offer. This benefit is not transferable, not combinable with any other shipboard offer and cannot be used for casino credits/charges and gratuities charged to your onboard account. Only one onboard credit per shareholder-occupied stateroom. Reservations must be made by February 28, 2007.

Please provide your name, reservation number, ship and sailing date, along with proof of ownership of Carnival Corporation or Carnival plc shares (i.e., photocopy of shareholder proxy card, shares certificate or a current brokerage or nominee statement) and the initial deposit to your travel agent or to the cruise line you have selected.

NORTH AMERICAN BRANDS

CARNIVAL CRUISE LINES
Research Supervisor
Reservation Administration
3655 N.W. 87th Avenue
Miami, FL 33178
Tel 800-438-6744 ext. 70041
Fax 305-406-5882

PRINCESS CRUISES
Yield Management
24844 Avenue Rockefeller
Santa Clarita, CA 91355
Tel 800-872-6779 ext. 30305
Fax 661-753-0180

HOLLAND AMERICA LINE/WINDSTAR
Reservation Administration
300 Elliott Avenue West
Seattle, WA 98119
Tel 800-993-5483
Fax 206-298-3059

SEABOARD
Guest Services
6100 Blue Lagoon Drive
Suite 400
Miami, FL 33126
Tel 800-929-9391
Fax 305-463-3055

CUNARD LINE*
Yield Management
24844 Avenue Rockefeller
Santa Clarita, CA 91355
Tel 800-872-6779 ext. 30305
Fax 661-753-0180

UNITED KINGDOM BRANDS

P&O CRUISES/PRINCESS CRUISE LINES*
Reservations Manager
Richmond House
Terminus Terrace
Southampton
Hants SO14 3PN
United Kingdom
Tel 44 (0) 238 065 7681
Fax 44 (0) 238 065 7360

OCEAN VILLAGE
Reservations Manager
Richmond House
Terminus Terrace
Southampton
Hants SO14 3PN
United Kingdom
Tel 44 (0) 238 065 7681
Fax 44 (0) 238 065 7360

SWAN HELLENIC
Reservations Manager
Richmond House
Terminus Terrace
Southampton
Hants SO14 3PN
United Kingdom
Tel 44 (0) 238 065 7681
Fax 44 (0) 238 065 7360

CUNARD LINE*
Guest Services
Richmond House
Terminus Terrace
Southampton
Hants SO14 3PN
United Kingdom
Tel 44 (0) 238 065 7681
Fax 44 (0) 238 065 7360

CONTINENTAL EUROPEAN BRANDS

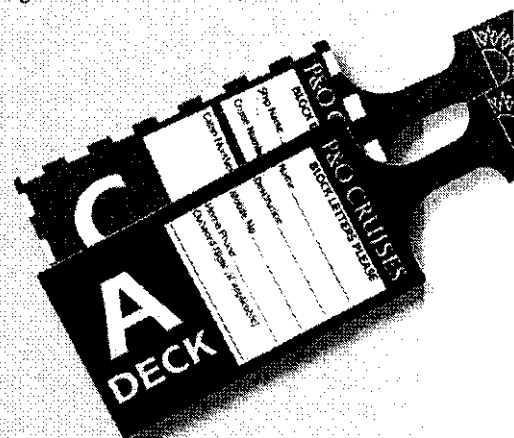
COSTA CRUISES*
Manager of Reservations
200 S. Park Road, Suite 200
Hollywood, FL 33021
Tel 800-462-6782 ext. 5791
Fax 954-266-5868

AIDA CRUISES
Staff of Corporate Communications
Am Strande 3d
18055 Rostock, Germany
Tel 49 (0) 381.444.8020
Fax 49 (0) 384.444.8025

AUSTRALIAN BRAND

P&O CRUISES AUSTRALIA
Reservations Manager
Locked Bag 1014
St. Leonards NSW 1590
Tel 61 2 8424 8800
Fax 61 2 8424 9161

*The onboard credit for Cunard Line, Princess Cruise Lines and Costa Cruises is determined based on the operational currency onboard the vessel.



Consolidated Statements of Operations

	Years Ended November 30,		
	2005	2004	2003
<i>(in millions, except per share data)</i>			
Revenues			
Cruise			
Passenger tickets	\$ 8,379	\$7,357	\$5,039
Onboard and other	2,356	2,070	1,420
Other	352	300	259
	11,087	9,727	6,718
Costs and Expenses			
Operating			
Cruise			
Commissions, transportation and other	1,665	1,572	1,021
Onboard and other	408	359	229
Payroll and related	1,145	1,003	744
Food	615	550	393
Fuel	709	493	340
Other ship operating	1,425	1,270	897
Other	250	210	190
Total	6,217	5,457	3,814
Selling and administrative	1,329	1,285	936
Depreciation and amortization	902	812	585
	8,448	7,554	5,335
Operating Income	2,639	2,173	1,383
Nonoperating (Expense) Income			
Interest income	28	17	27
Interest expense, net of capitalized interest	(330)	(284)	(195)
Other (expense) income, net	(7)	(5)	8
	(309)	(272)	(160)
Income Before Income Taxes	2,330	1,901	1,223
Income Tax Expense, Net	(73)	(47)	(29)
Net Income	\$ 2,257	\$1,854	\$1,194
Earnings Per Share			
Basic	\$ 2.80	\$ 2.31	\$ 1.66
Diluted	\$ 2.70	\$ 2.24	\$ 1.63
Dividends Per Share	\$ 0.80	\$0.525	\$ 0.44

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



Consolidated Balance Sheets

	November 30,	
<i>(in millions, except par value)</i>	2005	2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,178	\$ 643
Short-term investments	9	17
Accounts receivable, net	408	409
Inventories	250	240
Prepaid expenses and other	370	419
Total current assets	2,215	1,728
Property and Equipment, Net	21,312	20,823
Goodwill	3,206	3,321
Trademarks	1,282	1,306
Other Assets	417	458
	\$28,432	\$27,636
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings	\$ 300	\$ 381
Current portion of long-term debt	1,042	681
Convertible debt subject to current put option	283	600
Accounts payable	690	631
Accrued liabilities and other	832	868
Customer deposits	2,045	1,873
Total current liabilities	5,192	5,034
Long-Term Debt	5,727	6,291
Other Long-Term Liabilities and Deferred Income	541	551
Commitments and Contingencies (Notes 7 and 8)		
Shareholders' Equity		
Common stock of Carnival Corporation; \$.01 par value; 1,960 shares authorized; 639 shares at 2005 and 634 shares at 2004 issued	6	6
Ordinary shares of Carnival plc; \$1.66 par value; 226 shares authorized; 212 shares at 2005 and 2004 issued	353	353
Additional paid-in capital	7,381	7,311
Retained earnings	10,233	8,623
Unearned stock compensation	(13)	(16)
Accumulated other comprehensive income	156	541
Treasury stock; 2 shares of Carnival Corporation at 2005 and 42 shares of Carnival plc at 2005 and 2004, at cost	(1,144)	(1,058)
Total shareholders' equity	16,972	15,760
	\$28,432	\$27,636

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

Consolidated Statements of Cash Flows

<i>(in millions)</i>	Years Ended November 30,		
	2005	2004	2003
Operating Activities			
Net income	\$ 2,257	\$ 1,854	\$ 1,194
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	902	812	585
Investment write-down	22		
Accretion of original issue discount	20	21	20
Other	15	16	8
Changes in operating assets and liabilities, excluding business acquired			
Receivables	(71)	11	(91)
Inventories	(15)	(73)	(17)
Prepaid expenses and other	(105)	(54)	82
Accounts payable	84	(28)	43
Accrued and other liabilities	89	178	(16)
Customer deposits	212	479	125
Net cash provided by operating activities	3,410	3,216	1,933
Investing Activities			
Additions to property and equipment	(1,977)	(3,586)	(2,516)
Sales of short-term investments	943	1,216	3,745
Purchases of short-term investments	(935)	(772)	(3,803)
Cash acquired from the acquisition of P&O Princess, net			140
Proceeds from retirement of property and equipment		77	51
Other, net	(1)	(24)	(50)
Net cash used in investing activities	(1,970)	(3,089)	(2,433)
Financing Activities			
Proceeds from issuance of long-term debt	1,152	843	2,123
Principal repayments of long-term debt	(1,096)	(932)	(1,137)
Dividends paid	(566)	(400)	(292)
(Repayments of) proceeds from short-term borrowings, net	(58)	272	94
Proceeds from exercise of stock options	63	142	53
Purchase of treasury stock	(386)		
Other	(1)	(4)	(15)
Net cash (used in) provided by financing activities	(892)	(79)	826
Effect of exchange rate changes on cash and cash equivalents	(13)	(15)	(23)
Net increase in cash and cash equivalents	535	33	303
Cash and cash equivalents at beginning of year	643	610	307
Cash and cash equivalents at end of year	\$ 1,178	\$ 643	\$ 610

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

Consolidated Statements of Shareholders' Equity

<i>(in millions)</i>	Compre- hensive income	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	Unearned stock compen- sation	Accumulated other comprehensive income (loss)	Treasury stock	Total share- holders' equity
Balances at November 30, 2002		\$6		\$1,089	\$ 6,326	\$(11)	\$ 8		\$ 7,418
Comprehensive income									
Net income	\$1,194				1,194				1,194
Foreign currency translation adjustment	162						162		162
Unrealized losses on marketable securities, net	(1)						(1)		(1)
Changes related to cash flow derivative hedges, net	(9)						(9)		(9)
Total comprehensive income	<u>\$1,346</u>								
Cash dividends declared					(329)				(329)
Acquisition of Carnival plc			\$346	6,010				\$(1,058)	5,298
Issuance of stock under stock plans			3	64		(14)			53
Amortization of unearned stock compensation						7			7
Balances at November 30, 2003		6	349	7,163	7,191	(18)	160	(1,058)	13,793
Comprehensive income									
Net income	\$1,854				1,854				1,854
Foreign currency translation adjustment	398						398		398
Unrealized loss on marketable securities	(1)						(1)		(1)
Minimum pension liability adjustments	(3)						(3)		(3)
Changes related to cash flow derivative hedges, net	(13)						(13)		(13)
Total comprehensive income	<u>\$2,235</u>								
Cash dividends declared					(422)				(422)
Issuance of stock under stock plans			4	148		(7)			145
Amortization of unearned stock compensation						9			9
Balances at November 30, 2004		6	353	7,311	8,623	(16)	541	(1,058)	15,760
Comprehensive income									
Net income	\$2,257				2,257				2,257
Foreign currency translation adjustment	(398)						(398)		(398)
Minimum pension liability adjustments	(2)						(2)		(2)
Changes related to cash flow derivative hedges, net	15						15		15
Total comprehensive income	<u>\$1,872</u>								
Cash dividends declared					(647)				(647)
Issuance of stock under stock plans				73		(9)			64
Amortization of unearned stock compensation						12			12
Purchase of treasury stock								(386)	(386)
Issuance of common stock upon conversion of convertible debt				(3)				300	297
Balances at November 30, 2005		\$6	\$353	\$7,381	\$10,233	\$(13)	\$ 156	\$(1,144)	\$16,972

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

Notes to Consolidated Financial Statements

Note 1—General

Description of Business

Carnival Corporation is incorporated in Panama, and Carnival plc is incorporated in England and Wales. The accompanying consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries. Together with their consolidated subsidiaries they are referred to collectively in these consolidated financial statements and elsewhere in this 2005 Annual Report as "Carnival Corporation & plc," "our," "us," and "we." Our consolidated financial statements only include the results of operations and cash flows of the former P&O Princess Cruises plc since April 17, 2003.

Carnival Corporation and Carnival plc (formerly known as P&O Princess Cruises plc or "P&O Princess") operates as a dual listed company ("DLC"), whereby the businesses of

Carnival Corporation and Carnival plc are combined through a number of contracts and through amendments to Carnival Corporation's articles of incorporation and by-laws and to Carnival plc's memorandum of association and articles of association. The two companies have retained their separate legal identities, however, they operate as if they were a single economic enterprise. Each company's shares continue to be publicly traded; on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange for Carnival plc. In addition, Carnival plc American Depository Shares ("ADSs") are traded on the NYSE. See Note 3.

We are the largest cruise company and one of the largest vacation companies in the world. As of November 30, 2005, a summary of the number of cruise ships we operate, by brand, their passenger capacity and the primary areas in which they are marketed is as follows:

Cruise Brands	Number of Cruise Ships	Passenger Capacity ^(a)	Primary Market
Carnival Cruise Lines	21	47,820	North America
Princess Cruises ("Princess")	14	29,152	North America
Holland America Line	12	16,930	North America
Costa Cruises ("Costa")	10	17,262	Europe
P&O Cruises	5	8,844	United Kingdom
AIDA Cruises ("AIDA")	4	5,378	Germany
Cunard Line ("Cunard")	2	4,410	North America and United Kingdom
P&O Cruises Australia ^(b)	3	3,680	Australia and New Zealand
Ocean Village	1	1,578	United Kingdom
Swan Hellenic	1	678	United Kingdom
Seabourn Cruise Line ("Seabourn")	3	624	North America
Windstar Cruises	3	604	North America
	79	136,960	

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

(b) In December 2005, we entered into an agreement for the sale of P&O Cruises Australia's Pacific Sky, which is expected to leave our fleet in May 2006.

Preparation of Financial Statements

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates

and assumptions that affect the amounts reported and disclosed in our financial statements. Actual results could differ from these estimates. All significant intercompany balances and transactions are eliminated in consolidation.

Notes to Consolidated Financial Statements *(continued)*

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

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

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include investments with original maturities of three months or less, which are stated at cost. At November 30, 2005 and 2004, cash and cash equivalents included \$980 million and \$495 million of investments, respectively, primarily comprised of time deposits, investment grade asset-backed debt obligations, commercial paper and money market funds.

Substantially all of our short-term investments, which consist of investments with original maturities greater than three months, are comprised of investment grade variable rate debt obligations, which are asset-backed and categorized as available-for-sale. Our investments in these securities are recorded at cost, which approximates their fair value due to these investments having variable interest rates, which typically reset every 28 days. Despite the long-term nature of their stated contractual maturities, we have the ability to quickly liquidate these securities. As a result of the resetting variable rates, at November 30, 2005 and 2004 we had no cumulative gross unrealized or realized holding gains or losses from these investments. All income generated from these investments was recorded as interest income.

Inventories

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

Property and Equipment

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

	Residual Values	Years
Ships	15%	30
Ship improvements	0% or 15%	2 to remaining life of ship
Buildings and improvements	0-10%	5-40
Transportation equipment and other	0-25%	2-20
Leasehold improvements, including port facilities		Shorter of lease term or related asset life

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

Dry-dock costs primarily represent planned major maintenance activities that are incurred when a ship is taken out of service for scheduled maintenance. These costs are included in prepaid expenses and are amortized to other ship operating expenses using the straight-line method generally over one to two years.

Ship improvement costs that we believe add value to our ships are capitalized to the ships, and depreciated over the improvements' estimated useful lives, while costs of repairs and maintenance are charged to expense as incurred. Upon replacement or refurbishment of previously capitalized ship



components, these assets' estimated cost and accumulated depreciation are written off.

We capitalize interest on ships and other capital projects during their construction period.

Goodwill

We review our goodwill for impairment annually, or, when events or circumstances dictate, more frequently. All of our goodwill has been allocated to our cruise reporting units. There were no significant changes to our goodwill carrying amounts since November 30, 2003, other than the changes resulting from using different foreign currency translation rates at each balance sheet date, except as noted below.

During 2004, we increased the fair values of the P&O Princess publicly traded debt, and correspondingly, goodwill, by \$61 million to take into account the extension of Carnival Corporation's guarantee to cover this debt as of April 2003, the acquisition date. In addition, we reduced the fair value of P&O Princess' trademarks and, correspondingly increased goodwill by \$54 million to properly value our acquired trademarks as of the acquisition date. The impact of these changes on our financial statements was immaterial.

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

Trademarks

The cost of developing and maintaining our trademarks have been expensed as incurred. However, for acquisitions made after June 2001 we have allocated a portion of the purchase price to the acquiree's identified trademarks. The trademarks that Carnival Corporation recorded as part of its acquisition of P&O Princess, which are estimated to have an indefinite useful life and, therefore, are not amortizable, are reviewed for impairment annually, or more frequently when events or circumstances indicate that the trademark may be impaired. Our trademarks would be considered impaired if their carrying value exceeds their fair value.

Derivative Instruments and Hedging Activities

We utilize derivative and nonderivative financial instruments, such as foreign currency swaps and foreign currency obligations, to limit our exposure to fluctuations in foreign currency exchange rates and interest rate swaps to manage our interest rate exposure and to achieve a desired proportion of variable and fixed rate debt (see Notes 6 and 11).

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

Notes to Consolidated Financial Statements *(continued)*

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

During fiscal 2005, 2004 and 2003, all net changes in the fair value of both our fair value hedges and the offsetting hedged firm commitments and our cash flow hedges were immaterial, as were any ineffective portions of these hedges. No fair value hedges or cash flow hedges were derecognized or discontinued in fiscal 2005, 2004 or 2003. In addition, the amount of realized net losses or gains from cash flow hedges that were reclassified into earnings during fiscal 2005, 2004 and 2003 was not significant. The amount of estimated cash flow hedges unrealized net losses which are expected to be reclassified to earnings in the next twelve months is approximately \$4 million.

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

Revenue and Expense Recognition

Guest cruise deposits represent unearned revenues and are initially recorded as customer deposit liabilities when received. Customer deposits are subsequently recognized as cruise revenues, together with revenues from onboard and other activities and all associated direct costs of a voyage, upon completion of voyages with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. Future travel discount vouchers issued to guests are typically recorded as a reduction of revenues when such vouchers are

utilized. Revenues and expenses from our tour and travel services are recognized at the time the services are performed or expenses are incurred.

Insurance/Self-Insurance

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

Advertising Costs

Advertising costs are charged to expense as incurred except for brochures and media production costs. The brochures and media production costs are recorded as prepaid expenses and charged to expense as consumed or upon the first airing of the advertisement, respectively. Advertising expenses totaled \$455 million, \$464 million and \$335 million in fiscal 2005, 2004 and 2003, respectively. At November 30, 2005 and 2004, the amount of advertising costs included in prepaid expenses was not significant.

Foreign Currency Translations and Transactions

For our foreign subsidiaries and affiliates using the local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet dates. Revenues and expenses of these foreign subsidiaries and affiliates are translated at weighted-average exchange rates for the period. Equity is translated at historical rates, and the resulting cumulative foreign currency translation adjustments resulting from this process are included as a component of AOCI. Therefore, the U.S. dollar value of these items in our financial statements fluctuates from period to period, depending on the value of the dollar against these functional currencies.

Exchange gains and losses arising from the remeasurement of monetary assets and liabilities and foreign currency transactions denominated in a currency other than the functional currency of the entity involved are immediately included in our earnings, unless such net liabilities have been designated to act as a hedge of a net investment in a foreign operation. In addition, the unrealized exchange gains or losses on our long-term intercompany receivables denominated in a non-functional currency, which are not expected to be repaid in the foreseeable future and are therefore considered to form part of our net investment, are recorded as a foreign currency translation adjustment, which is included as a component of AOCI. Finally, net foreign currency transaction gains or losses recorded in our earnings were not significant in fiscal 2005, 2004 and 2003.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock and ordinary shares outstanding during each period. Diluted earnings per share is computed by dividing adjusted net income by the weighted-average number of shares of common stock and ordinary shares, common stock equivalents and other potentially dilutive securities outstanding during each period. All shares that are issuable under our outstanding convertible notes that have contingent share conversion features have been considered outstanding for our diluted earnings per share computations, if dilutive, using the "if converted" method of accounting from the date of issuance.

Stock-Based Compensation

Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended, we elected to use the intrinsic value method of accounting for our employee and director stock-based compensation awards instead of the fair value method. Accordingly, we have not recognized compensation expense for our noncompensatory employee and director stock option awards. Our pro forma net income and pro forma earnings per share, had we elected to adopt the fair value approach

of SFAS No. 123, which charges earnings for the estimated fair value of stock options, would have been as follows (in millions, except per share amounts):

	Years ended November 30,		
	2005	2004	2003
Net income, as reported	\$2,257	\$1,854	\$1,194
Stock-based compensation expense included in net income, as reported	12	11	7
Total stock-based compensation expense determined under the fair value-based method for all awards ^(a)	(86) ^(a)	(66) ^(b)	(36)
Pro forma net income for basic earnings per share	2,183	1,799	1,165
Interest on dilutive convertible notes	47	49	43
Pro forma net income for diluted earnings per share	\$2,230	\$1,848	\$1,208
Earnings per share			
Basic			
As reported	\$ 2.80	\$ 2.31	\$ 1.66
Pro forma	\$ 2.71	\$ 2.24	\$ 1.62
Diluted			
As reported	\$ 2.70	\$ 2.24	\$ 1.63
Pro forma	\$ 2.62	\$ 2.18	\$ 1.60

(a) In January 2005, Carnival Corporation granted approximately 1.4 million employee stock options, with a \$57.30 exercise price and a 2-year vesting term, in substitution for a similar number of outstanding options whose termination date was accelerated because of a corporate reorganization of our European and U.S. operations that was completed in 2004 ("2004 reorganization"). Due to the unusually short vesting period of these options, we would be required upon the adoption of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), to recognize a large charge for stock compensation expense in 2006. Such a charge would distort stock compensation expense in 2006 and not be indicative of our expected future normal annual charge for stock options. Accordingly, in the fourth quarter of 2005, we authorized the immediate vesting of these options, resulting in an increase of \$11 million in stock compensation expense in the 2005 pro forma net income. In addition, prior to this accelerated vesting we had expensed \$8 million for 2005 pro forma stock expense compensation related to these options. In addition, for employee stock options granted after September 2005, we reduced the options contractual term from 10 years to 7 years, in order to reduce the options' expected option life, thus reducing its estimated fair value.

(b) As a result of the 2004 reorganization, 1.6 million unvested options held by employees vested immediately and their termination dates were accelerated. This vesting occurred either in accordance with the terms of the option plan or to avoid having these employees and Carnival Corporation incur unduly burdensome taxes upon the exercise of such options at a later date. As a result of this accelerated vesting, we included an additional \$19 million of stock-based compensation expense in the 2004 pro forma net income.

(c) These amounts include the expensing of stock options made to retirement-eligible employees over the expected vesting period of the option. SFAS 123(R), when adopted, will require the expensing of future option grants over the period to retirement eligibility, if less than the vesting period, because vesting is not contingent upon any future performance.

Notes to Consolidated Financial Statements *(continued)*

As recommended by SFAS No. 123, the fair value of options were estimated using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting or trading restrictions and are fully transferable. In addition, option-pricing models require the input of subjective assumptions, including expected stock price volatility and dividend yields. Because our options have characteristics different from those of traded options and because changes in the subjective assumptions can materially affect our estimate of the fair value of stock options, we believe that the existing valuation models, including Black-Scholes, do not necessarily provide a reliable single measure of the fair value of our options. Since 2004, we have continued to refine our Black-Scholes' estimates and assumptions based upon more in-depth reviews of the underlying information in order to more accurately value our options. The impact of such changes has generally been to reduce the estimated fair value of our option awards. The Black-Scholes weighted-average assumptions were as follows:

	Years ended November 30,		
	2005	2004	2003
Fair value of options at the dates of grant	\$12.99	\$15.87	\$13.33
Risk free interest rate	4.1%	3.4%	3.5%
Expected dividend yield	1.90%	1.36%	1.30%
Expected volatility ^(a)	27.0%	35.0%	48.7%
Expected option life (in years)	4.74	5.75	6.00

(a) In 2003, our volatility assumption was based on the historical volatility of Carnival Corporation common stock. Subsequent to 2003, we also considered the implied volatilities derived from our exchange traded options and convertible notes in determining our expected volatility assumption since we believe these implied market volatilities should be considered in estimating our expected future volatilities.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), which will require us to recognize compensation costs in our financial statements in an amount equal to the fair value of share-based payments granted to employees and directors over the corresponding service period, and also requires an estimation of forfeitures when calculating compensation expense, instead of accounting for forfeitures as incurred, which is our current method. This statement is effective for us in the first quarter of fiscal 2006 and is expected to increase our full year 2006 share-based compensation expense by approximately \$55 million compared to 2005. We have not yet determined which of the two alternative transition methods we will use upon adoption of this new statement.

Concentrations of Credit Risk

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

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

Reclassifications

Reclassifications have been made to prior year amounts to conform to the current year presentation.

Note 3—DLC Transaction

On April 17, 2003, Carnival Corporation and Carnival plc completed a DLC transaction, which implemented Carnival Corporation & plc's DLC structure. The contracts governing the DLC structure provide that Carnival Corporation and Carnival plc each continue to have separate boards of directors, but the boards and senior executive management of both companies are identical. The amendments to the constituent documents of each of the companies also provide that, on most matters, the holders of the common equity of both companies effectively vote as a single body. On specified matters where the interests of Carnival Corporation's shareholders may differ from the interests of Carnival plc's shareholders (a "class rights action"), each shareholder body will vote separately as a class, such as transactions primarily designed to amend or unwind the DLC structure. Generally, no class rights action will be implemented unless approved by both shareholder bodies.

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

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

The deeds of guarantee are governed and construed in accordance with the laws of the Isle of Man. Subject to the terms of the guarantees, the holders of indebtedness and other obligations that are subject to the guarantees will have recourse to both Carnival plc and Carnival Corporation though a Carnival plc creditor must first make written demand on Carnival plc and a Carnival Corporation creditor on Carnival Corporation. Once the written demand is made by letter or other form of notice, the holders of indebtedness or other obligations may immediately commence an action against the relevant guarantor. There is no requirement under the deeds

of guarantee to obtain a judgment, take other enforcement actions or wait any period of time prior to taking steps against the relevant guarantor. All actions or proceedings arising out of or in connection with the deeds of guarantee must be exclusively brought in courts in England.

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

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

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

Carnival plc was the third largest cruise company in the world and operated many well-known global brands with leading positions in the U.S., UK, Germany and Australia. The combination of Carnival Corporation with Carnival plc under the DLC structure has been accounted for under U.S. generally accepted accounting principles ("GAAP") as an acquisition of Carnival plc by Carnival Corporation pursuant to SFAS No. 141, "Business Combinations." The number of additional shares effectively issued in the combined entity for purchase accounting purposes was 209.6 million. In addition, Carnival Corporation incurred \$60 million of direct acquisition costs, which have been included in the aggregate purchase price of \$5.36 billion.

The following pro forma information has been prepared assuming the DLC transaction had occurred on December 1, 2002, rather than April 17, 2003, and has not been adjusted to

Notes to Consolidated Financial Statements *(continued)*

reflect any net transaction benefits. In addition, the pro forma information does not purport to represent what the results of operations actually could have been if the DLC transaction had occurred on December 1, 2002. For fiscal 2003, our pro forma revenues and net income would have been \$7.60 billion and \$1.16 billion, respectively, and our basic and diluted pro forma earnings per share would have been \$1.46 and \$1.43, based on 797 million and 840 million pro forma weighted-average shares outstanding.

Note 4—Property and Equipment

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

	November 30,	
	2005	2004
Ships	\$23,506	\$22,572
Ships under construction	540	429
	24,046	23,001
Land, buildings and improvements, and port facilities	593	555
Transportation equipment and other	692	626
Total property and equipment	25,331	24,184
Less accumulated depreciation and amortization	(4,019)	(3,361)
	\$21,312	\$20,823

Note 6—Debt

Short-Term Borrowings

Short-term borrowings were unsecured and consisted of the following (in millions):

	November 30,	
	2005	2004
Euro commercial paper ^(a)	\$ 187	
Euro bank loans ^(a)		\$ 284
Bank loans ^(b)	113	97
	\$ 300	\$ 381
Weighted-average interest rate	3.1%	2.4%

(a) These euro denominated borrowings have been translated to U.S. dollars at the period-end exchange rates.

(b) These loans are denominated in U.S. dollars.

Capitalized interest, primarily on our ships under construction, amounted to \$21 million, \$26 million and \$49 million in fiscal 2005, 2004 and 2003, respectively. Amounts related to ships under construction include progress payments for the construction of the ship, as well as design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. At November 30, 2005, 7 ships with an aggregate net book value of \$2.63 billion were pledged as collateral pursuant to mortgages related to \$1.37 billion of debt and a \$483 million contingent obligation (see Notes 6 and 7).

Repair and maintenance expenses and dry-dock amortization were \$445 million, \$353 million and \$256 million in fiscal 2005, 2004 and 2003, respectively.

Note 5—Variable Interest Entity

In accordance with FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," we have determined that we are carrying a loan, initially made in April 2001, to a ship repair facility that is a variable interest entity ("VIE"). Although we use this facility for some of our ship repair work, we are not a "primary beneficiary" and, accordingly, this entity is not consolidated in our financial statements. At November 30, 2005 and 2004, our loan to this VIE, which is also our maximum exposure to loss, was \$46 million and \$41 million, respectively.

Long-Term Debt

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

	November 30,	
	2005 ^(a)	2004 ^(a)
Secured		
Floating rate notes, collateralized by four ships, bearing interest from libor plus 1.13% to libor plus 1.29% (4.9% to 5.7% at 2005 and 3.0% to 3.6% at 2004), due through 2015 ^(b)	\$ 788	\$ 904
Fixed rate notes, collateralized by two ships, bearing interest at 5.4% and 5.5%, due through 2016 ^(b)	380	381
Euro floating rate note, collateralized by one ship, bearing interest at euribor plus 0.5% (2.75% at 2005 and 2004), due through 2008	64	101
Euro fixed rate note, collateralized by one ship, bearing interest at 4.74%, due through 2012	142	183
Capitalized lease obligations, collateralized by two ships, implicit interest at 3.66%		110
Other	2	3
Total Secured	1,376	1,682
Unsecured		
Fixed rate notes, bearing interest at 3.75% to 7.2%, due through 2028 ^(c)	2,239	2,039
Euro floating rate notes, bearing interest at euribor plus 0.25% to euribor plus 1.29% (2.4% to 2.6% at 2005 and 2.4% to 3.5% at 2004), due through 2010 ^(d)	933	1,265
Sterling fixed rate notes, bearing interest at 5.63%, due in 2012	372	415
Euro fixed rate notes, bearing interest at 5.57%, due in 2006	355	399
Sterling floating rate note, bearing interest at libor plus 0.33% (4.91% at 2005), due in 2010 ^(d)	285	
Other	34	36
Convertible notes, bearing interest at 2%, due in 2021, with next put option in 2008	600	600
Convertible notes, bearing interest at 1.75%, net of discount, with a face value of \$889 million, due in 2033, with first put option in 2008	575	575
Zero-coupon convertible notes, net of discount, with a face value of \$510 million and \$1.05 billion at 2005 and 2004, respectively, due in 2021, with first put option in 2006	283	561
Total Unsecured	5,676	5,890
	7,052	7,572
Less portion due within one year	(1,325)	(1,281)
	\$ 5,727	\$ 6,291

(a) All borrowings are in U.S. dollars unless otherwise noted and all interest rates are as of year ends. Euro and sterling denominated notes have been translated to U.S. dollars at the period-end exchange rates. At November 30, 2005, 56%, 30% and 14%, (60%, 29% and 11% at November 30, 2004) of our long-term debt was U.S. dollar, euro and sterling denominated, respectively, including the effect of foreign currency swaps. In addition, at November 30, 2005, 75% of the interest cost on our long-term debt was fixed (68% at November 30, 2004) and 25% was variable (32% at November 30, 2004), including the effect of interest rate swaps.

(b) In 2004, we borrowed an aggregate of \$739 million to finance a portion of the Diamond Princess and Sapphire Princess purchase prices, which loans have both a fixed and variable interest rate component.

(c) In July 2005, we borrowed \$328 million under an unsecured term loan facility, to pay a portion of the Carnival Liberty purchase price. This facility bears interest at 4.51% and is repayable in semi-annual installments through July 2017. In addition, we entered into a foreign currency swap, which effectively converted this U.S. dollar debt to euro debt.

(d) In March 2005, Carnival plc entered into a five-year unsecured multi-currency term loan facility, bearing interest at euribor/libor plus 0.33%, which margin will vary based on Carnival plc's senior unsecured credit rating. Under this facility, we borrowed 368 million euros (\$436 million U.S. dollars at the November 30, 2005 exchange rate) to repay a 368 million euro note, which bore interest at euribor plus 0.60%, prior to its October 2008 maturity date. We also borrowed 165 million sterling under this facility (\$285 million U.S. dollars at the November 30, 2005 exchange rate), which we used to pay a portion of P&O Cruises' purchase price for the Arcadia. Finally, we entered into interest rate swap agreements to fix the interest rates on these euro and sterling borrowings at 3.50% and 5.40%, respectively.

Notes to Consolidated Financial Statements *(continued)*

Convertible Notes

Carnival Corporation's 2% convertible notes ("2% Notes"), its 1.75% convertible notes ("1.75% Notes") and its zero-coupon convertible notes ("Zero-Coupon Notes") are convertible into 15.3 million shares, a maximum of 20.9 million shares (11.1 million shares during fiscal 2005) and 8.5 million shares, respectively, of Carnival Corporation common stock.

The 2% Notes are convertible at a conversion price of \$39.14 per share, subject to adjustment, during any fiscal quarter for which the closing price of the Carnival Corporation common stock is greater than \$43.05 per share for a defined duration of time in the preceding fiscal quarter. The conditions for conversion of the 2% Notes were satisfied since the first quarter of 2004 and, accordingly, the 2% Notes have been convertible into Carnival Corporation common stock since the second quarter of fiscal 2004. A nominal amount of 2% Notes were converted in fiscal 2005 and 2004. At November 30, 2004, our 2% Notes were classified as a current liability, since the noteholders had the right to require us to repurchase them on April 15, 2005. However, substantially all of the noteholders did not exercise their rights. Accordingly, subsequent to April 15, 2005 we have again classified our 2% Notes as long-term debt, since the next date that the noteholders can require us to repurchase them is on April 15, 2008.

The 1.75% Notes are convertible at a conversion price of \$53.11 per share, subject to adjustment, during any fiscal quarter for which the closing price of the Carnival Corporation common stock is greater than a specified trigger price for a defined duration of time in the preceding fiscal quarter. During the fiscal quarters ending from August 31, 2003 through April 29, 2008, the trigger price will be \$63.73 per share. Thereafter, this conversion trigger price increases each quarter based on an annual rate of 1.75%, until maturity. In addition, holders may also surrender the 1.75% Notes for conversion if they have been called for redemption or for other specified occurrences, including the credit rating assigned to the 1.75% Notes being Baa3 or lower by Moody's Investors Service and BBB- or lower by Standard & Poor's Rating Services, as well as certain corporate transactions. The conditions for conversion of the 1.75% Notes have not been met since their issuance. The 1.75% Notes interest is payable in cash semi-annually in

arrears through April 29, 2008. Effective April 30, 2008, the 1.75% Notes no longer require a cash interest payment, but interest will accrete at a 1.75% yield to maturity.

The Zero-Coupon Notes have a 3.75% yield to maturity and are convertible during any fiscal quarter for which the closing price of the Carnival Corporation common stock is greater than a specified trigger price for a defined duration of time in the preceding fiscal quarter. The trigger price commenced at a low of \$31.94 per share for the first quarter of fiscal 2002 and increases at an annual rate of 3.75% thereafter, until maturity. The trigger price was \$36.72 for the 2005 fourth quarter. Since the third quarter of 2003, the Zero-Coupon Notes have been convertible into Carnival Corporation common stock. During fiscal 2005, \$297 million of our Zero-Coupon Notes were converted at their accreted value into 9.0 million shares of Carnival Corporation common stock, of which 6.2 million shares were issued from treasury stock. No Zero-Coupon Notes were converted prior to fiscal 2005.

At November 30, 2005, the Zero-Coupon Notes were classified as a current liability, since the noteholders have the right to require us to repurchase them on October 24, 2006 at their accreted values. If the noteholders do not exercise their rights in full, we will change the classification of any outstanding Zero-Coupon Notes to long-term debt, as the next repurchase date does not occur until October 24, 2008. We currently expect that we will satisfy any Zero-Coupon Note conversions through the issuance of Carnival Corporation common stock.

Subsequent to April 29, 2008 and October 23, 2008, we may redeem all or a portion of the 1.75% Notes and Zero-Coupon Notes, respectively, at their accreted values and subsequent to April 14, 2008, we may redeem all or a portion of our 2% Notes at their face value plus any unpaid accrued interest, subject to the noteholders' right to convert.

In addition, on April 29 of 2008, 2013, 2018, 2023 and 2028 the 1.75% noteholders, on April 15 of 2008 and 2011 the 2% noteholders and on October 24 of 2006, 2008, 2011 and 2016 the Zero-Coupon noteholders may require us to repurchase all or a portion of the outstanding 1.75% Notes and Zero-Coupon Notes at their accreted values and the 2% Notes at their face value plus any unpaid accrued interest.

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

Revolving Credit and Committed Financing Facilities

In October 2005, simultaneously with the termination of the Carnival Corporation \$1.4 billion, the Carnival plc 600 million euro and the Costa 257.5 million euro revolving credit facilities, Carnival Corporation, Carnival plc, and certain of Carnival plc's subsidiaries, entered into a five-year unsecured multi-currency revolving credit facility for \$1.2 billion, 400 million euros and 200 million sterling (aggregating \$2.02 billion U.S. dollars at the November 30, 2005 exchange rates) (the "Facility"). The Facility currently bears interest at *libor/euribor* plus a margin of 17.5 basis points ("BPS"). In addition, we are required to pay a commitment fee of 30% of the margin per annum. Both the margin and the commitment fee will vary based on changes to Carnival Corporation's senior unsecured credit ratings. Finally, an additional utilization fee of 5 BPS per annum of the outstanding amounts under the Facility is payable if such outstanding amounts exceed 50% of the aggregate commitments.

Our multi-currency commercial paper programs are supported by this Facility and, accordingly, any amounts outstanding under our commercial paper programs effectively reduce the aggregate amount available under this Facility. At November 30, 2005, we had borrowed 158 million euros (\$187 million U.S. dollars at the November 30, 2005 exchange rate) under our euro commercial paper program, which is classified as a short-term borrowing since we do not expect to refinance it using proceeds from our long-term Facility. This Facility also supports up to \$700 million for bonds and letters of credit issued by the facility lenders on behalf of Carnival Corporation & plc. The issuance of any such bonds or letters of credit, none outstanding at November 30, 2005, will reduce the aggregate amount available under this Facility. At November 30, 2005, \$1.83 billion was available under the Facility, based on the November 30, 2005 exchange rates.

In 2005 and January 2006, we entered into five unsecured long-term loan financing facilities, which provide us with the option to borrow up to an aggregate of \$1.65 billion for a portion of the purchase price of five ships. These ships are expected to be delivered through 2009. These facilities are repayable semi-annually over a 12 year period. However, we have the option to terminate them up until 60 days prior to the ships' delivery dates.

The Facility and other of our loan and derivative agreements, contain covenants that require us, among other things, to maintain minimum debt service coverage, minimum shareholders' equity and limits our debt to capital and debt to equity ratios, and the amounts of our secured assets and secured indebtedness. Generally, if an event of default under any loan agreement is triggered, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due and the underlying facilities could be terminated. At November 30, 2005, we were in compliance with all of our debt covenants.

At November 30, 2005, the scheduled annual maturities of our long-term debt was as follows (in millions):

Fiscal	
2006.....	\$1,325 ^(a)
2007.....	1,035
2008.....	1,672 ^(a)
2009.....	169
2010.....	944
Thereafter.....	1,907
	<hr/> \$7,052

(a) Includes \$283 million of Carnival Corporation's Zero-Coupon Notes in 2006, \$600 million and \$575 million of its 2% Notes and 1.75% Notes in 2008, based in each case on the date of the noteholders' next put option.

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

Notes to Consolidated Financial Statements (continued)

Note 7—Commitments

Ship Commitments

A description of our ships under contract for construction at November 30, 2005, as adjusted for our December 2005 ship orders, was as follows:

Brand and Ship	Expected Service Date ^(a)	Passenger Capacity	Estimated Total Cost ^(b)		
			Euros	Sterling	USD
<i>(in millions)</i>					
Carnival Cruise Lines					
Carnival Freedom	3/07	2,974			\$ 500
Newbuild	6/08	3,000	€ 485		
Newbuild ^(c)	10/09	3,608	560		
Total Carnival Cruise Lines		9,582	1,045		500
Princess					
Crown Princess	6/06	3,100			500
Emerald Princess	4/07	3,100			525
Newbuild ^(c)	10/08	3,100			570
Total Princess		9,300			1,595
Holland America Line					
Noordam ^(d)	2/06	1,918			420
Newbuild ^(c)	7/08	2,044			450
Total Holland America Line		3,962			870
AIDA					
Newbuild ^(e)	4/07	2,030	315		
Newbuild ^(e)	4/08	2,030	315		
Newbuild ^(e)	4/09	2,030	315		
Total AIDA		6,090	945		
Costa					
Costa Concordia ^(e)	7/06	3,000	450		
Costa Serena ^(e)	6/07	3,000	475		
Newbuild ^{(c)(e)}	6/09	3,000	485		
Total Costa		9,000	1,410		
Total Euro Commitments			€3,400		
Total Euro Commitments converted to USD^(f)			4,035		
P&O Cruises					
Ventura ^(d)	4/08	3,100		£355	
Cunard					
Queen Victoria ^(d)	12/07	1,982		270	45
Total Sterling Commitments			£625		
Total Sterling Commitments converted to USD^(f)			1,085		
Grand Total		43,016			
Grand Total in USD			\$8,130		

(a) The expected service date is the month in which the ship is currently expected to begin its first revenue generating cruise.

(b) Estimated total cost of the completed ship includes the contract price with the shipyard, design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. All of our ship construction contracts are with the Fincantieri shipyards in Italy, except for AIDA's which are with the Meyer Werft shipyard in Germany. In addition, the estimated total cost reflects the currency denomination that we are committed to expend, including the effect of foreign currency swaps.

(c) These construction contracts aggregating \$2.26 billion were entered into in December 2005.

(d) These construction contracts are denominated in euros, except for \$45 million of the Queen Victoria costs, which are denominated in USD. The euro denominated contract amounts have been fixed into U.S. dollars or sterling by utilizing foreign currency swaps.

(e) These construction contracts are denominated in euros, which is the functional currency of the cruise line which will operate the ship and, therefore, we do not expect to enter into foreign currency swaps to hedge these commitments.

(f) The estimated total costs of these contracts denominated in euros and sterling have been translated into U.S. dollars using the November 30, 2005 exchange rate.

In connection with our cruise ships under contract for construction listed above, we have paid \$540 million through November 30, 2005 and anticipate paying the remaining estimated total costs as follows: \$1.71 billion, \$2.34 billion, \$2.13 billion and \$1.41 billion in fiscal 2006, 2007, 2008 and 2009, respectively.

Operating Leases

Rent expense under our operating leases, primarily for office and warehouse space, was \$50 million in each of fiscal 2005 and 2004 and \$48 million in fiscal 2003. At November 30, 2005, minimum annual rentals for our operating leases, with initial or remaining terms in excess of one year, were as follows (in millions): \$43, \$30, \$25, \$20 and \$16 and \$66 in fiscal 2006 through 2010 and thereafter, respectively.

Port Facilities and Other

At November 30, 2005, we had commitments through 2052, with initial or remaining terms in excess of one year, to pay minimum amounts for our annual usage of port facilities and other contractual commitments as follows (in millions): \$58, \$70, \$70, \$56, \$52, and \$294 in fiscal 2006 through 2010 and thereafter, respectively.

Note 8—Contingencies

Litigation

In January 2006, a lawsuit was filed against Carnival Corporation and its subsidiaries and affiliates, and other non-affiliated cruise lines in the U.S. District Court for the Southern District of New York on behalf of James Jacobs and a purported class of owners of intellectual property rights to musical plays and other works performed in the U.S. The plaintiffs claim infringement of copyrights to Broadway, off Broadway and other plays. The suit seeks payment of (i) damages, (ii) disgorgement of alleged profits and (iii) an injunction against future infringement. The ultimate outcome of this matter cannot be determined at this time. We intend to vigorously defend this lawsuit.

In November 2005, two separate lawsuits were filed against Carnival Corporation and Princess Cruise Lines, Ltd. in the U.S. District Court for the Southern District of Florida on behalf of some current and former crewmembers alleging that Carnival Cruise Lines and Princess failed to pay the plaintiffs for overtime. These suits seek payment of (i) damages for breach of contract, (ii) damages under the Seaman's Wage Act and (iii) interest. The ultimate outcome of these matters cannot be determined at this time. However, we believe we

have meritorious defenses and we intend to vigorously defend these lawsuits.

In March 2005, a lawsuit was filed against Carnival Corporation in the U.S. District Court for the Southern District of Florida on behalf of some current and former crewmembers alleging that Carnival Cruise Lines failed to pay the plaintiffs for overtime and minimum wages. The suit seeks payment of (i) the wages alleged to be owed, (ii) damages under the Seaman's Wage Act and (iii) interest. On August 5, 2005, the court dismissed the lawsuit. The plaintiffs filed an appeal of their overtime claim to the Eleventh Circuit U. S. Court of Appeals on August 15, 2005, which is currently pending, but have voluntarily dismissed their minimum wage claim. The ultimate outcome of this matter cannot be determined at this time. However, we believe we have meritorious defenses and we intend to vigorously defend this lawsuit.

In April 2003, Festival Crociere S.p.A. ("Festival") commenced an action against the European Commission (the "Commission") in the Court of First Instance of the European Communities in Luxembourg seeking to annul the Commission's antitrust approval of the DLC transaction (the "Festival Action"). We have been granted leave to intervene in the Festival Action and filed a Statement in Intervention with the court. Festival was declared bankrupt in May 2004 and Festival did not submit observations on our Statement in Intervention. The oral hearing was scheduled to take place on December 15, 2005 but has been postponed while the Court seeks clarification of the status of the Festival Action with the Italian judge presiding over Festival's bankruptcy proceedings. A successful third party challenge of an unconditional Commission clearance decision would be unprecedented, and based on a review of the law and the factual circumstances of the DLC transaction, as well as the Commission's approval decision in relation to the DLC transaction, we believe that the Festival Action will not have a material adverse effect on the companies or the DLC transaction. However, the ultimate outcome of this matter cannot be determined at this time.

In 2002 and 2004, three actions were filed against Carnival Corporation on behalf of purported classes of persons who received unsolicited advertisements via facsimile, alleging that Carnival Corporation and other defendants distributed unsolicited advertisements via facsimile in contravention of the U.S. Telephone Consumer Protection Act. One of the actions filed in 2002 has been settled for a nominal amount leaving two open actions (collectively, the "Facsimile Complaints"). The plaintiffs seek to enjoin the sending of unsolicited facsimile

Notes to Consolidated Financial Statements *(continued)*

advertisements and statutory damages. The advertisements referred to in the 2002 Facsimile Complaints that reference a Carnival Cruise Line product were not sent by Carnival Corporation, but rather were distributed by a professional faxing company at the behest of third party travel agencies. The faxes involved in the 2004 case were sent to a travel agency with whom we had conducted business. We do not advertise directly to the traveling public through the use of facsimile transmission. The ultimate outcomes of the Facsimile Complaints cannot be determined at this time. However, we believe that we have meritorious defenses and we intend to *vigorously defend against these actions*.

Costa instituted arbitration proceedings in Italy in 2000 to confirm the validity of its decision not to deliver its ship, the Costa Classica, to the shipyard of Cammell Laird Holdings PLC ("Cammell Laird") under a 79 million euro denominated contract for the conversion and lengthening of the ship in November 2000. Costa also gave notice of termination of the contract in January 2001. It is expected that the arbitration tribunal's decision will be made in 2007 at the earliest. In the event that an award is given in favor of Cammell Laird, the amount of damages, which Costa would have to pay, if any, is not currently determinable. The ultimate outcome of this matter cannot be determined at this time.

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

Contingent Obligations

At November 30, 2005, Carnival Corporation had contingent obligations totaling approximately \$1.1 billion to participants in lease out and lease back type transactions for three of its ships. At the inception of the leases, the entire amount of the contingent obligations was paid by Carnival Corporation to major financial institutions to enable them to directly pay these obligations. Accordingly, these obligations were considered extinguished, and neither the funds nor the contingent obligations have been included on our balance sheets. Carnival Corporation would only be required to make any payments under these contingent obligations in the remote event of nonperformance by these financial institutions, all of which have long-term credit ratings of AA or higher. In addition,

Carnival Corporation obtained a direct guarantee from another AA+ rated financial institution for \$306 million of the above noted contingent obligations, thereby further reducing the already remote exposure to this portion of the contingent obligations. If the major financial institutions' credit ratings fall below AA-, Carnival Corporation would be required to move a majority of the funds from these financial institutions to other highly-rated financial institutions. If Carnival Corporation's credit rating falls below BBB, it would be required to provide a standby letter of credit for \$88 million, or alternatively provide mortgages in the aggregate amount of \$88 million on two of its ships.

In the unlikely event that Carnival Corporation were to terminate the three lease agreements early or default on its obligations, it would, as of November 30, 2005, have to pay a total of \$171 million in stipulated damages. As of November 30, 2005, \$179 million of standby letters of credit have been issued by a major financial institution in order to provide further security for the payment of these contingent stipulated damages. In addition, in 2004 Carnival Corporation entered into a five year \$170 million unsecured revolving credit facility, guaranteed by Carnival plc, which is being used to support these standby letters of credit through the issuance of a back-up letter of credit. In the event we were to default under covenants in our loan agreements, any amounts outstanding under the \$170 million unsecured revolving credit facility would be due and payable, and we would be required to post cash collateral to support the stipulated damages standby letters of credit in excess of \$170 million. Between 2017 and 2022, we have the right to exercise options that would terminate these transactions at no cost to us. As a result of these three transactions, we have \$40 million and \$43 million of deferred income recorded on our balance sheets as of November 30, 2005 and 2004, respectively, which is being amortized to nonoperating income through 2022.

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

to make any material payments under such indemnification clauses in the past and, under current circumstances, we do not believe a request for material future indemnification payments is probable.

War Risk Insurance

We maintain war risk insurance, subject to coverage limits and exclusions for claims such as those arising from chemical and biological attacks, on all of our ships covering our legal liability to crew, passengers and other third parties arising from war or war-like actions, including terrorist risks. Due primarily to its high costs, we only carry war risk insurance coverage for physical damage to 43 of our 79 ships, which includes terrorist risks. Under the terms of our war risk insurance coverage, which is typical for war risk policies in the marine industry, underwriters can give seven days notice to the insured that the liability and physical damage policies can be cancelled. If one or more of our 36 uninsured ships suffer damage in an attack, then the cost of any such damages would be expensed, and such amounts could be material.

Note 9—Income and Other Taxes

For fiscal 2004 and 2003, we believe that substantially all of our income, with the exception of our U.S. source income principally from the transportation, hotel and tour businesses of Holland America Tours and Princess Tours, is derived from, or incidental to, the international operation of ships, and is therefore exempt from U.S. federal income taxes. For fiscal 2005, regulations under Section 883 of the Internal Revenue Code limiting the types of income considered to be derived from the international operation of a ship first became effective. Section 883 is the primary provision upon which we rely to exempt certain of our international ship operation earnings from U.S. income taxes. Accordingly, the 2005 provision for U.S. federal income taxes includes taxes on a portion of our ship operating income that is in addition to the U.S. source transportation, hotel and tour income on which U.S. taxes have historically been provided. In addition, during the fourth quarter of 2005 we chartered three ships to the Military Sealift Command in connection with the Hurricane Katrina relief effort. Income from these charters is not considered to be income from the international operation of our ships and, accordingly, approximately \$18 million of income taxes were provided on the net earnings of these charters in our 2005 fourth quarter at an effective tax rate of approximately 60%.

If we were found not to qualify for exemption pursuant to applicable income tax treaties or under the Internal Revenue

Code or if the income tax treaties or Internal Revenue Code were to be changed in a manner adverse to us, a portion of our income would become subject to taxation by the U.S. at higher than normal corporate tax rates.

Cunard, Ocean Village, P&O Cruises, P&O Cruises Australia, Swan Hellenic, AIDA (except for prior to November 2004), and Costa, since the beginning of fiscal 2005, are subject to income tax under the tonnage tax regimes of either the United Kingdom or Italy. Under both tonnage tax regimes, shipping profits, as defined under the applicable law, are subject to corporation tax by reference to the net tonnage of qualifying vessels. Income not considered to be shipping profits under tonnage tax rules is taxable under either the normal UK income tax rules or the tax regime applicable to Italian-registered ships. We believe that substantially all of the income attributable to these brands constitutes shipping profits and, accordingly, Italian and UK income tax expenses for these operations has been and is expected to be minimal under the current tax regimes.

We do not expect to incur income taxes on future distributions of undistributed earnings of foreign subsidiaries and, accordingly, no deferred income taxes have been provided for the distribution of these earnings.

In addition to or in place of income taxes, virtually all jurisdictions where our ships call impose taxes based on passenger counts, ship tonnage or some other measure. These taxes, other than those directly charged to and/or collected from passengers by us, are recorded as operating expenses in the accompanying statements of operations.

Note 10—Shareholders' Equity

Carnival Corporation's articles of incorporation authorize its Board of Directors, at its discretion, to issue up to 40 million shares of its preferred stock and Carnival plc has 100,000 authorized preference shares. At November 30, 2005 and 2004, no Carnival Corporation preferred stock had been issued and only a nominal amount of Carnival plc preferred shares had been issued.

In October 2004, the Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares commencing in 2005 subject to certain repurchase restrictions on Carnival plc shares. Through February 6, 2006, we repurchased 8.0 million shares of Carnival Corporation common stock for \$386 million. No expiration date has been specified for this authorization.

Notes to Consolidated Financial Statements *(continued)*

At November 30, 2005, there were 75.5 million shares of Carnival Corporation common stock reserved for issuance pursuant to its convertible notes and its employee benefit and dividend reinvestment plans. In addition, Carnival plc shareholders have authorized 13.5 million ordinary shares for future issuance under its employee benefit plans.

At November 30, 2005 and 2004 accumulated other comprehensive income was as follows (in millions):

	2005	2004
Cumulative foreign currency translation adjustments, net	\$190	\$588
Minimum pension liability adjustments	(19)	(17)
Unrealized losses on cash flow derivative hedges, net	(15)	(30)
	\$156	\$541

Note 11—Financial Instruments

Considerable judgment is required in interpreting data to develop estimates of fair value and, accordingly, amounts are not necessarily indicative of the amounts that we could realize in a current market exchange. Our financial instruments are not held for trading or other speculative purposes.

Cash and Cash Equivalents and Short-Term Investments

The carrying amounts of our cash and cash equivalents and short-term investments approximate their fair values due to their short maturities or variable interest rates.

Other Assets

At November 30, 2005 and 2004, long-term other assets included notes and other receivables and marketable securities held in rabbi trusts for certain of our nonqualified benefit plans. These assets had carrying and fair values of \$406 million and \$405 million at November 30, 2005, respectively, and carrying and fair values of \$240 million and \$227 million at November 30, 2004. Fair values were based on public market prices, estimated discounted future cash flows or estimated fair value of collateral.

Debt

The fair values of our non-convertible debt and convertible notes were \$5.98 billion and \$2.03 billion, respectively, at November 30, 2005 and \$6.32 billion and \$2.53 billion at November 30, 2004. These fair values were greater than the related carrying values by \$86 million and \$572 million, respectively, at November 30, 2005 and by \$100 million and \$790 million at November 30, 2004. The net difference between

the fair value of our non-convertible debt and its carrying value was due primarily to our issuance of debt obligations at fixed interest rates that are above market interest rates in existence at the measurement dates. The net difference between the fair value of our convertible notes and its carrying value is largely due to the impact of changes in the Carnival Corporation common stock value on the value of our convertible notes on those dates. The fair values of our unsecured fixed rate public notes, convertible notes, sterling bonds and unsecured 5.57% euro notes were based on their public market prices. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

Foreign Currency Swaps and Other Hedging Instruments

We have foreign currency swaps that are designated as foreign currency fair value hedges for three of our euro denominated shipbuilding contracts (see Note 7). At November 30, 2005 and 2004, the fair value of the foreign currency swaps related to our shipbuilding commitments was a net unrealized gain of \$29 million and \$219 million, respectively. These foreign currency swaps mature through 2008.

At November 30, 2005, we have foreign currency swaps totaling \$1.11 billion that are effectively designated as hedges of our net investments in foreign subsidiaries, which have euro and sterling denominated functional currencies. These foreign currency swaps were entered into to effectively convert \$237 million and \$736 million of U.S. dollar denominated debt into sterling debt and euro debt (\$251 million and \$466 million at November 30, 2004), respectively. In addition, \$138 million and \$170 million of euro denominated debt was effectively converted into sterling debt at November 30, 2005 and 2004, respectively. At November 30, 2005 and 2004, the fair value of these foreign currency swaps was an unrealized loss of \$58 million and \$137 million, respectively, which is included in the cumulative translation adjustment component of AOCI. These currency swaps mature through 2017.

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

Finally, we have designated \$1.58 billion and \$1.1 billion of our outstanding euro and sterling debt and other obligations, which are nonderivatives and mature through 2012, as hedges of our net investments in foreign operations and, accordingly, have included \$95 million and \$194 million of foreign currency transaction losses in the cumulative translation adjustment component of AOCI at November 30, 2005 and 2004, respectively.

Interest Rate Swaps

We have interest rate swap agreements designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. At November 30, 2005 and 2004, these interest rate swap agreements effectively changed \$926 million and \$929 million, respectively, of fixed rate debt to *libor*-based floating rate debt.

In addition, we also have interest rate swap agreements designated as cash flow hedges whereby we receive variable interest rate payments in exchange for making fixed interest rate payments. At November 30, 2005 and 2004, these interest

rate swap agreements effectively changed \$1.25 billion and \$828 million, respectively, of *euribor* and GBP *libor* floating rate debt to fixed rate debt.

These interest rate swap agreements mature through 2010. At November 30, 2005 and 2004, the fair value of our interest rate swaps designated as cash flow hedges was an *unrealized loss* of \$6 million and \$22 million, respectively. The fair values of our interest rate swap agreements were estimated based on prices quoted by financial institutions for these instruments.

Note 12—Segment Information

Our cruise segment includes all of our cruise brands, which have been aggregated as a single reportable segment based on the similarity of their economic and other characteristics, including products and services they provide. Our other segment primarily represents the hotel, tour and transportation operations of Holland America Tours and Princess Tours, and the business to business travel agency operations of P&O Travel Ltd., the latter two since completion of the DLC transaction on April 17, 2003. The significant accounting policies of our segments are the same as those described in Note 2—"Summary of Significant Accounting Policies." Information for our cruise and other segments as of and for the years ended November 30 was as follows (in millions):

	Revenues ^(a)	Operating expenses	Selling and administrative	Depreciation and amortization	Operating income	Capital expenditures	Total assets
2005							
Cruise	\$10,735	\$5,967	\$1,276	\$873	\$2,619	\$1,892	\$27,883
Other	467	365	53	29	20	85	549 ^(b)
Intersegment elimination	(115)	(115)					
	\$11,087	\$6,217	\$1,329	\$902	\$2,639	\$1,977	\$28,432
2004							
Cruise	\$ 9,427	\$5,247	\$1,231	\$791	\$2,158	\$3,512	\$27,136
Other	398	308	54	21	15	74	500 ^(b)
Intersegment elimination	(98)	(98)					
	\$ 9,727	\$5,457	\$1,285	\$812	\$2,173	\$3,586	\$27,636
2003							
Cruise	\$ 6,459	\$3,624	\$ 896	\$568	\$1,371	\$2,454	\$24,090
Other	345	276	40	17	12	62	401 ^(b)
Intersegment elimination	(86)	(86)					
	\$ 6,718	\$3,814	\$ 936	\$585	\$1,383	\$2,516	\$24,491

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

(b) Other segment assets primarily included hotels and lodges in Alaska and the Canadian Yukon, luxury dayboats offering tours to a glacier in Alaska and on the Yukon River, motorcoaches used for sightseeing and charters in the States of Washington and Alaska, British Columbia, Canada and the Canadian Yukon and private, domed rail cars, which run on the Alaska Railroad between Anchorage and Fairbanks, Whittier and Denali, and Whittier and Talkeetna.

Notes to Consolidated Financial Statements *(continued)*

Foreign revenues for our cruise brands represent sales generated from outside the U.S. primarily by foreign tour operators and foreign travel agencies. Substantially all of these foreign revenues are from the UK, Germany, Italy, Canada, France, Australia, Spain, Switzerland and Brazil. Substantially all of our long-lived assets are located outside of the U.S. and consist principally of our ships and ships under construction and exclude goodwill and trademarks.

Revenue information by geographic area for fiscal 2005, 2004 and 2003 was as follows (in millions):

	2005	2004	2003
U.S.	\$ 6,439	\$5,788	\$4,513
Continental Europe	1,681	1,549	971
UK	1,520	1,341	724
Canada	665	562	231
Australia and New Zealand	311	215	71
Others	471	272	208
	\$11,087	\$9,727	\$6,718

Note 13—Benefit Plans

Stock Option Plans

We have stock option plans primarily for management level employees and members of our Board of Directors. The Carnival Corporation and Carnival plc plans are administered by a committee of our independent directors (the "Committee"), that determines who is eligible to participate, the number of shares for which options are to be granted and the amounts that may be exercised within a specified term. The Carnival Corporation and Carnival plc option exercise price is generally set by the Committee at 100% of the fair market value of the common stock/ordinary shares on the date the option is granted. Substantially all Carnival Corporation and Carnival plc options granted during fiscal 2005, 2004 and 2003 were granted at an exercise price per share equal to or greater than the fair market value of the Carnival Corporation common stock and Carnival plc ordinary shares on the date of grant. Carnival Corporation and Carnival plc employee options generally vest evenly over five years and at the end of three years, respectively. Our employee options granted prior to October 2005 have a ten-year term and those options granted thereafter had a seven-year term. Carnival Corporation director options granted subsequent to fiscal 2000 vest evenly over five years and have a ten-year term. At November 30, 2005, Carnival Corporation had 27.9 million shares and Carnival plc had 13.5 million shares, which were available for future grants under the option plans.

A combined summary of the activity and status of the Carnival Corporation and Carnival plc stock option plans was as follows:

	Weighted-Average Exercise Price Per Share			Number of Options Years Ended November 30,		
	2005	2004	2003	2005	2004	2003
Outstanding options—beginning of year	\$35.61	\$28.79	\$29.26	18,203,942	19,297,979	11,828,958
Carnival plc outstanding options at April 17, 2003 ^(a)			\$19.64			5,523,013
Options granted	\$51.88	\$47.52	\$30.88	4,446,260 ^(d)	5,306,802 ^(e)	5,464,109
Options exercised ^(b)	\$30.56	\$25.23	\$17.35	(1,953,396)	(5,686,484) ^(c)	(2,919,554)
Options canceled	\$36.11	\$30.17	\$28.64	(638,554)	(714,355)	(598,547)
Outstanding options—end of year	\$39.15	\$35.61	\$28.79	20,058,252 ^(a)	18,203,942 ^(a)	19,297,979 ^(e)
Options exercisable—end of year	\$36.87	\$32.05	\$27.68	8,560,318 ^(d,f)	5,920,890 ^(d,f)	7,848,335 ^(f)

(a) All Carnival plc unvested options outstanding on the date the DLC transaction was completed vested fully on such date, except for 1.3 million options, which were granted on April 15, 2003.

(b) Included 0.4 million, 2.0 million and 1.8 million Carnival plc options in 2005, 2004 and 2003, of which 0.3 million, 0.8 million and 1.0 million had a sterling denominated exercise price, respectively.

(c) During 2004, as a result of Costa being transferred to the Carnival plc side of the DLC structure, options to purchase 973,000 shares of Carnival Corporation vested immediately and their termination dates were accelerated to 2004. These vested options, along with all of Costa employees' already exercisable options, were exercised in 2004 to avoid undue burdensome taxes. In 2004, Carnival plc granted 1.1 million options to replace the 973,000 options and another 127,000 of options that were terminated early at an exercise price equal to the fair market value of Carnival plc ordinary shares on the grant date. See Note 2.

(d) On December 1, 2003, as a result of the Princess cruise operations being transferred to the Carnival Corporation side of the DLC structure, options to purchase 657,000 shares of Carnival plc vested immediately, and the termination dates on all Princess employees' Carnival plc exercisable options were shortened. All such changes have been made pursuant to the original terms of the Carnival plc plan. In January 2005, Carnival Corporation granted 1.4 million options to replace the 657,000 options and another 743,000 options that were terminated early at an exercise price per share equal to the fair market value of Carnival Corporation common stock on the grant date. In late 2005, these 1.4 million unvested options were vested. See Note 2.

(e) Included 3.2 million, 3.3 million and 3.6 million of Carnival plc options at a weighted-average exercise price of \$38.29, \$38.42 and \$20.89 per share, based on the November 30, 2005, 2004 and 2003 U.S. dollar to sterling exchange rate, respectively.

(f) Included 0.7 million, 0.9 million and 2.2 million of Carnival plc options at a weighted-average exercise price of \$23.89, \$22.15 and \$18.06 per share, based on the November 30, 2005, 2004 and 2003 U.S. dollar to sterling exchange rate, respectively.

Combined information with respect to outstanding and exercisable Carnival Corporation and Carnival plc stock options at November 30, 2005 was as follows:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$ 1.94–\$ 5.73	30,980	^(a)	\$ 2.07	30,980	\$ 2.07
\$ 5.74–\$17.19	245,674	4.0	\$16.51	245,674	\$16.51
\$17.20–\$22.92	1,612,064	5.5	\$22.08	1,132,313	\$21.88
\$22.93–\$28.65	3,426,680	6.5	\$26.82	1,457,132	\$26.12
\$28.66–\$34.38	1,881,786	5.2	\$30.19	1,310,425	\$30.15
\$34.39–\$40.11	1,924,441	7.6	\$34.60	524,931	\$35.01
\$40.12–\$45.84	3,886,238	5.7	\$44.35	1,963,880	\$44.30
\$45.85–\$51.57	4,488,284	8.0	\$48.09	539,930	\$48.37
\$51.58–\$57.30	2,562,105	8.1	\$55.46	1,355,053	\$57.30
Total	20,058,252	6.8	\$39.15	8,560,318	\$36.87

(a) These stock options do not have an expiration date.

Notes to Consolidated Financial Statements *(continued)*

In addition, at November 30, 2005, Carnival Corporation had 50,998 restricted stock units ("RSUs") outstanding, which do not have an exercise price, and either have three or five-year cliff vesting terms. The weighted-average remaining vesting period of these RSUs is 2.9 years.

Carnival Corporation Nonvested Stock

Carnival Corporation has issued nonvested stock to a few officers and some non-executive board members. These shares have the same rights as Carnival Corporation common stock, except for transfer restrictions and forfeiture provisions. During fiscal 2005, 2004 and 2003, 158,750 shares, 160,000 shares and 455,000 shares, respectively, of Carnival Corporation common stock were issued, which were valued at \$9 million, \$7 million and \$14 million, respectively. Unearned stock compensation was recorded within shareholders' equity at the date of award based on the quoted market price of the Carnival Corporation common stock on the date of grant and is amortized to expense using the straight-line method from the grant date through the earlier of the vesting date or the officers' and directors' estimated retirement date. The shares granted to the executive officers either have three or five-year cliff vesting terms and the shares granted to the non-executive board members vest evenly over five years after the grant date. As of November 30, 2005 and 2004 there were 1,063,750 shares and 1,065,000 shares, respectively, issued under the plan, which remained to be vested.

Defined Benefit Pension Plans

We have several defined benefit pension plans, which cover some of our shipboard and shoreside employees. The U.S. and UK shoreside employee plans are closed to new membership and are funded at or above the level required by U.S. or UK regulations. The remaining defined benefit plans are primarily unfunded. In determining our plans' benefit obligations at November 30, 2005, we used assumed weighted-average discount rates of 5.5% and 4.8% for our U.S. and foreign plans, respectively. The net liabilities related to the obligations under these single employer defined benefit pension plans are not material.

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. At November 30, 2005 and 2004, our single employer plans had aggregated

additional minimum pension liability adjustments, less allowable intangible assets, of \$19 million and \$17 million, respectively, which are included in AOCI.

In addition, P&O Cruises participated in a Merchant Navy Ratings Pension Fund, which is a defined benefit multi-employer pension plan that was available to their shipboard non-officers. This plan has a significant funding deficit and has been closed to further benefit accrual since prior to the completion of the DLC transaction. P&O Cruises, along with other unrelated employers, are making payments into this plan under a non-binding Memorandum of Understanding to reduce the deficit. Accordingly, at November 30, 2005 and 2004, we had recorded a long-term pension liability of \$22 million and \$26 million, which represented our estimate of the present value of our entire liability under this plan, based on our current intention to continue to make these voluntary payments.

P&O Cruises, Princess and Cunard participate in an industry-wide British Merchant Navy Officers Pension Fund ("MNOFF"), which is a defined benefit multiemployer pension plan that is available to certain of their British shipboard officers. The MNOFF is divided into two sections, the "New Section" and the "Old Section," each of which covers a different group of participants, with the Old Section closed to further benefit accrual and the New Section only closed to new membership. At November 30, 2005, the New Section was estimated to have a funding deficit and the Old Section was estimated to have a funding surplus.

Substantially all of any MNOFF New Section deficit liability which we may have relates to P&O Cruises and Princess obligations, which existed prior to the DLC transaction. However, since the MNOFF is a multiemployer plan and it was not probable that we would withdraw from the plan nor was our share of the liability certain, we could not record our estimated share of the ultimate deficit as a Carnival plc acquisition liability that existed at the DLC transaction date. The amount of our share of the fund's ultimate deficit could vary considerably if different pension assumptions and/or estimates were used. Therefore, we expense our portion of any deficit as amounts are invoiced by the fund's trustee. In August 2005, we received an invoice from the fund for what the trustee calculated to be our share of the entire MNOFF liability. Accordingly, we recorded the full invoiced liability of \$23 million in payroll and related expense in 2005. It is possible that the fund's

trustee may invoice us for additional amounts in the future for various reasons, including if they believe the fund requires further funding.

Total expense for all of our defined benefit pension plans, including our multiemployer plans, was \$45 million, \$18 million and \$17 million in fiscal 2005, 2004 and 2003, respectively.

Defined Contribution Plans

We have several defined contribution plans available to most of our employees. We contribute to these plans based on employee contributions, salary levels and length of service. Total expense relating to these plans was \$14 million, \$13 million and \$12 million in fiscal 2005, 2004 and 2003, respectively.

Note 14—Earnings Per Share

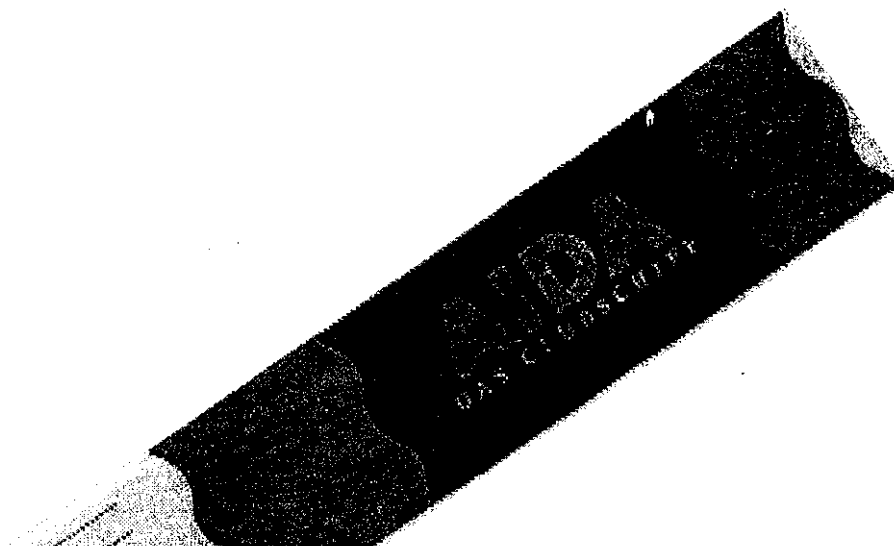
Our basic and diluted earnings per share were computed as follows (in millions, except per share data):

	Years Ended November 30,		
	2005	2004	2003
Net income	\$2,257	\$1,854	\$1,194
Interest on dilutive convertible notes	47	49	43
Net income for diluted earnings per share	\$2,304	\$1,903	\$1,237
Weighted-average common and ordinary shares outstanding	806	802	718
Dilutive effect of convertible notes ...	42	44	39
Dilutive effect of stock plans	5	5	2
Diluted weighted-average shares outstanding	853	851	759
Basic earnings per share	\$ 2.80	\$ 2.31	\$ 1.66
Diluted earnings per share	\$ 2.70	\$ 2.24	\$ 1.63

The weighted-average shares outstanding for the year ended November 30, 2003 includes the pro rata Carnival plc shares since April 17, 2003. Options to purchase 2.1 million, 6.0 million and 8.4 million shares for fiscal 2005, 2004 and 2003, respectively, were excluded from our diluted earnings per share computation since the effect of including them was anti-dilutive.

Note 15—Supplemental Cash Flow Information

Total cash paid for interest was \$314 million, \$250 million and \$156 million in fiscal 2005, 2004 and 2003, respectively. In addition, cash paid for income taxes was \$15 million, \$8 million and \$20 million in fiscal 2005, 2004 and 2003, respectively. Finally, in 2005 \$297 million of our Zero-Coupon Notes were converted through a combination of the issuance of Carnival Corporation treasury stock and newly issued Carnival Corporation Common stock, which represented a noncash financing activity.



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

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements contained in this 2005 Annual Report are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlook, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can find many, but not all, of these statements by looking for words like "will," "may," "believes," "expects," "anticipates," "forecast," "future," "intends," "plans," and "estimates" and for similar expressions.

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this 2005 Annual Report. Forward-looking statements include those statements which may impact the forecasting of our earnings per share, net revenue yields, booking levels, pricing, occupancy, operating, financing and/or tax costs, fuel costs, costs per available lower berth day ("ALBD"), estimates of ship depreciable lives and residual values, outlook or business prospects. These factors include, but are not limited to, the following:

- risks associated with the DLC structure, including the uncertainty of its tax status;
- general economic and business conditions, which may impact levels of disposable income of consumers and net revenue yields for our cruise brands;
- conditions in the cruise and land-based vacation industries, including competition from other cruise ship operators and providers of other vacation alternatives and increases in capacity offered by cruise ship and land-based vacation alternatives;
- risks associated with operating internationally;
- the implementation of U.S. regulations requiring U.S. citizens to obtain passports for travel to or from additional foreign destinations;

- the international political and economic climate, armed conflicts, terrorist attacks and threats thereof, availability of air service, other world events and adverse publicity, and their impact on the demand for cruises;
- accidents and other incidents affecting the health, safety, security and vacation satisfaction of passengers, including machinery and equipment failures, which could cause the alteration of itineraries or cancellation of a cruise or a series of cruises and the impact of the spread of contagious diseases;
- changing consumer preferences, which may, among other things, adversely impact the demand for cruises;
- our ability to implement our shipbuilding programs and brand strategies and to continue to expand our business worldwide;
- our ability to attract and retain qualified shipboard crew and maintain good relations with employee unions;
- our ability to obtain financing on terms that are favorable or consistent with our expectations;
- the impact of changes in financing and operating costs, including changes in foreign currency exchange rates and interest rates and fuel, food, payroll, insurance and security costs;
- the impact of pending or threatened litigation;
- changes in the environmental, health, safety, security, tax and other regulatory regimes under which we operate;
- continued availability of attractive port destinations;
- our ability to successfully implement cost reduction plans;
- continuing financial viability of our travel agent distribution system and air service providers; and
- unusual weather patterns or natural disasters, such as hurricanes and earthquakes.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant listing rules, we expressly disclaim any obligation to disseminate, after the date of this 2005 Annual Report, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

Executive Overview

In 2003, the demand for travel was challenged by, among other things, an unstable geopolitical environment, a weaker economy, the emergence of Severe Acute Respiratory Syndrome ("SARS") in Asia and the threat and eventual outbreak of war in Iraq. These events had a negative effect on the public's willingness to travel, and consequently, negatively impacted our net revenue yields (see "Key Performance Indicators" below).

Since the beginning of 2004 and continuing through 2005, the effects of those factors on the cruise industry were reduced, and we experienced a substantial improvement in our net revenue yields. The improvement in net revenue yields was primarily the result of higher passenger ticket prices, onboard revenues and occupancy and, to a lesser extent, a weaker U.S. dollar relative to the euro and sterling. The increase in 2005 pricing was achieved despite an 8.5% increase in cruise capacity relating to the introduction of three new ships in fiscal 2005. In addition, from 2003 through 2005, the cruise industry was impacted by substantial increases in fuel prices. However, the 2005 increased net revenue yields more than compensated for the increase in fuel costs. It is possible that fuel prices may continue to increase in 2006 and future years. As discussed below, our 2006 earnings guidance is impacted by an expectation of higher fuel costs.

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

During calendar 2005, we ordered six additional ships for our North American and European brands, which are expected to be delivered between 2007 and 2009. As of January 30, 2006, we had signed agreements with two shipyards providing for the construction of 16 additional cruise ships (see Note 7 in the accompanying financial statements). These new ships are expected to continue to help us maintain our leadership position within the cruise industry. The year-over-year percentage increases in our ALBD capacity, resulting from new ships

entering service, is expected to be 5.1%, 7.5%, 8.4% and 6.5% for fiscal 2006, 2007, 2008 and 2009, respectively, based on ships currently on order and net of the expected sale of the Pacific Sky by P&O Cruises Australia in May 2006.

Outlook for Fiscal 2006 ("2006")

As of December 16, 2005 we said that we expected our 2006 full year earnings per share will be between \$3.00 to \$3.10. We also said that we expected our first quarter 2006 earnings per share to be in the range of \$0.34 to \$0.36. Our guidance was based on the then current forward fuel price curve for all of 2006 of \$322 per metric ton and \$312 per metric ton for the first quarter 2006. In addition, this guidance was also based on currency exchange rates of \$1.17 to the euro and \$1.73 to sterling.

Our 2006 outlook includes the impact of two accounting matters. Commencing with the first quarter of fiscal 2006, we will begin to recognize compensation costs in our statement of operations in an amount equal to the fair value of share-based payments granted to employees and directors pursuant to SFAS No. 123(R). The increase in our share-based compensation expense in 2006 is expected to be approximately \$55 million compared to our reported fiscal 2005 stock-based compensation expense (see Note 2). Also commencing with the first quarter of fiscal 2006, we will change the period over which we amortize our deferred dry-dock costs to the length of time between dry-docks, generally two to three years, instead of amortizing them generally over one to two years. This change in estimate reflects the lengthening of the time between dry-docks, resulting from regulatory changes and technological enhancements to our ships. In 2006, this change is expected to reduce dry-dock amortization by approximately \$40 million compared to normal levels of dry-dock amortization.

Since the date of our December earnings release, the cruise industry has begun a period of heavy bookings generally referred to as "wave season." Bookings and pricing for our brands since the start of wave season are up slightly compared to the corresponding period last year.

Since our December guidance, the February 7, 2006 forward prices for fuel for the full year 2006 and first quarter 2006 have increased from \$322 per ton and \$312 per ton to \$334 per ton and \$321 per ton, respectively. If actual fuel prices for the full year 2006 and first quarter 2006 ultimately equal the

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

more recent forward prices, our diluted earnings per share would be reduced by \$0.04 and \$0.01 for the full year 2006 and first quarter 2006, respectively.

Partially offsetting the impact of fuel prices, the U.S. dollar has weakened relative to both the euro and sterling, to currency exchange rates of \$1.20 to the euro and \$1.75 to sterling. Assuming the exchange rates remain at the current levels, our diluted earnings per share would increase by approximately \$0.01 for the year 2006 and would be unchanged for the 2006 first quarter.

Key Performance Indicators and Pro Forma Information

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

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

In addition, because a significant portion of our operations utilize the euro or sterling to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies, and decreases in reported

U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies. Accordingly, we also monitor our two non-GAAP financial measures assuming the current period currency exchange rates have remained constant with the prior year's comparable period rates, or on a "constant dollar basis," in order to remove the impact of changes in exchange rates on our non-U.S. cruise operations. We believe that this is a useful measure indicating the actual growth of our operations in a fluctuating exchange rate environment. On a constant dollar basis, net cruise revenues and net cruise costs would be \$8.63 billion and \$5.15 billion for fiscal 2005, respectively. In addition to our two non-GAAP financial measures discussed above, our non-U.S. cruise operations' depreciation and net interest expense were impacted by the changes in exchange rates for fiscal 2005 compared to 2004.

Our 2003 reported results only included the results of P&O Princess since April 17, 2003. Consequently, for the year ended November 30, 2004, we believe that the most meaningful comparison of our annual operating income and revenue and cost metrics is to the comparable pro forma results and metrics in 2003, which reflect the operations of both Carnival Corporation and P&O Princess as if the companies had been consolidated throughout 2003. Accordingly, we have disclosed pro forma information for the year ended November 30, 2003, as well as the required reported information, in the discussion of our results of operations.

The 2003 pro forma information was computed by adding the results of P&O Princess' annual operations, and acquisition adjustments of \$16 million of depreciation expense and \$3 million of interest expense and excluding \$51 million of nonrecurring DLC transaction costs, to the 2003 Carnival Corporation reported results for the year ended November 30, 2003.

Critical Accounting Estimates

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

Ship Accounting

Our most significant assets are our ships and ships under construction, which represent 85% of our total assets. We make several critical accounting estimates dealing with our ship accounting. First, we compute our ships' depreciation expense, which represented 11% of our cruise operating expenses in fiscal 2005, which requires us to estimate the average useful life of each of our ships, as well as their residual values. Secondly, we account for ship improvement costs by capitalizing those costs, that we believe will add value to our ships and depreciate those improvements over their estimated useful lives, while expensing repairs and maintenance costs as they are incurred. Finally, when we record the retirement of a ship component that is included within the ship's cost basis, we estimate its net book value to determine the amount of ship component retired.

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

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

If materially different conditions existed, or if we materially changed our assumptions of ship lives and residual values, our depreciation expense or loss on replacement or refurbishment of ship assets and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance costs could increase, partially offset by a

decrease in depreciation expense, as less costs would have been initially capitalized to our ships. Our fiscal 2005 ship depreciation expense would have increased by approximately \$23 million for every year we reduced our estimated average 30 year ship useful life. In addition, if our ships were estimated to have no residual value, our fiscal 2005 depreciation expense would have increased by approximately \$120 million.

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

Asset Impairment

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

The determination of fair value includes numerous uncertainties, unless a viable actively traded market exists for the asset or for a comparable reporting unit, which is usually not the case for cruise ships, cruise lines and trademarks. For example, in determining fair values of ships and cruise lines utilizing discounted forecasted cash flows, significant judgments are made concerning, among other things, future net revenue yields, net cruise costs per ALBD, interest and discount rates, cruise itineraries, ship additions and retirements, technological changes, consumer demand, governmental regulations and the effects of competition. In addition, third party appraisers are sometimes used to determine fair values and some of their valuation methodologies are also subject to similar types of uncertainties. Also, the determination of fair values of reporting units using a price earnings multiple approach also requires significant judgments, such as determining reasonably comparable multiples. Finally, determining

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

trademark fair values also requires significant judgments in determining both the estimated trademark cash flows, and the appropriate royalty rates to be applied to those cash flows to determine their fair value. We believe that we have made reasonable estimates and judgments in determining whether our ships, goodwill and trademarks have been impaired. However, if there is a material change in the assumptions used in our determination of fair value or if there is a material change in the conditions or circumstances influencing fair value, we could be required to recognize a material impairment charge.

Contingencies

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, passenger and crew, and tax matters. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, we make estimates of the amount of insurance recoveries, if any. We accrue a liability when we believe a loss is probable and the amount of the loss can be reasonably estimated, in accordance with the provisions of SFAS No. 5, "Accounting for Contingencies," as amended. Such accruals are typically based on developments to date, management's estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar matters, historical claims experience and actuarially determined assumptions of liabilities, and any related insurance coverage. See Note 8 in the accompanying financial statements for additional information concerning our contingencies.

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

Results of Operations

We earn our cruise revenues primarily from the following:

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

We incur cruise operating costs and expenses for the following:

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

For segment information related to our revenues, expenses, operating income and other financial information see Note 12 in the accompanying financial statements.

Summary

Our reported and pro forma results of operations and selected information were as follows:

	Years Ended November 30,			
	2005	2004	Pro Forma 2003	Reported 2003
<i>(dollars in millions, except selected information)</i>				
Revenues				
Cruise				
Passenger tickets	\$8,379	\$7,357	\$5,732	\$5,039
Onboard and other	2,356	2,070	1,600	1,420
Other	352	300	264	259
	11,087	9,727	7,596	6,718
Costs and Expenses				
Operating				
Cruise				
Commissions, transportation and other	1,665	1,572	1,227	1,021
Onboard and other	408	359	279	229
Payroll and related	1,145	1,003	841	744
Food	615	550	447	393
Fuel	709	493	390	340
Other ship operating	1,425	1,270	1,038	897
Other	250	210	198	190
Total	6,217	5,457	4,420	3,814
Selling and administrative	1,329	1,285	1,103	936
Depreciation and amortization	902	812	653	585
Operating Income	2,639	2,173	1,420	1,383
Nonoperating Expense, Net	(309)	(272)	(185)	(160)
Income Before Income Taxes	2,330	1,901	1,235	1,223
Income Tax Expense, Net	(73)	(47)	(25)	(29)
Net Income	\$2,257	\$1,854	\$1,210	\$1,194
Selected Information				
Passengers carried (in thousands)	6,848	6,306	5,422	5,038
Occupancy percentage	105.6%	104.5%	102.6%	103.4%
Fuel cost per metric ton ^(a)	\$ 260	\$ 194	\$ 179	\$ 182

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

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Non-GAAP Financial Measures

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

	Years Ended November 30,			
	2005	2004	Pro Forma 2003	Reported 2003
<i>(in millions, except ALBDs and yields)</i>				
Cruise revenues				
Passenger tickets	\$ 8,379	\$ 7,357	\$ 5,732	\$ 5,039
Onboard and other	2,356	2,070	1,600	1,420
Gross cruise revenues	10,735	9,427	7,332	6,459
Less cruise costs				
Commissions, transportation and other	(1,665)	(1,572)	(1,227)	(1,021)
Onboard and other	(408)	(359)	(279)	(229)
Net cruise revenues	\$ 8,662	\$ 7,496	\$ 5,826	\$ 5,209
ALBDs	47,754,627	44,009,061	37,554,709	33,309,785
Gross revenue yields	\$224.80	\$214.21	\$195.23	\$193.91
Net revenue yields	\$181.39	\$170.32	\$155.11	\$156.38

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

	Years Ended November 30,			
	2005	2004	Pro Forma 2003	Reported 2003
<i>(in millions, except ALBDs and costs per ALBD)</i>				
Cruise operating expenses	\$ 5,967	\$ 5,247	\$ 4,222	\$ 3,624
Cruise selling and administrative expenses	1,276	1,231	1,054	896
Gross cruise costs	7,243	6,478	5,276	4,520
Less cruise costs included in net cruise revenues				
Commissions, transportation and other	(1,665)	(1,572)	(1,227)	(1,021)
Onboard and other	(408)	(359)	(279)	(229)
Net cruise costs	\$ 5,170	\$ 4,547	\$ 3,770	\$ 3,270
ALBDs	47,754,627	44,009,061	37,554,709	33,309,785
Gross cruise costs per ALBD	\$151.67	\$147.20	\$140.50	\$135.69
Net cruise costs per ALBD	\$108.25	\$103.31	\$100.38	\$ 98.16

Fiscal 2005 ("2005") Compared to Fiscal 2004 ("2004")

Revenues

Net cruise revenues increased \$1.17 billion, or 15.6%, to \$8.66 billion in 2005 from \$7.50 billion in 2004. The 8.5% increase in ALBDs between 2005 and 2004 accounted for \$638 million of the increase, and the remaining \$528 million was from increased net revenue yields, which increased 6.5% in 2005 compared to 2004 (gross revenue yields increased by 4.9%). Net revenue yields increased in 2005 primarily from higher cruise ticket prices, a 1.1% increase in occupancy, higher onboard revenues and the weaker U.S. dollar relative to the euro and sterling. Net revenue yields as measured on a constant dollar basis increased 6.1% in 2005. Gross cruise revenues increased \$1.31 billion, or 13.9%, in 2005 to \$10.74 billion from \$9.43 billion in 2004 for largely the same reasons as net cruise revenues.

Onboard and other revenues included concession revenues of \$289 million in 2005 and \$261 million in 2004. Onboard and other revenues increased in 2005 compared to 2004, primarily because of the 8.5% increase in ALBDs and increased passenger spending on our ships.

Other non-cruise revenues increased \$69 million, or 17.3%, to \$467 million in 2005 from \$398 million in 2004 primarily due to the increase in the number of cruise/tours sold.

Costs and Expenses

Net cruise costs increased \$623 million, or 13.7%, to \$5.17 billion in 2005 from \$4.55 billion in 2004. The 8.5% increase in ALBDs between 2004 and 2005 accounted for \$387 million of the increase, and the remaining \$236 million was from increased net cruise costs per ALBD, which increased 4.8% in 2005 compared to 2004 (gross cruise costs per ALBD increased 3.0%). Net cruise costs per ALBD increased primarily due to a \$66 increase in fuel cost per metric ton, or 34.0%, to \$260 per metric ton in 2005, higher dry-dock amortization

expense, a \$23 million MNOPF contribution (see Note 13 in the accompanying financial statements) and a weaker U.S. dollar relative to the euro and to sterling in 2005. Net cruise costs per ALBD as measured on a constant dollar basis compared to 2004 increased 4.3% in 2005 and were flat excluding fuel costs and the MNOPF contribution, compared to 2004. Gross cruise costs increased \$765 million, or 11.8%, in 2005 to \$7.24 billion from \$6.48 billion in 2004, which was a lower percentage increase than net cruise costs primarily because of the lower proportion of passengers who purchased air transportation from us in 2005.

Other non-cruise operating expense increased \$57 million, or 18.5%, to \$365 million in 2005 from \$308 million in 2004 primarily due to the increase in the number of cruise/tours sold.

Depreciation and amortization expense increased by \$90 million, or 11.1%, to \$902 million in 2005 from \$812 million in 2004 largely due to the 8.5% increase in ALBDs through the addition of new ships and ship improvement expenditures.

Nonoperating (Expense) Income

Net interest expense, excluding capitalized interest, increased \$31 million in 2005 to \$323 million in 2005 from \$292 million in 2004. This increase was primarily due to a \$36 million increase in interest expense from higher average borrowing rates and a weaker U.S. dollar, partially offset by a \$5 million increase in interest income due to higher average invested fund balances.

Other expense in 2005 included a \$22 million expense for the write-down of a non-cruise investment, partially offset by \$7 million income from the settlement of litigation associated with the DLC transaction.

Income Taxes

Income tax expense increased by \$26 million from 2004 to \$73 million in 2005 from \$47 million in 2004 primarily because we recorded approximately \$18 million for U.S. income taxes related to the charter of three ships to the Military Sealift

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Command ("MSC") in connection with the Hurricane Katrina relief efforts. Commencing in September 2005, these three ships were chartered for six months, and pursuant to our agreement with the MSC, the net earnings from the charter will be equal to the amount of net earnings we would have earned on these ships if we had not entered into this charter.

Fiscal 2004 ("2004") Compared to Pro Forma 2003 ("pro forma 2003") and Reported Results 2003 ("reported 2003")

Revenues

Net cruise revenues increased \$1.67 billion, or 29%, to \$7.50 billion in 2004 from \$5.83 billion in pro forma 2003. The 17.2% increase in ALBDs between pro forma 2003 and 2004 accounted for \$1.0 billion of the increase, and the remaining \$670 million was from increased net revenue yields, which increased 9.8% in 2004 compared to pro forma 2003 (gross revenue yields increased by 9.7%). Net revenue yields increased in 2004 primarily from higher cruise ticket prices, a 1.9% increase in occupancy, higher onboard revenues and the weaker U.S. dollar relative to the euro and sterling. Net revenue yields as measured on a constant dollar basis increased 6.6% in 2004. Gross cruise revenues increased \$2.10 billion, or 29%, in 2004 to \$9.43 billion from \$7.33 billion in pro forma 2003 primarily for the same reasons as net cruise revenues.

Net cruise revenues increased \$2.29 billion, or 44%, to \$7.50 billion in 2004 from \$5.21 billion in reported 2003. The 32.1% increase in ALBDs between reported 2003 and 2004, which included P&O Princess for a full year in 2004, but only since April 17, 2003 during 2003, accounted for \$1.67 billion of the increase, and the remaining \$615 million was from increased net revenue yields, which increased 8.9% in 2004 compared to 2003 (gross revenue yields increased by 10.5%). Net revenue yields increased primarily for the same reasons as noted above. Gross cruise revenues increased \$2.97 billion, or 46%, in 2004 to \$9.43 billion from \$6.46 billion for primarily the same reasons as net cruise revenues.

Onboard and other revenues included concession revenues of \$261 million in 2004, \$201 million in pro forma 2003 and \$192 million in reported 2003, which increased in 2004 compared to both pro forma 2003 and reported 2003 primarily because of the increases in ALBDs and increased passenger spending on our ships.

Other non-cruise revenues increased \$48 million, or 13.7%, to \$398 million in 2004 from \$350 million in pro forma 2003 (an increase of \$53 million, or 15.4% from \$345 million in reported 2003) primarily due to the increase in the number of cruise/tours sold, as well as price increases.

Costs and Expenses

Net cruise costs increased \$777 million, or 21%, to \$4.55 billion in 2004 from \$3.77 billion in pro forma 2003. The 17.2% increase in ALBDs between pro forma 2003 and 2004 accounted for \$650 million of the increase, and the remaining \$127 million was from increased net cruise costs per ALBD, which increased 2.9% in 2004 compared to pro forma 2003 (gross cruise costs per ALBD increased 4.8%). Net cruise costs per ALBD increased primarily due to a \$15 increase in fuel cost per metric ton, or 8.4%, to \$194 per metric ton in 2004 and the weaker U.S. dollar relative to the euro and the sterling in 2004. Net cruise costs per ALBD as measured on a constant dollar basis compared to pro forma 2003 declined 0.5% in 2004. The decrease in constant dollar net cruise costs was primarily the result of the economies of scale associated with the pro forma 17.2% ALBD increase and synergy savings from the integration efforts following the DLC transaction. Gross cruise costs increased \$1.20 billion, or 23%, in 2004 to \$6.48 billion from \$5.23 billion in pro forma 2003 primarily for the same reasons as net cruise costs.

Net cruise costs increased \$1.28 billion, or 39%, to \$4.55 billion in 2004 from \$3.27 billion in reported 2003. The 32.1% increase in ALBDs between reported 2003 and 2004 accounted for \$1.05 billion of the increase, and the remaining \$230 million was from increased net cruise costs per ALBD, which increased 5.2% in 2004 compared to reported 2003 (gross

cruise costs per ALBD increased 8.5%). Net cruise costs per ALBD increased primarily for the same reasons as noted above. Gross cruise costs increased \$1.96 billion, or 43%, in 2004 to \$6.48 billion from \$4.52 billion in reported 2003 primarily for the same reasons as net cruise costs and a higher proportion of P&O Princess brands' customers who purchased air from us.

Other non-cruise operating expense increased \$24 million, or 8.5%, to \$308 million in 2004 from \$284 million in pro forma 2003 (an increase of \$32 million, or 11.6%, from \$276 million in reported 2003) primarily due to the increased volume of cruise/tours sold in 2004.

Depreciation and amortization expense increased by \$159 million, or 24.3%, to \$812 million in 2004 from \$653 million in pro forma 2003 largely due to the pro forma 17.2% expansion of the combined fleet and ship improvement expenditures, as well as the impact of a weaker U.S. dollar. Depreciation and amortization increased by \$227 million, or 38.8%, to \$812 million in 2004 from \$585 million in reported 2003. This increase was primarily due to the same factors as noted above and the result of the consolidation of P&O Princess.

Nonoperating (Expense) Income

Net interest expense, excluding capitalized interest, increased to \$292 million in 2004 from \$217 million in reported 2003, or \$75 million, which increase consisted primarily of a \$102 million increase in interest expense from our higher level of average borrowings and a weaker U.S. dollar, partially offset by a \$27 million decrease in interest expense due to lower average borrowing rates. The higher average debt balances were primarily a result of our consolidation of the former P&O Princess debt and new ship deliveries.

Income Taxes

Income tax expense increased \$18 million from reported 2003 to \$47 million in 2004 primarily because of the increase in Costa's Italian taxable income and other taxes relating to our operations.

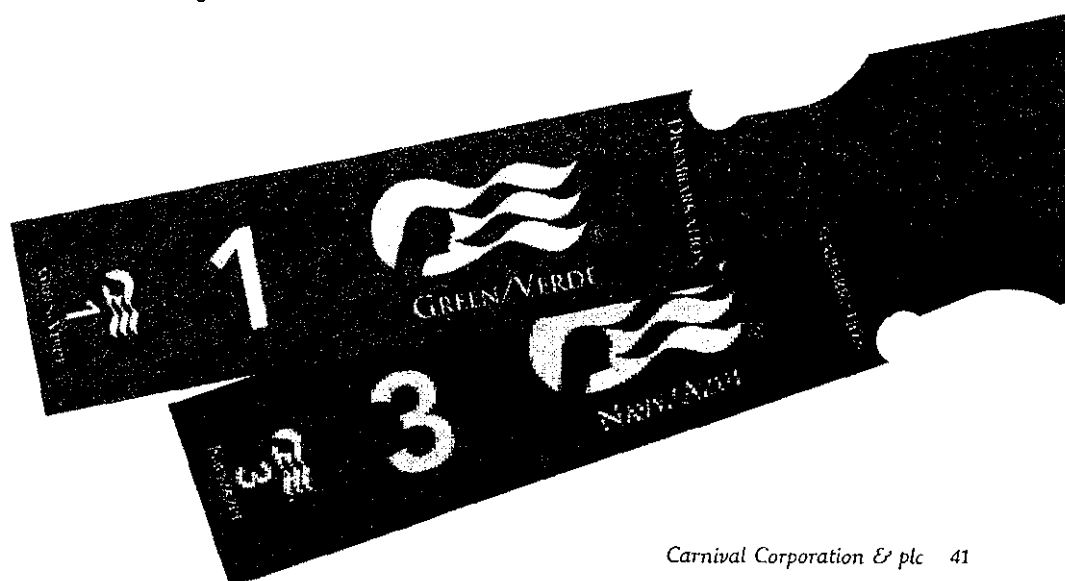
Liquidity and Capital Resources

Sources and Uses of Cash

Our business provided \$3.41 billion of net cash from operations during fiscal 2005, an increase of \$194 million, or 6.0%, compared to fiscal 2004. We continue to generate substantial cash from operations and remain in a strong financial position, thus providing us with substantial financial flexibility in meeting operating, investing and financing needs.

During fiscal 2005, our net expenditures for capital projects were \$1.98 billion, of which \$1.47 billion was spent for our ongoing new shipbuilding program, including the final delivery payments for the Carnival Valor, Carnival Liberty and P&O Cruises' Arcadia. The remaining capital expenditures consisted primarily of \$324 million for ship improvements and refurbishments, and \$179 million for Alaska tour assets, cruise port facility developments and information technology assets. During fiscal 2004, our net expenditures for capital projects were \$3.59 billion primarily because we took delivery of seven new ships.

During fiscal 2005, we borrowed \$1.15 billion, of which a portion was used to pay a part of the Arcadia and Carnival Liberty purchase prices and to refinance debt as noted below. During fiscal 2005, we made \$609 million of debt repayments, which included the final payment on our capitalized lease obligations of \$110 million, \$100 million repayment of our 7.05% fixed rate notes and \$253 million in repayments of Costa indebtedness. In addition, we refinanced \$487 million of euro debt in 2005 to reduce our future borrowing rate. We also paid cash dividends of \$566 million and purchased \$386 million of treasury stock during 2005.



Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Future Commitments and Funding Sources

At November 30, 2005, our contractual cash obligations, including ship construction contracts entered into in December 2005, and the effects such obligations are expected to have on our liquidity and cash flow in future periods were as follows (in millions):

Contractual Cash Obligations	Total	Payments Due by Fiscal Year					
		2006	2007	2008	2009	2010	Thereafter
Long-term debt ^(a)	\$ 7,052	\$1,325	\$1,035	\$1,672	\$ 169	\$ 944	\$1,907
Short-term borrowings ^(a)	300	300					
Fixed-rate interest payments ^(a)	1,679	203	188	166	146	128	848
Shipbuilding ^(a)	7,590	1,710	2,340	2,130	1,410		
Port facilities and other ^(a)	600	58	70	70	56	52	294
Operating leases ^(a)	200	43	30	25	20	16	66
Purchase obligations ^(b)	615	516	81	11	5	2	
Other long-term liabilities reflected on the balance sheet ^(c)	457	23	106	52	39	33	204
Total contractual cash obligations^(d)	\$18,493	\$4,178	\$3,850	\$4,126	\$1,845	\$1,175	\$3,319

(a) See Notes 6 and 7 in the accompanying financial statements for additional information regarding these contractual cash obligations. Fixed-rate interest payments represent cash outflows for fixed interest payments, including interest swapped from a variable-rate to a fixed-rate, but does not include interest payments on variable-rate debt or interest swapped from a fixed-rate to a variable-rate. Ship construction contracts entered into after November 30, 2005 aggregated \$2.26 billion.

(b) Represents legally-binding commitments to purchase inventory and other goods and services made in the normal course of business to meet operational requirements. Many of our contracts contain clauses that allow us to terminate the contract with notice, and with or without a termination penalty. Termination penalties are generally an amount less than the original obligation. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for termination of our contractual obligations.

(c) Represents cash outflows for certain of our long-term liabilities that could be reasonably estimated. The primary outflows are for estimates of our employee benefit plan obligations, crew and passenger claims, certain deferred income taxes and other long-term liabilities. Other long-term liabilities, such as deferred income, derivative contracts payable, which convert fixed rate debt to variable rate debt, fair value of hedged commitments and certain deferred income taxes, have been excluded from the table as they do not require cash settlement in the future or the timing of the cash outflow cannot be reasonably estimated.

(d) Foreign currency payments are based on the November 30, 2005 exchange rates.

During 2004, the Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares commencing in 2005, subject to certain repurchase restrictions on Carnival plc shares. From December 1, 2004 through February 6, 2006, we had repurchased 8.0 million shares for \$386 million.

At November 30, 2005, as adjusted for \$916 million of additional committed ship financing facilities entered into in January 2006, we had liquidity of \$4.67 billion, which consisted of \$1.19 billion of cash, cash equivalents and short-term investments, \$1.83 billion available for borrowing under our revolving credit facility, and \$1.65 billion under committed ship financing facilities. Our revolving credit facility matures in 2010. A key to our access to liquidity is the maintenance of our strong credit ratings.

Based primarily on our historical results, current financial condition and future forecasts, we believe that our existing liquidity and cash flow from future operations will be sufficient

to fund most of our expected capital projects, debt service requirements, dividend payments, working capital and other firm commitments. In addition, based on our future forecasted operating results and cash flows for fiscal 2006, we expect to be in compliance with our debt covenants during 2006. However, our forecasted cash flow from future operations, as well as our credit ratings, may be adversely affected by various factors, including, but not limited to, those factors noted under "Cautionary Note Concerning Factors That May Affect Future Results." To the extent that we are required, or choose, to fund future cash requirements, including our future shipbuilding commitments, from sources other than as discussed above, we believe that we will be able to secure such financing from banks or through the offering of debt and/or equity securities in the public or private markets. No assurance can be given that our future operating cash flow will be sufficient to fund future obligations or that we will be able to obtain additional financing, if necessary.

Off-Balance Sheet Arrangements

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

Foreign Currency Exchange Rate Risks

In 2003, we broadened our global presence through Carnival plc's foreign operations, in addition to the foreign currency denominated operations of our Costa subsidiary. Specifically, our expanded international business operations through P&O Cruises, Ocean Village and Swan Hellenic in the UK and AIDA in Germany subject us to an increasing level of foreign currency exchange risk related to the sterling and euro because these operations have either the sterling or the euro as their functional currency. Accordingly, exchange rate fluctuations of the sterling and the euro against the dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar and the functional currency for our international operations is generally the local currency. Any weakening of the U.S. dollar against these local functional currencies has the financial statement effect of increasing the U.S. dollar values reported for cruise revenues and cruise expenses in our consolidated financial statements. Strengthening of the U.S. dollar has the opposite effect.

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

One of our primary foreign currency exchange rate risks is related to our outstanding commitments under ship construction contracts denominated in a currency other than the functional currency of the cruise brand that is expected to be operating the ship. These currency commitments are affected

by fluctuations in the value of the functional currency as compared to the currency in which the shipbuilding contract is denominated. We generally use foreign currency swaps to manage foreign currency exchange rate risk from ship construction contracts (see Notes 2, 7 and 11 in the accompanying financial statements). Accordingly, increases and decreases in the fair value of these foreign currency swaps offset changes in the fair value of the foreign currency denominated ship construction commitments, thus resulting in the elimination of such risk.

Specifically, we have foreign currency swaps for three of our euro denominated shipbuilding contracts. At November 30, 2005, the fair value of these foreign currency swaps was a net unrealized gain of \$29 million which is recorded, along with an offsetting \$29 million fair value liability related to our shipbuilding firm commitments, on our accompanying 2005 balance sheet. Based upon a 10% strengthening or weakening of the U.S. dollar and sterling compared to the euro as of November 30, 2005, assuming no changes in comparative interest rates, the estimated fair value of these foreign currency swaps would decrease or increase by \$120 million, which would be offset by a decrease or increase of \$120 million in the U.S. dollar value of the related foreign currency ship construction commitments resulting in no net dollar impact to us.

However, at November 30, 2005, as adjusted for our December 2005 ship orders, we have two euro denominated shipbuilding contracts aggregating 1.05 billion in euros assigned to Carnival Cruise Lines, a U.S. dollar functional currency operation, for which we have not entered into any foreign currency swaps. Therefore, the U.S. dollar cost of these ships will increase or decrease based upon changes in the exchange rate until the payments are made under the shipbuilding contracts or we enter into a foreign currency swap. These euro commitments effectively act as an economic hedge against a portion of our net investment in euro-denominated cruise operations. Accordingly, any increase or decrease in our ship costs resulting from changes in the exchange rate will be offset by a corresponding change in the net assets of our euro-denominated cruise operations. Based upon a 10% hypothetical increase or decrease in the November 30, 2005 U.S. dollar to euro foreign currency exchange rate, the cost of these ships would increase or decrease by \$124 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Decisions regarding whether or not to hedge a given ship commitment are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility, and economic trends.

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

Finally, we consider our investments in foreign subsidiaries to be denominated in relatively stable currencies and of a long-term nature. In addition to the strategy discussed above, we also partially address these exposures by denominating a portion of our debt, or entering into foreign currency swaps, in our subsidiaries' functional currencies (generally euros or sterling). Specifically, we have debt of \$1.68 billion in euros and \$657 million in sterling and have \$1.11 billion of foreign currency swaps, whereby we have converted \$237 million of U.S. dollar debt into sterling debt, \$736 million of U.S. dollar debt into euro debt and \$138 million of euro debt into sterling debt, thus partially offsetting this foreign currency exchange rate risk. At November 30, 2005, the fair value of these foreign currency swaps was a net unrealized loss of \$58 million, which is recorded in AOCI and offsets a portion of the gains recorded in AOCI upon translating these foreign subsidiaries net assets into U.S. dollars. Based upon a 10% hypothetical increase or decrease in the November 30, 2005 foreign currency exchange rate, we estimate that these contracts' fair values would increase or decrease by \$111 million, which would be offset by a decrease or increase of \$111 million in the U.S. dollar value of our net investments.

Interest Rate Risks

We seek to minimize the impact of fluctuations in interest rates through our long-term investment and debt portfolio strategies, which include entering into a substantial amount of fixed rate debt instruments. We continuously evaluate our debt portfolio, and make periodic adjustments to the mix of

floating rate and fixed rate debt based on our view of interest rate movements through the use of interest rate swaps. At November 30, 2005, 75% of the interest cost on our long-term debt was effectively fixed and 25% was variable, including the effect of our interest rate swaps.

Specifically, we have interest rate swaps at November 30, 2005, which effectively changed \$926 million of fixed rate debt to *libor*-based floating rate debt. In addition, we have interest rate swaps at November 30, 2005, which effectively changed \$961 million and \$286 of *euribor* and *GBP libor* floating rate debt, respectively, to fixed rate debt. The fair value of our long-term debt and interest rate swaps at November 30, 2005 was \$7.70 billion. Based upon a hypothetical 10% decrease or increase in the November 30, 2005 market interest rates, the fair value of our long-term debt and interest rate swaps would increase or decrease by approximately \$85 million and interest expense on our variable rate debt, including the effect of our interest rate swaps, would increase or decrease by approximately \$7 million.

In addition, based upon a hypothetical 10% decrease or increase in *Carnival Corporation's* November 30, 2005 common stock price, the fair value of our convertible notes would increase or decrease by approximately \$197 million.

These hypothetical amounts are determined by considering the impact of the hypothetical interest rates and common stock price on our existing long-term debt and interest rate swaps. This analysis does not consider the effects of the changes in the level of overall economic activity that could exist in such environments or any relationships which may exist between interest rate and stock price movements. Furthermore, since substantially all of our fixed rate long-term debt cannot currently be called or prepaid and \$1.25 billion of our variable rate long-term debt is subject to interest rate swaps which effectively fix the interest rate, it is unlikely we would be able to take any significant steps in the short-term to mitigate our exposure in the unlikely event of a significant decrease in market interest rates.

Bunker Fuel Price Risks

We have typically not used financial instruments to hedge our exposure to the bunker fuel price market risk. We estimate that our fiscal 2006 fuel cost would increase or decrease by approximately \$2.9 million for each \$1 per metric ton increase or decrease in our average bunker fuel price.

Selected Financial Data

The selected consolidated financial data presented below for fiscal 2001 through 2005 and as of the end of each such year, are derived from our audited financial statements and should be read in conjunction with those financial statements and the related notes.

	Years Ended November 30,				
	2005	2004	2003	2002	2001
<i>(in millions, except per share and other operating data)</i>					
Statement of Operations and Cash Flow Data^(a)					
Revenues	\$11,087	\$ 9,727	\$ 6,718	\$ 4,383	\$ 4,549
Operating income	\$ 2,639	\$ 2,173	\$ 1,383	\$ 1,042	\$ 892
Net income ^(b)	\$ 2,257	\$ 1,854	\$ 1,194	\$ 1,016 ^(c)	\$ 926 ^(c)
Earnings per share ^(b)					
Basic	\$ 2.80	\$ 2.31	\$ 1.66	\$ 1.73	\$ 1.58
Diluted	\$ 2.70	\$ 2.24	\$ 1.63	\$ 1.69	\$ 1.57
Dividends declared per share	\$ 0.800	\$ 0.525	\$ 0.440	\$ 0.420	\$ 0.420
Cash from operations	\$ 3,410	\$ 3,216	\$ 1,933	\$ 1,469	\$ 1,239
Capital expenditures	\$ 1,977	\$ 3,586	\$ 2,516	\$ 1,986	\$ 827
Other Operating Data^(a)					
Available lower berth days ^(d)	47,754,627	44,009,061	33,309,785	21,435,828	20,685,123
Passengers carried	6,848,386	6,306,168	5,037,553	3,549,019	3,385,280
Occupancy percentages ^(e)	105.6%	104.5%	103.4%	105.2%	104.7%

	As of November 30,				
	2005	2004	2003	2002	2001
<i>(in millions, except percentages)</i>					
Balance Sheet and Other Data^(a)					
Total assets	\$28,432	\$27,636	\$24,491	\$12,335	\$11,564
Long-term debt, excluding current portion	\$ 5,727	\$ 6,291	\$ 6,918	\$ 3,014	\$ 2,955
Total shareholders' equity	\$16,972	\$15,760	\$13,793	\$ 7,418	\$ 6,591
Debt to capital ^(f)	30.2%	33.5%	34.9%	29.9%	31.1%

(a) Includes the results of Carnival plc since April 17, 2003. Accordingly, the information from 2003 and thereafter is not comparable to the prior periods. Our results for the three years prior to fiscal 2004, were negatively affected by a number of factors affecting consumers' vacation demands including, among other things, armed conflicts in the Middle East and elsewhere, terrorist attacks in the U.S. and elsewhere, the uncertain worldwide economy and adverse publicity surrounding these and other events.

(b) Effective December 1, 2001, we adopted SFAS No. 142, which required us to stop amortizing goodwill as of December 1, 2001. If amortization of goodwill had not been recorded for fiscal 2001, our adjusted net income would have been \$952 million and our adjusted basic and diluted earnings per share would have been \$1.63 and \$1.61, respectively.

(c) Our net income for fiscal 2002 and 2001 includes an impairment charge of \$20 million and \$140 million, respectively, and fiscal 2001 includes a nonoperating net gain of \$101 million from the sale of our investment in Airtours plc. In addition, fiscal 2002 includes a \$51 million income tax benefit as a result of an Italian investment incentive.

(d) Total annual passenger capacity for the period, assuming two passengers per cabin, that we offered for sale, which is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.

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

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

Market Price for Common Stock and Ordinary Shares

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

Carnival Corporation

	High	Low
Fiscal 2005		
Fourth Quarter.....	\$54.98	\$45.78
Third Quarter.....	\$55.75	\$48.76
Second Quarter.....	\$55.96	\$46.76
First Quarter.....	\$58.98	\$48.90
Fiscal 2004		
Fourth Quarter.....	\$53.65	\$45.29
Third Quarter.....	\$48.05	\$41.55
Second Quarter.....	\$46.50	\$40.05
First Quarter.....	\$46.30	\$34.95

Carnival plc

	Price per Ordinary Share (GBP)		Price per ADS (USD)	
	High	Low	High	Low
Fiscal 2005				
Fourth Quarter.....	£33.19	£26.60	\$56.48	\$47.32
Third Quarter.....	£33.40	£28.31	\$58.10	\$51.46
Second Quarter.....	£31.45	£25.90	\$59.21	\$50.02
First Quarter.....	£32.69	£29.13	\$62.17	\$56.50
Fiscal 2004				
Fourth Quarter.....	£30.89	£26.22	\$57.15	\$47.43
Third Quarter.....	£27.30	£23.65	\$50.03	\$43.85
Second Quarter.....	£26.72	£22.98	\$48.05	\$41.20
First Quarter.....	£26.12	£20.30	\$49.21	\$35.13

As of February 6, 2006, there were 4,287 holders of record of Carnival Corporation common stock and 48,601 holders of record of Carnival plc ordinary shares and 69 holders of record of Carnival plc ADSs. The past performance of our stock prices cannot be relied on as a guide to their future performance.

All dividends for both Carnival Corporation and Carnival plc are declared in U.S. dollars. Holders of Carnival Corporation common stock or Carnival plc ADS's receive a dividend payable in U.S. dollars. The dividends payable for Carnival plc ordinary shares are payable in sterling, unless the shareholders elect to receive the dividends in U.S. dollars. Dividends payable in sterling will be converted from U.S. dollars into sterling based upon a current U.S. dollar to sterling exchange rate announced prior to the dividend payment date.

Selected Quarterly Financial Data (Unaudited)

Our revenue from the sale of passenger tickets is seasonal. Historically, demand for cruises has been the greatest during our third quarter which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher net revenue yields and, accordingly, the largest share of our net income is earned during this period. Substantially all of Holland America Tours' and Princess Tours' revenues and net income are generated from May through September in conjunction with the Alaska cruise season.

Quarterly financial results for fiscal 2005 were as follows:

	Quarters Ended			
	February 28	May 31	August 31	November 30
	<i>(in millions, except per share data)</i>			
Revenues	\$2,396	\$2,519	\$3,605	\$2,567
Operating income	\$ 418	\$ 482	\$1,291	\$ 448
Net income	\$ 345	\$ 408	\$1,151 ^(a)	\$ 353
Earnings per share				
Basic	\$ 0.43	\$ 0.51	\$ 1.43	\$ 0.44
Diluted	\$ 0.42	\$ 0.49	\$ 1.36	\$ 0.43
Dividends declared per share	\$ 0.15	\$ 0.20	\$ 0.20	\$ 0.25

(a) Includes a \$23 million expense related to the MNOPF contribution and a \$22 million expense for a non-cruise investment write-down.

Quarterly financial results for fiscal 2004 were as follows:

	Quarters Ended			
	February 29	May 31	August 31	November 30
	<i>(in millions, except per share data)</i>			
Revenues	\$1,981	\$2,253	\$3,250	\$2,243
Operating income	\$ 260	\$ 406	\$1,160	\$ 347
Net income	\$ 203	\$ 332	\$1,025	\$ 294
Earnings per share				
Basic	\$ 0.25	\$ 0.41	\$ 1.28	\$ 0.37
Diluted	\$ 0.25	\$ 0.40	\$ 1.22	\$ 0.36
Dividends declared per share	\$0.125	\$0.125	\$0.125	\$ 0.15



Carnival Corporation & plc
Corporate Information

PRINCIPAL OFFICERS

CARNIVAL CORPORATION & PLC

Micky Arison
 Chairman of the Board and
 Chief Executive Officer

Howard S. Frank
 Vice Chairman of the Board and
 Chief Operating Officer

Gerald R. Cahill
 Executive Vice President and
 Chief Financial Officer

Richard D. Ames
 Senior Vice President
 Audit Services

Charles Arkinstall
 Senior Vice President Maritime Affairs

Pamela C. Conover
 Senior Vice President Shared Services

Ian J. Gaunt
 Senior Vice President International

Arnaldo Perez
 Senior Vice President,
 General Counsel and Secretary

AIDA CRUISES

Michael Thamm
 President

CARNIVAL CRUISE LINES

Robert H. Dickinson
 President and Chief Executive Officer

COSTA CROCIERE, S.p.A.

Pier Luigi Foschi
 Chairman and Chief Executive Officer

Gianni Onorato
 President

CUNARD LINE

Carol Marlow
 President and Managing Director

HOLLAND AMERICA LINE INC.

Stein Kruse
 President and Chief Executive Officer

P&O CRUISES AUSTRALIA

Gavin Smith
 Managing Director

P&O CRUISES

David K. Dingle
 Managing Director

P&O PRINCESS CRUISES INTERNATIONAL

Peter G. Ratcliffe
 Chief Executive Officer

PRINCESS CRUISES

Alan B. Buckelew
 President

SEABOURN CRUISE LINE

Deborah Natansohn
 President

BOARD OF DIRECTORS

Micky Arison
 Chairman of the Board and
 Chief Executive Officer
 Carnival Corporation & plc

Richard G. Capen, Jr.
 Former United States Ambassador to Spain
 Corporate Director, Author and
 Business Consultant

Robert H. Dickinson
 President and Chief Executive Officer
 Carnival Cruise Lines

Arnold W. Donald
 President and Chief Executive Officer
 Juvenile Diabetes Research
 Foundation International

Pier Luigi Foschi
 Chairman and Chief Executive Officer
 Costa Crociere, S.p.A.

Howard S. Frank
 Vice Chairman of the Board and
 Chief Operating Officer
 Carnival Corporation & plc

Richard J. Glasier
 Former President and Chief Executive Officer
 Argosy Gaming Company

Baroness Hogg
 Chairman
 3i Group plc and Frontier Economics Ltd.

A. Kirk Lanterman
 Chairman
 Holland America Line Inc.

Modesto A. Maidique
 President
 Florida International University

Sir John Parker
 Chairman
 National Grid plc and
 The Peninsular and Oriental Steam
 Navigation Company

Peter G. Ratcliffe
 Chief Executive Officer
 P&O Princess Cruises International

Stuart Subotnick
 General Partner and Executive Vice President
 Metromedia Company

Uzi Zucker
 Private Investor

DIRECTORS EMERITUS

Ted Arison (1924-1999)
 Chairman Emeritus, Carnival Corporation

Maks Birnbach
 Director Emeritus, Carnival Corporation

Meshulam Zonis
 Director Emeritus, Carnival Corporation

The Lord Sterling of Plaistow GCVO, CBE
 Life President of P&O Cruises

Horst Rahe
 Life President of AIDA Cruises

IN MEMORIAM

John P. McNulty
 1952-2005
 He will be missed by all of us.

OTHER INFORMATION

Corporate Headquarters
 Carnival Corporation
 Carnival Place
 3655 N.W. 87th Avenue
 Miami, Florida 33178-2428 U.S.A.
 305-599-2600

Registered Office
 Carnival plc
 Carnival House
 5 Gainsford Street
 London, SE1 2NE UK
 44 (0) 20 7940 5381

Independent Registered
Certified Public Accounting Firm
 PricewaterhouseCoopers LLP
 1441 Brickell Avenue
 Suite 1100
 Miami, Florida 33131-2330 U.S.A.

Registrars, Stock Transfer Agents and
Dividend Reinvestment Plan
Administrators
 Carnival Corporation
 Sun Trust Bank
 CC 258
 P.O. Box 4625
 Atlanta, Georgia 30302-4625 U.S.A.
 800-568-3476

Carnival plc
 Lloyds TSB Registrars
 The Causeway, Worthing
 West Sussex BN 99 6DA UK
 0870 609 4532 (UK)
 44 121 415 7107 (Outside UK)

Legal Counsel
 Paul, Weiss, Rifkind, Wharton & Garrison LLP
 1285 Avenue of the Americas
 New York, New York 10019-6064 U.S.A.

Freshfields Bruckhaus Deringer
 65 Fleet Street
 London, EC4Y 1HS UK

Other Shareholder Information
 Copies of our joint Annual Report on
 Form 10-K, joint Quarterly Reports on
 Form 10-Q, joint Current Reports on Form
 8-K, Carnival plc Annual Accounts and
 all amendments to those reports, press
 releases and other documents, as well
 as information on our cruise brands
 are available through our website at
www.carnivalcorp.com and
www.carnivalplc.com.

You may also obtain copies of this information by
 contacting our investor relations department at our
 corporate headquarters or registered office. Our chief
 executive, chief operating and chief financial and
 accounting officers have furnished the Sections 302
 and 906 certifications required by the U.S. Securities
 and Exchange Commission in our joint Annual Report
 on Form 10-K. In addition, our chief executive officer
 has certified to the NYSE that he is not aware of
 any violation by us of NYSE corporate governance
 listing standards.



February 21, 2006

MICKY ARISON
Chairman of the Boards
Chief Executive Officer

To our Shareholders:

On behalf of the boards of directors of each of Carnival Corporation and Carnival plc, it is my pleasure to invite you to attend our joint annual meetings of shareholders. The annual meetings will be held at The Biltmore Hotel, 1200 Anastasia Avenue, Coral Gables, Florida on Thursday, April 20, 2006. The meetings will commence at 10:00 a.m. (Miami time), and although technically two separate meetings (the Carnival plc meeting will begin first), shareholders of Carnival Corporation may attend the Carnival plc meeting and vice-versa. As we have shareholders in both the United Kingdom and the United States, we plan to continue to rotate the location of the annual meetings between the United States and the United Kingdom each year in order to accommodate shareholders on both sides of the Atlantic.

We are also offering an audio web cast of the annual meetings. If you choose to listen to the web cast, go to our website at www.carnivalcorp.com or www.carnivalplc.com, shortly before the start of the meetings and follow the instructions provided. We will also be hosting an audio broadcast of the annual meetings at our P&O Cruises' headquarters located at Richmond House, Terminus Terrace, Southampton, Hampshire, United Kingdom. Although shareholders will not be able to vote in Southampton (they must submit a proxy to vote), they will be able to submit questions to the directors in Florida.

You will find information regarding the matters to be voted on in the attached notices of annual meetings of shareholders and proxy statement. **The Carnival Corporation Notice of Annual Meeting begins on page 1 and the Carnival plc Notice of Annual General Meeting begins on page 3.** Because of the DLC structure, all voting will take place on a poll (or ballot).

We are also pleased to offer most Carnival Corporation and all Carnival plc shareholders the opportunity to electronically receive future proxy statements and annual reports over the internet. By using these services, you are not only accessing these materials more quickly than ever before, but you will also help us reduce printing and postage costs associated with their distribution as well as help preserve the earth's valuable resources.

Your vote is important. Whether or not you plan to attend the annual meetings in person, please submit your vote using one of the voting methods described in the attached materials. Submitting your voting instructions by any of these methods will not affect your right to attend the meetings in person should you so choose.

The boards of directors consider Carnival Corporation Proposals 1-8 (being Carnival plc Resolutions 1-21) to be in the best interests of Carnival Corporation & plc and the shareholders as a whole. Accordingly, the boards of directors unanimously recommend that you cast your vote "FOR" Carnival Corporation Proposals 1-8 (being Carnival plc Resolutions 1-21).

Thank you for your ongoing support of, and continued interest in, Carnival Corporation & plc.

Sincerely,

Micky Arison

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3655 N.W. 87th Avenue
Miami, Florida 33178-2428

NOTICE OF ANNUAL MEETING OF CARNIVAL CORPORATION SHAREHOLDERS

- | | |
|-------------------|---|
| DATE | Thursday, April 20, 2006 |
| TIME | 10:00 a.m. (Miami time), being 3:00 p.m. (UK time)
The Carnival Corporation annual meeting will start directly following the annual general meeting of Carnival plc. |
| PLACE | The Biltmore Hotel
1200 Anastasia Avenue
Coral Gables, Florida 33134
United States of America |
| WEBCAST | www.carnivalcorp.com or www.carnivalplc.com |
| ITEMS OF BUSINESS | <ol style="list-style-type: none">1. To re-elect 14 directors to the boards of each of Carnival Corporation and Carnival plc;2. To re-appoint the independent auditors for Carnival plc and to ratify the selection of the independent registered certified public accounting firm for Carnival Corporation;3. To authorize the Audit Committee of Carnival plc to agree the remuneration of the independent auditors;4. To receive the UK accounts and reports for Carnival plc for the financial year ended November 30, 2005 (in accordance with legal requirements applicable to UK companies);5. To approve the directors' remuneration report of Carnival plc (in accordance with legal requirements applicable to UK companies);6. To approve limits on the authority to allot shares by Carnival plc (in accordance with customary practice for UK companies);7. To approve the disapplication of pre-emption rights for Carnival plc shares (in accordance with customary practice for UK companies);8. To approve a general authority for Carnival plc to buy back Carnival plc ordinary shares in the open market (in accordance with legal requirements applicable to UK companies desiring to implement share buy back programs); and9. To transact such other business as may properly come before the meeting. |

RECORD DATE

You are entitled to vote your Carnival Corporation shares if you were a shareholder at the close of business on February 21, 2006.

MEETING ADMISSION

Attendance at the meeting is limited to shareholders. Each Carnival Corporation shareholder may be asked to present valid picture identification, such as a driver's license or passport. Shareholders holding shares in brokerage accounts ("under a street name") will need to bring a copy of a brokerage statement reflecting share ownership as of the record date.

VOTING BY PROXY

Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. For specific instructions, please refer to the Questions and Answers beginning on page 8 of this proxy statement and the instructions on your proxy card.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'AP', is written over a light gray grid background.

ARNALDO PEREZ
*Senior Vice President,
General Counsel & Secretary*

A proxy statement and proxy card are enclosed. All Carnival Corporation shareholders are urged to follow the instructions attached to the proxy card and complete, sign, date and mail the proxy card promptly. The enclosed envelope for return of the proxy card requires no postage. Any shareholder attending the meeting in Coral Gables, Florida may personally vote on all matters that are considered, in which event the signed proxy will be revoked.

This proxy statement and accompanying proxy card are being distributed on or about March 10, 2006.

THIS NOTICE OF ANNUAL GENERAL MEETING IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU IMMEDIATELY SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORIZED UNDER THE UK FINANCIAL SERVICES AND MARKETS ACT 2000.

IF YOU HAVE SOLD OR OTHERWISE TRANSFERRED ALL YOUR SHARES IN CARNIVAL PLC, PLEASE SEND THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS TO THE PURCHASER OR TRANSFEREE OR TO THE STOCKBROKER, BANK OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE.



CARNIVAL

PLC

Carnival House
5 Gainsford Street
London SE1 2NE
United Kingdom

NOTICE OF ANNUAL GENERAL MEETING OF CARNIVAL PLC SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of Carnival plc will be held at The Biltmore Hotel, 1200 Anastasia Avenue, Coral Gables, Florida on Thursday, April 20, 2006 at 10:00 a.m. (Miami time), being 3:00 p.m. (UK time), for the purpose of considering and, if thought fit, passing the resolutions described below:

- Resolutions 1 through 19 will be proposed as ordinary resolutions. For ordinary resolutions, the required majority is more than 50% of the combined votes cast at this meeting and Carnival Corporation's annual meeting.
- Resolution 20 and 21 will be proposed as special resolutions. For special resolutions, the required majority is not less than 75% of the combined votes cast at this meeting and Carnival Corporation's annual meeting.

To consider the following resolutions as ordinary resolutions:

Re-election of directors

1. To re-elect Micky Arison as a director of Carnival Corporation and as a director of Carnival plc.
2. To re-elect Ambassador Richard G. Capen, Jr. as a director of Carnival Corporation and as a director of Carnival plc.
3. To re-elect Robert H. Dickinson as a director of Carnival Corporation and as a director of Carnival plc.
4. To re-elect Arnold W. Donald as a director of Carnival Corporation and as a director of Carnival plc.
5. To re-elect Pier Luigi Foschi as a director of Carnival Corporation and as a director of Carnival plc.
6. To re-elect Howard S. Frank as a director of Carnival Corporation and as a director of Carnival plc.
7. To re-elect Richard J. Glasier as a director of Carnival Corporation and as a director of Carnival plc.
8. To re-elect Baroness Hogg as a director of Carnival Corporation and as a director of Carnival plc.

9. To re-elect A. Kirk Lanterman as a director of Carnival Corporation and as a director of Carnival plc.
10. To re-elect Modesto A. Maidique as a director of Carnival Corporation and as a director of Carnival plc.
11. To re-elect Sir John Parker as a director of Carnival Corporation and as a director of Carnival plc.
12. To re-elect Peter G. Ratcliffe as a director of Carnival Corporation and as a director of Carnival plc.
13. To re-elect Stuart Subotnick as a director of Carnival Corporation and as a director of Carnival plc.
14. To re-elect Uzi Zucker as a director of Carnival Corporation and as a director of Carnival plc.

Re-appointment and remuneration of Carnival plc auditors and ratification of Carnival Corporation auditors

15. To re-appoint the UK firm of PricewaterhouseCoopers LLP as independent auditors of Carnival plc for the period commencing upon the conclusion of the meeting until the conclusion of the next general meeting at which the accounts of Carnival plc are laid and to ratify the selection of the U.S. firm of PricewaterhouseCoopers LLP as the independent registered certified public accounting firm of Carnival Corporation for the period commencing upon the conclusion of the meeting until the conclusion of the next annual meeting of Carnival Corporation after the date on which this resolution is passed.
16. To authorize the Audit Committee of the board of directors of Carnival plc to agree the remuneration of the independent auditors.

Accounts and Reports

17. To receive the UK accounts and the reports of the directors and auditors of Carnival plc for the financial year ended November 30, 2005.

Directors' remuneration report

18. To approve the directors' remuneration report of Carnival plc as set out in the annual report for the financial year ended November 30, 2005.

Allotment of shares

19. THAT the authority and power conferred on the directors by Article 30 of Carnival plc's articles of association be renewed for a period commencing at the end of the meeting and expiring at the end of the next annual general meeting of Carnival plc after the date on which this resolution is passed and for that period the Section 80 amount shall be \$21,977,399.

To consider the following resolutions as special resolutions:

Disapplication of pre-emption rights

20. THAT subject to passing ordinary resolution 19 set out in the notice, the power conferred on the directors by Article 31 of Carnival plc's articles of association be renewed for a period commencing at the end of the meeting and expiring at the end of the next annual general meeting of Carnival plc after the date on which this resolution is passed and for that period the Section 89 amount shall be \$17,651,130.

General authority to buy back Carnival plc ordinary shares

21. THAT Carnival plc be and is generally and unconditionally authorized to make market purchases (within the meaning of Section 163(3) of the UK Companies Act 1985 (the "Companies Act")) of ordinary shares of \$1.66 each in the capital of Carnival plc provided that:

- (i) the maximum number of ordinary shares authorized to be acquired is 10,633,211;
- (ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is \$1.66;
- (iii) the maximum price which may be paid for an ordinary share is an amount (exclusive of expenses) equal to 105% of the average middle market quotation for an ordinary share, as derived from the London Stock Exchange ("LSE") Daily Official List, for the five business days immediately preceding the day on which such ordinary share is contracted to be purchased; and
- (iv) this authority shall expire on the earlier of (i) the conclusion of the annual general meeting of Carnival plc to be held in 2007 and (ii) 18 months from the date of this resolution (except in relation to the purchase of ordinary shares, the contract of which was entered into before the expiry of such authority).

By Order of the Board

Arnaldo Perez
Company Secretary

February 21, 2006

Registered Office:

Carnival House
5 Gainsford Street
London SE1 2NE
United Kingdom

Registered Number 4039524

Voting Arrangements for Carnival plc Shareholders

Carnival plc shareholders can vote in either of two ways:

- by attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representatives; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form enclosed with this notice of annual general meeting.

Voting in person (or by attorney)

If you come to the annual general meeting, please bring the attendance card (attached to the enclosed proxy form) with you. This will mean you can register more quickly. If you appoint an attorney to attend instead of you, he or she should bring an original or certified copy of the power of attorney under which you have authorized them to attend and vote.

In order to attend and vote at the annual general meeting, a corporate shareholder may appoint an individual to act as its representative. The appointment must comply with the requirements of the Companies Act. The representative should bring evidence of their appointment, including any authority under which it is signed, to the meeting. If you are a corporation and considering appointing a corporate representative to represent you and vote your shareholding in Carnival plc at the annual general meeting you are strongly encouraged to pre-register your corporate representative to make registration on the day of the meeting more efficient. In order to pre-register, you would need to fax your Letter of Representation to Carnival plc's registrar, Lloyds TSB Registrars, on 01903 833168 from within the UK or +44 1903 833168 from elsewhere.

Please note that there will be a live audio broadcast of the Carnival plc annual general meeting and the Carnival Corporation annual meeting at P&O Cruises' headquarters located at Richmond House, Terminus Terrace, Southampton, Hampshire, United Kingdom, from 3:00 p.m. (UK time). All Carnival plc and Carnival Corporation shareholders and their guests are welcome to attend the live audio broadcast, although only Carnival plc and Carnival Corporation shareholders will be able to submit questions to the directors from Southampton. Please note further that only shareholders attending the meetings to be held in Florida will be able to vote in person. Accordingly, Carnival plc shareholders attending the audio broadcast of the meetings in Southampton will need to submit a proxy (see below) to make their vote count.

Voting by proxy

A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (on a poll) vote in his or her stead. A proxy need not be a shareholder of Carnival plc.

To be effective, a duly completed proxy form and the authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited (whether delivered personally or by post) at the offices of Carnival plc's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6AN, UK as soon as possible and in any event no later than 3:00 p.m. (UK time) on April 18, 2006. Alternatively, a proxy vote may be submitted via the internet in accordance with the instructions set out on the proxy form.

In the case of joint registered holders, the signature of one holder on a proxy card will be accepted and the *vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.* For this purpose, seniority shall be determined by the order in which names stand on the register of members of Carnival plc in respect of the relevant joint holding.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Carnival plc may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Shareholders who are entitled to vote

Carnival plc, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of Carnival plc at 11:00 p.m. on April 18, 2006 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register of members after 11:00 p.m. on April 18, 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excluded) at the registered office of Carnival plc from the date of this notice until and including the date of the meeting and at the place of the meeting for at least 15 minutes prior to and during the meeting:

- the register of interests of directors in the share capital of Carnival plc; and
- copies of all service agreements (including letters of appointment) between each director and Carnival plc.

* * *

There are 21 Resolutions that require shareholder approval at the annual meeting this year. The directors unanimously recommend that you vote in favor of Resolutions 1-21 (inclusive), and encourage you to submit your vote using one of the voting methods described herein. Submitting your voting instructions by any of these methods will not affect your right to attend the meeting in person should you so choose.

**QUESTIONS AND ANSWERS
ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETINGS**

Q: Why am I receiving these materials?

A: The board of directors of each of Carnival Corporation and Carnival plc (together, "Carnival Corporation & plc," "we" or "us") is providing these proxy materials to you in connection with our joint annual meetings of shareholders on Thursday, April 20 2006. The annual meetings will be held at The Biltmore Hotel, 1200 Anastasia Avenue, Coral Gables, Florida, United States of America. The meetings will commence at 10:00 a.m. (Miami time), and although technically two separate meetings (the Carnival plc meeting will begin first), shareholders of Carnival Corporation may attend the Carnival plc meeting and vice-versa. For our UK shareholders, we will be hosting a live audio broadcast of the annual meeting at P&O Cruises' headquarters located at Richmond House, Terminus Terrace, Southampton, Hampshire, United Kingdom. Shareholders in Southampton will be able to submit questions to the directors in Florida, but will not be able to vote at that meeting.

Q: What information is contained in these materials?

A: The information included in this proxy statement relates to the proposals to be voted on at the meetings, the voting process, the compensation of directors and our most highly paid executive officers and certain other information required by U.S. Securities and Exchange Commission rules applicable to both companies. We have attached as Annexes A, B and C to this proxy statement information that Carnival plc is required to provide to its shareholders under applicable UK rules.

Q: What proposals will be voted on at each of the meetings?

A: The proposals to be voted on at each of the meetings are set out in the notices of meetings starting on pages 1 and 3 of this proxy statement.

Q: What is the voting recommendation of the boards of directors?

A: Your boards of directors recommend that you vote "FOR" all of the proposals described in this proxy statement.

Q: How does the DLC structure affect my voting rights?

A: On most matters that affect all of the shareholders of Carnival Corporation and Carnival plc, the shareholders of both companies effectively vote together as a single decision-making body. These matters are called "joint electorate actions." Combined voting is accomplished through the special voting shares that have been issued by each company. Certain matters specified in the organizational documents of Carnival Corporation and Carnival plc where the interests of the two shareholder bodies may diverge are called "class rights actions." These class rights actions are voted on separately by the shareholders of each company. If either group of shareholders does not approve a class rights action, that action generally cannot be taken by either company. All of the proposals to be voted on at these annual meetings are joint electorate actions, and there are no class rights actions.

Q: Generally, what actions are joint electorate actions?

A: Any resolution to approve an action other than a class rights action or a procedural resolution (described below) is designated as a joint electorate action. The actions designated as joint electorate actions include:

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

The relative voting rights of Carnival plc shares and Carnival Corporation shares are equalized based on a ratio which we refer to

as the "equalization ratio." Based on the current equalization ratio of 1:1, each Carnival Corporation share has the same voting rights as one Carnival plc share on joint electorate actions.

Q: How are joint electorate actions voted on?

A: Joint electorate actions are voted on as follows:

- Carnival plc shareholders vote at the annual general meeting of Carnival plc (whether in person or by proxy). Voting is on a poll (or ballot) which remains open for sufficient time to allow the vote at the Carnival Corporation meeting to be held and reflected in the Carnival plc meeting through the mechanism of the special voting share. An equivalent vote is cast at the subsequent Carnival Corporation meeting on each of the corresponding resolutions through a special voting share issued by Carnival Corporation; and
- Carnival Corporation shareholders vote at the Carnival Corporation annual meeting (whether in person or by proxy). Voting is by ballot (or on a poll) which remains open for sufficient time to allow the vote at the Carnival plc meeting to be held and reflected in the Carnival Corporation meeting through the mechanism of the special voting share. An equivalent vote is cast on the corresponding resolutions at the Carnival plc meeting through a special voting share issued by Carnival plc.

A joint electorate action is approved if it is approved by:

- a simple majority of the votes cast in the case of an ordinary resolution (or not less than 75% of the votes cast in the case of a special resolution if required by applicable law and regulations or Carnival plc's articles) by the holders of Carnival plc's shares and the holder of the Carnival plc special voting share as a single class at a meeting at which a quorum was present and acting;
- a simple majority of the votes cast (or other majority if required by applicable law and regulations or the Carnival Corporation articles and by-laws) by the

holders of Carnival Corporation shares and the holder of the Carnival Corporation special voting share, voting as a single class at a meeting which a quorum was present and acting; and

- a minimum of one-third of the total votes available to be voted by the combined shareholders must be cast on each resolution for it to be effective. Formal abstentions (or votes withheld) by a shareholder on a resolution will be counted as having been "cast" for this purpose.

Q: How are the directors of each company re-elected?

A: Resolutions relating to the re-election of directors are considered as joint electorate actions. No person may be a member of the board of directors of Carnival Corporation or Carnival plc without also being a member of the board of directors of the other company. There are 14 nominees for re-election to the board of directors of each company this year. Each nominee currently serves as a director of Carnival Corporation and Carnival plc. All directors are to be re-elected to serve until the next annual meetings and until their successors are elected.

Q: What votes are required to elect directors or approve the other proposals?

A: Carnival Corporation Proposals 7 and 8 (being Carnival plc Resolutions 20 and 21) are required to be approved by 75% of the combined votes cast at both meetings.

Each of the other proposals, including the re-election of directors, requires the approval of a majority of the combined votes cast at both meetings. Abstentions (including votes withheld, except in the case of the election of directors by Carnival Corporation shareholders as discussed below) and broker non-votes are not deemed votes cast for purposes of calculating the vote, but do count for the purpose of determining whether a quorum is present. In the election of directors by Carnival Corporation shareholders, votes withheld in respect of one or more nominees count for the purpose of determining whether a quorum is present and are deemed votes cast against such nominee or nominees.

If you are a beneficial owner of Carnival Corporation shares and do not provide the

shareholder of record with a signed voting instruction card, your shares may constitute broker non-votes, as described in "How is the quorum determined?" In tabulating the voting result for any particular proposal, shares which constitute broker non-votes are not deemed cast for purposes of calculating the vote.

Q: Generally, what are procedural resolutions?

A: Procedural resolutions are resolutions of a procedural or technical nature that do not adversely affect the shareholders of the other company in any material respect and are put to the shareholders at a meeting. The special voting shares do not represent any votes on "procedural resolutions." The chairman of each of the meetings will determine whether a resolution is a procedural resolution.

To the extent that such matters require the approval of the shareholders of either company, any of the following will be procedural resolutions:

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

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

A: The voting results will be announced to the media and the relevant stock exchanges and posted on our website at www.carnivalcorp.com and www.carnivalplc.com, after both shareholder meetings have closed. The results will also be published in our quarterly report on

Form 10-Q for the second quarter of fiscal 2006 ending May 31, 2006.

Q: What is the quorum requirement for the meetings?

A: The quorum requirement for holding the meetings and transacting business at the meetings is one-third of the total votes of all shareholders of both companies entitled to be voted. Shareholders may be present in person (or by attorney) or represented by proxy at the meetings.

Q: How is the quorum determined?

A: For purposes of determining a quorum with respect to joint electorate actions, the special voting shares have the maximum number of votes attached to them as were cast on such joint electorate actions, either for, against or abstained, at the parallel shareholder meeting of the other company, and such maximum number of votes (including abstentions) constitutes shares entitled to vote and present for purposes of determining whether a quorum exists at such meeting.

In order for a quorum to be validly constituted with respect to meetings of shareholders convened to consider a joint electorate action or class rights action, the special voting entities must be present.

Abstentions (including votes withheld) and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote such shares.

Q: Is my vote confidential?

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

comments on their proxy card which are then forwarded to management.

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

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

Q: Can I view the proxy materials electronically?

A: This proxy statement will be posted on our website at www.carnivalcorp.com or www.carnivalplc.com. We encourage you to take advantage of the convenience of accessing these materials through the internet as it is simple and fast to use, saves time and money, and is environmentally friendly.

Q: What reports are filed by Carnival Corporation and Carnival plc with the U.S. Securities and Exchange Commission and how can I obtain copies?

A: We file joint annual reports on Form 10-K, joint quarterly reports on Form 10-Q and joint current reports on Form 8-K with the U.S. Securities and Exchange Commission. Copies of the Carnival Corporation & plc joint annual report on Form 10-K for the year ended November 30, 2005 (not including documents incorporated by reference), as well as any joint quarterly reports on Form 10-Q or joint current reports on Form 8-K, as filed with the U.S. Securities and Exchange Commission can be viewed or obtained without charge through the U.S. Securities and Exchange Commission's website at www.sec.gov (under Carnival Corporation or Carnival plc) or at www.carnivalcorp.com or www.carnivalplc.com. Copies will also be provided to shareholders without charge upon written request to Investor Relations, Carnival Corporation, 3655 N.W. 87th Avenue, Miami, Florida 33178-2428 or Carnival plc, Carnival House, 5 Gainsford Street, London SE1 2NE, United Kingdom. We encourage you to take advantage of the convenience of accessing

these materials through the internet as it is simple and fast to use, saves time and money, and is environmentally friendly.

Q: May I propose actions for consideration at next year's annual meetings?

A: Carnival Corporation shareholders and Carnival plc shareholders (to the extent permitted under Carnival plc's governing documents and UK law) may submit proposals for consideration at future shareholder meetings, including director nominations. In order for shareholder proposals to be considered for inclusion in our proxy statement for next year's annual meetings, the written proposals must be received by our Secretary no later than November 10, 2006. Such proposals also will need to comply with U.S. Securities and Exchange Commission regulations and UK corporate law requirements regarding the inclusion of shareholder proposals in company sponsored proxy materials. Any proposal of shareholders to be considered at next year's meetings, but not included in our proxy statement, must be submitted in writing by January 24, 2007.

Q: May I nominate individuals to serve as directors?

A: You may propose director candidates for consideration by our board's Nominating & Governance Committee. In order to have a nominee considered by the Nominating & Governance Committee for election at the 2007 annual meetings you must submit your recommendation in writing to the attention of our Secretary at our headquarters not later than November 10, 2006. Any such recommendation must include:

- the name and address of the candidate;
- a brief biographical description, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the factors referred to below in "Board Structure and Committee Meetings—Nominations of Directors"; and
- the candidate's signed consent to serve as a director if elected and to be named in the proxy statement.

QUESTIONS SPECIFIC TO SHAREHOLDERS OF CARNIVAL CORPORATION

Carnival plc shareholders should refer to the *"Questions Specific to Shareholders of Carnival plc"* beginning on page 15.

Q: *What Carnival Corporation shares owned by me can be voted?*

A: All Carnival Corporation shares owned by you as of February 21, 2006, the record date, may be voted by you. These shares include those (1) held directly in your name as the shareholder of record, including shares purchased through Carnival Corporation's Dividend Reinvestment Plan and its Employee Stock Purchase Plan and (2) held for you as the beneficial owner through a stockbroker, bank or other nominee.

Q: *Will I be asked to vote at the Carnival plc annual meeting?*

A: No. Your vote at the Carnival Corporation annual meeting, for purposes of determining the outcome of combined voting, is automatically reflected as appropriate at the parallel annual meeting of Carnival plc through the mechanism of the special voting share issued by Carnival plc.

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

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

Shareholder of Record

If your shares are registered directly in your name with Carnival Corporation's transfer agent, SunTrust Bank, you are considered, with respect to those shares, the shareholder of record, and these proxy materials are being sent directly to you by us. As the shareholder of record, you have the right to grant your voting proxy directly to the persons named in the proxy or to vote in person at the meeting. Carnival Corporation has enclosed a proxy card for you to use.

Beneficial Owner

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

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

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

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

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

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, you may direct your vote without attending the meeting. You may vote by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. For shareholders of record, you may do this by signing your proxy card and mailing it in the enclosed envelope. If you provided specific voting instructions, your shares will be voted as you instruct. If you sign but do not provide instructions, your shares will be voted as described below in

"How are votes counted?" Where your shares are held in street name, in most instances you will be able to do this over the internet at www.proxyvote.com, by telephone or by mail. Please refer to the voting instruction card included by your broker or nominee.

We are also offering an audio web cast of the annual meetings. If you choose to listen to the web cast, go to our website at www.carnivalcorp.com or www.carnivalplc.com shortly before the start of the meetings and follow the instructions provided.

Q: Can I change my vote?

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

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

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions on each proxy or voting card you receive and mail each, as directed.

Q: Who can attend the Carnival Corporation meeting?

A: All Carnival Corporation shareholders of record as of February 21, 2006, or their duly appointed proxies, may attend and vote at the meeting. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport.

If you hold your shares through a stockbroker or other nominee, you will need to provide proof of ownership by bringing either a copy of the voting instruction card provided by your broker or a copy of a brokerage statement showing your share ownership as of February 21, 2006 together with proof of identification. Cameras, recording devices

and other electronic devices will not be permitted at the meeting.

Q: What class of shares are entitled to be voted at the Carnival Corporation meeting?

A: Carnival Corporation has only one class of common stock outstanding. Each share of Carnival Corporation common stock outstanding as of the close of business on February 21, 2006, the record date, is entitled to one vote at the annual meeting. As of January 31, 2006, Carnival Corporation had 638,462,631 shares of common stock issued and outstanding. The trust shares of beneficial interest in the P&O Princess Special Voting Trust that are paired with your shares of common stock do not give you separate voting rights.

Q: How are votes counted?

A: In the election of directors, you may vote "FOR" all of the nominees or you may "WITHHOLD" your vote with respect to one or more of the nominees. In the election of directors, a vote "withheld" on the Carnival Corporation proxy card has the same effect as a vote against the indicated nominee or nominees. You may vote "FOR," "AGAINST" or "ABSTAIN" for each of the other proposals. If you "ABSTAIN," it has no effect on the outcome of the votes, although abstentions will be counted for purposes of determining if a quorum is present for joint electorate actions. If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the boards of directors.

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

A: Other than the proposals described in this proxy statement, Carnival Corporation does not expect any matters to be presented for a vote at the annual meeting. If you grant a proxy, the persons named as proxy holders, Micky Arison, Carnival Corporation's Chairman of the Board and Chief Executive Officer, and Arnaldo Perez, Carnival Corporation's Senior Vice President, General Counsel and Secretary, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen

reason any of our nominees is unable to accept nomination or election (which is not anticipated), the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the boards of directors.

Q: Who will count the vote?

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

QUESTIONS SPECIFIC TO SHAREHOLDERS OF CARNIVAL PLC

Carnival Corporation shareholders should refer to "Questions Specific to Shareholders of Carnival Corporation" beginning on page 12.

Q: Who is entitled to attend and vote at the annual general meeting of Carnival plc?

A: If you are a Carnival plc shareholder registered in the register of members of Carnival plc at 11:00 p.m. (UK time) on April 18, 2006, you will be entitled to attend in person and vote at the annual general meeting to be held in Coral Gables, Florida in respect of the number of Carnival plc shares registered in your name at that time. You may also appoint one or more proxies to attend and (on a poll) vote instead of you. If you are a corporation you may appoint a corporate representative to represent you and vote your shareholding in Carnival plc at the annual general meeting to be held in Coral Gables, Florida. For further details regarding appointing a proxy or corporate representative please see below.

We are also offering an audio web cast of the annual meetings. If you choose to listen to the web cast, go to our website at www.carnivalcorp.com or www.carnivalplc.com shortly before the start of the meetings and follow the instructions provided. For your convenience, we will also be hosting a live audio broadcast of the Carnival plc annual general meeting and the Carnival Corporation annual meeting, at P&O Cruises' headquarters located at Richmond House, Terminus Terrace, Southampton, Hampshire, United Kingdom, from 3:00 p.m. (UK time). All Carnival plc and Carnival Corporation shareholders and their guests are welcome to attend the live audio broadcast, although only Carnival plc and Carnival Corporation shareholders will be able to submit questions to the directors from Southampton. Please note further that only shareholders attending the meetings to be held in Florida will be able to vote in person. Accordingly, Carnival plc shareholders attending the audio broadcast of the meetings in Southampton will need to submit a proxy to make their vote count.

Q: Will I be asked to vote at the Carnival Corporation annual meeting?

A: No. Your vote at the Carnival plc annual general meeting, for purposes of determining the outcome of combined voting, will automatically

be reflected as appropriate at the parallel annual meeting of Carnival Corporation through the mechanism of a special voting share issued by Carnival Corporation.

Q: How do I vote my Carnival plc shares without attending the annual general meeting?

A: You may vote your Carnival plc shares at the annual general meeting by completing and signing the enclosed form of proxy in accordance with the instructions set out on the form and returning it as soon as possible, but in any event so as to be received by Carnival plc's registrar, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6AN, by not later than 3:00 p.m. (UK time) on April 18, 2006. Alternatively, a proxy vote may be submitted via the internet in accordance with the instructions set out in the proxy form. It is also possible to appoint a proxy via the CREST system, please see the Carnival plc Notice of Annual General Meeting for further details. Voting by proxy does not preclude you from attending the annual general meeting and voting in person should you wish to do so.

If you are a corporation you can vote your Carnival plc shares at the annual general meeting by appointing a corporate representative. You are strongly encouraged to pre-register your corporate representative to make registration on the day of the annual meeting more efficient. In order to pre-register you would need to fax your Letter of Representation to Carnival plc's registrar, Lloyds TSB Registrars, on 01903 833168 from within the UK or +44 1903 833168 from elsewhere.

Corporate representatives themselves are urged to arrive at least two hours before commencement of the annual general meeting to assist Carnival plc's registrar with the appropriate registration formalities. Whether or not you intend to appoint a corporate representative, you are strongly encouraged to return the enclosed form of proxy to Carnival plc's registrar.

Q: Can I change my vote given by proxy or by my corporate representative?

A: Yes, in certain circumstances. You may change your proxy vote by either completing, signing and dating a new form of proxy in accordance with its instructions and returning it to Carnival plc's registrars by no later than 3:00 p.m. (UK time) on April 18, 2006, or by attending and voting in person at the annual general meeting. If you do not attend and vote in person at the annual general meeting and wish to revoke the appointment of your proxy or corporate representative you must do so by delivering a notice of such revocation to Carnival plc's registrars at least three hours before the start of the annual general meeting.

Q: *What class of shares are entitled to be voted at the Carnival plc meeting?*

A: Carnival plc has only one class of ordinary shares in issue. Each Carnival plc ordinary share in issue as of the close of business on April 18, 2006, is (on a poll) entitled to one vote at the annual general meeting.

Q: *How are votes counted?*

A: You may vote "FOR," "AGAINST" or "WITHHOLD" your vote for each of the resolutions. If you "WITHHOLD," it has no effect on the outcome of the votes, although withheld votes will be counted for purposes of determining if a quorum is present for joint electorate actions.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Set forth below is information concerning the share ownership of (1) all persons known by us to be the beneficial owners of 5% or more of the 638,462,631 shares of Carnival Corporation common stock and trust shares of beneficial interest in the P&O Princess Special Voting Trust outstanding as of January 31, 2006, (2) all persons known by us to be the beneficial owners of 5% or more of the 212,664,217 ordinary shares of Carnival plc outstanding as of January 31, 2006 (41,679,877 of which are indirectly owned by Carnival Corporation and have no voting rights), (3) each of our executive officers named in the Executive Compensation Table which appears elsewhere in this proxy statement, (4) each of our other directors and (5) all directors and executive officers as a group.

Micky Arison, Chairman of the board and Chief Executive Officer of each of Carnival Corporation and Carnival plc, certain other members of the Arison family and trusts for their benefit (collectively, the "Principal Shareholders"), beneficially own shares representing approximately 36.1% of the voting power of Carnival Corporation and approximately 28.5% of the combined voting power of Carnival Corporation & plc and have informed us that they intend to cause all such shares to be voted in favor of the 14 nominees to the boards of directors named in this proxy statement and in favor of Proposals 2 through 8 listed in the accompanying Carnival Corporation Notice of Meeting. The table begins with ownership of the Principal Shareholders.

The number of shares beneficially owned by each entity, person, director, nominee or executive officer is determined under rules of the U.S. Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has the sole or shares voting power or investment power and also any shares which the individual would have the right to acquire as of April 1, 2006 (being 60 days after January 31, 2006) through the exercise of any stock option ("Vested Options").

Beneficial Ownership Table

Name and Address of Beneficial Owners or Identity of Group ⁽¹⁾	Amount and Nature of Beneficial Ownership of Carnival Corporation Shares and Trust Shares*	Percent of Carnival Corporation Common Stock	Amount and Nature of Beneficial Ownership of Carnival plc Ordinary Shares	Percent of Carnival plc Ordinary Shares	Percent of Combined Voting Power**
Micky Arison	188,054,943 ⁽²⁾⁽³⁾⁽⁴⁾	29.4%	0	0	23.2%
Shari Arison c/o SAFO LLC 10800 Biscayne Boulevard Miami, FL 33161	5,103,90 ⁽²⁾⁽³⁾⁽⁵⁾	***	0	0	***
MA 1994 B Shares, L.P.	106,114,284 ⁽²⁾⁽⁶⁾	16.6%	0	0	13.1%
MA 1994 B Shares, Inc.	106,114,284 ⁽²⁾⁽⁶⁾	16.6%	0	0	13.1%
Nickel 1994 "B" Trust	106,114,284 ⁽²⁾⁽⁶⁾	16.6%	0	0	13.1%
MA 1997 Holdings, L.P.	2,659,265 ⁽²⁾⁽⁷⁾	***	0	0	***
MA 1997 Holdings, Inc.	2,659,265 ⁽²⁾⁽⁷⁾	***	0	0	***
Nickel 2003 Revocable Trust	2,659,265 ⁽²⁾⁽⁷⁾	***	0	0	***
Artsfare 1992 Irrevocable Trust c/o SunTrust Delaware Trust Company 1011 Centre Road, Suite 108 Wilmington, DE 19805	2,571,428 ⁽²⁾⁽⁸⁾⁽¹³⁾	***	0	0	***

Name and Address of Beneficial Owners or Identity of Group ⁽¹⁾	Amount and Nature of Beneficial Ownership of Carnival Corporation Shares and Trust Shares*	Percent of Carnival Corporation Common Stock	Amount and Nature of Beneficial Ownership of Carnival plc Ordinary Shares	Percent of Carnival plc Ordinary Shares	Percent of Combined Voting Power**
Artsfare 2005 Trust No. 2 c/o SunTrust Delaware Trust Company 1011 Centre Road, Suite 108 Wilmington, DE 19805	38,574,402 ⁽²⁾⁽⁸⁾⁽¹³⁾	6.0%	0	0	4.8%
Eternity One Trust 500 Stanton Christiana Road Newark, DE 19713	5,102,708 ⁽²⁾⁽⁹⁾	***	0	0	***
JPMorgan Trust Company of Delaware	8,861,718 ⁽²⁾⁽⁹⁾	1.4%	0	0	1.1%
JMD-LMA Protector, Inc.	41,145,830 ⁽²⁾⁽⁸⁾	6.4%	0	0	5.1%
Nickel 2003 GRAT	3,622,922 ⁽²⁾	***	0	0	***
Nickel Continued Irrevocable Trust	2,124,560 ⁽²⁾	***	0	0	***
Eternity Two Trust	3,759,010 ⁽²⁾⁽³⁾⁽⁹⁾⁽¹⁴⁾	***	0	0	***
Jafasa Continued Irrevocable Trust	1,759,010 ⁽²⁾⁽³⁾	***	0	0	***
MBA I, L.P.	1,432,440 ⁽²⁾⁽³⁾⁽¹⁰⁾	***	0	0	***
Artsfare 2003 Trust	1,432,440 ⁽²⁾⁽³⁾⁽¹⁰⁾	***	0	0	***
TAMMS Investment Company, Limited Partnership	3,653,168 ⁽²⁾⁽³⁾	***	0	0	***
TAMMS Management Corporation	3,653,168 ⁽²⁾⁽³⁾	***	0	0	***
James M. Dubin c/o Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, NY 10019	115,632,297 ⁽²⁾⁽³⁾⁽¹¹⁾	18.1%	0	0	14.3%
John J. O'Neil c/o Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, NY 10019	65,546,535 ⁽²⁾⁽³⁾⁽¹²⁾⁽¹⁴⁾	10.3%	0	0	8.1%
SunTrust Delaware Trust Company 1011 Centre Road, Suite 108 Wilmington, DE 19805	41,145,830 ⁽²⁾⁽¹³⁾	6.4%	0	0	5.1%
JMD Delaware, Inc.	7,506,492 ⁽²⁾⁽⁶⁾	1.2%	0	0	***
Knight Protector, Inc.	65,546,535 ⁽²⁾⁽³⁾⁽¹⁴⁾	10.3%	0	0	8.1%
Citigroup Inc. 399 Park Avenue New York, NY 10043	64,132,382 ⁽¹⁵⁾	10.0%	0	0	7.9%

Name and Address of Beneficial Owners or Identity of Group ⁽¹⁾	Amount and Nature of Beneficial Ownership of Carnival Corporation Shares and Trust Shares*	Percent of Carnival Corporation Common Stock	Amount and Nature of Beneficial Ownership of Carnival plc Ordinary Shares	Percent of Carnival plc Ordinary Shares	Percent of Combined Voting Power**
Citigroup Institutional Trust Company 824 Market Street Wilmington, DE 19801	61,813,925 ⁽¹⁵⁾	9.7%	0	0	7.6%
Robert H. Dickinson	632,000 ⁽¹⁶⁾	***	0	0	***
Pier Luigi Foschi c/o Costa Crociere S.p.A. Via XII Ottobre, 2 16121 Genoa Italy	0	***	100,000 ⁽¹⁷⁾	***	***
Howard S. Frank	569,737 ⁽¹⁸⁾	***	0	0	***
Peter G. Ratcliffe c/o Princess Cruise Lines 24305 Town Center Drive Santa Clarita, CA 91355	27,974 ⁽¹⁹⁾	***	26,608 ⁽²⁰⁾	***	***
Ambassador Richard G. Capen, Jr. 6077 San Elijo Rancho Santa Fe, CA 92067	45,402 ⁽²¹⁾	***	0	0	***
Arnold W. Donald c/o Merisant Company 1 North Brentwood Blvd., Suite 510 Clayton, MO 63105	20,650 ⁽²²⁾	***	0	0	***
Richard J. Glasier 122 Crystal Canyon Drive Carbondale, CO 81623	5,000 ⁽²³⁾	***	0	0	***
Baroness Hogg c/o 3i Group plc 91 Waterloo Road London SE1 8XP United Kingdom	2,500	***	1,874	***	***
A. Kirk Lanterman c/o Holland America Line Inc. 300 Elliott Avenue West Seattle, WA 98119	166,716 ⁽²⁴⁾	***	0	0	***
Modesto A. Maidique c/o Florida International University Office of the President University Park Campus 107th Avenue and S.W. 8th Street Miami, FL 33199	31,600 ⁽²⁵⁾	***	0	0	***

Name and Address of Beneficial Owners or Identity of Group ⁽¹⁾	Amount and Nature of Beneficial Ownership of Carnival Corporation Shares and Trust Shares*	Percent of Carnival Corporation Common Stock	Amount and Nature of Beneficial Ownership of Carnival plc Ordinary Shares	Percent of Carnival plc Ordinary Shares	Percent of Combined Voting Power**
Sir John Parker c/o National Grid plc 1-3 Strand London WC2N 5EH United Kingdom	2,500	***	5,004 ⁽²⁶⁾	***	***
Stuart Subotnick c/o Metromedia Company 810 7th Avenue, 29th Floor New York, NY 10019	21,100 ⁽²⁷⁾	***	0	0	***
Uzi Zucker 870 5th Avenue New York, NY 10021	66,800 ⁽²⁸⁾	***	0	0	***
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	57,332,700 ⁽²⁹⁾	9.0%	0	0	7.1%
The Capital Group Companies, Inc. and their affiliates 333 South Hope Street Los Angeles, CA 90071	0	0	8,669,178 ⁽³⁰⁾	5.1%	1.1%
FMR Corp. and Fidelity International Limited and their direct and indirect subsidiaries 82 Devonshire Street Boston, MA 02109	0	0	9,286,349 ⁽³⁰⁾	5.4%	1.1%
Legal & General Group plc and/or its subsidiaries Temple Court 11 Queen Victoria Street London EC4N 4SB United Kingdom	0	0	8,545,069 ⁽³⁰⁾	5.0%	1.1%
All directors and executive officers as a group (22 persons)	190,115,930 ⁽³¹⁾	29.8%	154,022 ⁽³²⁾	***	23.5%

* As part of the establishment of the DLC structure, Carnival plc issued a special voting share to Carnival Corporation, which transferred such share to the trustee of the P&O Princess Special Voting Trust (the "Trust"), a trust established under the laws of the Cayman Islands. Trust shares of beneficial interest in the Trust were transferred to Carnival Corporation. The trust shares represent a beneficial interest in the Carnival plc special voting share. Immediately following the transfer, Carnival Corporation distributed such trust shares by way of a dividend to holders of shares of common stock of Carnival Corporation. Under a pairing agreement, the trust shares of beneficial interest in the Trust are paired with, and evidenced by, certificates representing shares of Carnival Corporation common stock on a one-for-one basis. In addition, under the pairing agreement, when a share of Carnival Corporation common stock is issued to a person after the implementation of the DLC structure, a paired trust share will be issued at the same time to such person. Each share of Carnival Corporation common stock and the paired trust share may not be transferred separately. The Carnival Corporation common stock and the trust shares (including the beneficial interest in the Carnival plc special voting share) are listed and trade together on the New York Stock Exchange ("NYSE") under the ticker symbol "CCL." Accordingly, each holder of Carnival Corporation common stock is also deemed to be the beneficial owner of an equivalent number of trust shares.

** As a result of the DLC structure, on most matters that affect all of the shareholders of Carnival Corporation and Carnival plc, the shareholders of both companies effectively vote together as a single decision-making body. Combined voting is accomplished through the special voting shares that have been issued by each company.

- *** Less than one percent.
- (1) The address of each natural person named, unless otherwise noted, is 3655 N.W. 87 Avenue, Miami, Florida 33178-2428. The address of all other entities, unless otherwise noted, is 1201 North Market Street, Wilmington, Delaware 19899.
 - (2) The Principal Shareholders and others have filed a joint statement on Schedule 13D with respect to the shares of Carnival Corporation common stock held by such persons.
 - (3) TAMMS Investment Company Limited Partnership ("TAMMS") owns 3,653,168 shares of common stock. TAMMS' general partner is TAMMS Management Corporation ("TAMMS Corp."), which is wholly-owned by MBA I, L.P. ("MBA I"). TAMMS' limited partners are various trusts established for the benefit of certain members of Mr. Arison's family (the "Family Trusts"). By virtue of the limited partnership agreement of TAMMS, TAMMS Corp. may also be deemed to beneficially own such 3,653,168 shares of common stock. By virtue of its interest in TAMMS, JMD Delaware, Inc. and JPMorgan Trust Company of Delaware as trustees of certain of the Family Trusts, may be deemed to beneficially own the portion of the 3,653,168 shares of common stock held by TAMMS which corresponds to their partnership interest in TAMMS. Such amounts are included in the number of shares set forth next to its name in the table above. Because of authority granted under the trust instrument for the Artsfare 2003 Trust, Mr. Arison may be deemed to beneficially own the 1,032,440 shares held by the Artsfare 2003 Trust by virtue of the limited partnership interest of MBA I in TAMMS.
 - (4) Includes (i) 840,000 Vested Options, (ii) 2,659,265 shares of common stock held by the MA 1997 Holdings, L.P., (iii) 106,114,284 shares of common stock held by the MA 1994 B Shares, L.P., (iv) 73,386,032 shares of common stock held by the Artsfare 1992 Irrevocable Trust, Artsfare 2005 Trust No. 2, Eternity Four Trust and the Nickel 1997 Irrevocable Trust by virtue of the authority granted to Mr. Arison under the last will of Ted Arison and (v) 1,432,440 shares of common stock held by the Artsfare 2003 Trust by virtue of authority granted under the trust instrument all of which may be deemed to be beneficially owned by Mr. Arison.
 - (5) Under the terms governing the Eternity One Trust, Shari Arison has the sole right to vote and shares the right to direct the sale of the 4,000,000 shares of common stock held directly by such trust and the 1,102,708 shares of common stock held by TAMMS which corresponds to such trust's respective ownership interest in TAMMS. In addition, the shares described above include 1,200 shares of common stock owned by Shari Arison's children. Shari Arison disclaims beneficial ownership of the shares owned by her children.
 - (6) MA 1994 B Shares, L.P. ("MA 1994, L.P.") owns 106,114,284 shares of common stock. The general partner of MA 1994, L.P. is MA 1994 B Shares, Inc. ("MA 1994, Inc."), which is wholly-owned by the Nickel 1994 "B" Trust, a trust established for the benefit of Mr. Arison and his heirs (the "B Trust"). The sole limited partner of MA 1994, L.P. is the B Trust. Under the terms of the instrument governing the B Trust, Mr. Arison has the sole right to vote and direct the sale of the common stock indirectly held by the B Trust. By virtue of the limited partnership agreement of MA 1994, L.P., MA 1994, Inc. may be deemed to beneficially own all such 106,114,284 shares of common stock. By virtue of Mr. Arison's interest in the B Trust and the B Trust's interest in MA 1994, L.P., Mr. Arison may be deemed to beneficially own all such 106,114,284 shares of common stock. The trustee of the B Trust is JMD Delaware, Inc., a corporation wholly-owned by James M. Dubin.
 - (7) MA 1997 Holdings, L.P. ("MA 1997, L.P.") owns 2,599,265 shares of common stock. The general partner of MA 1997, L.P. is MA 1997 Holdings, Inc. ("MA 1997, Inc."), which is wholly-owned by the Nickel 2003 Revocable Trust, a trust established for the benefit of Mr. Arison and his heirs (the "Nickel 2003 Trust"). The sole limited partner of MA 1997, L.P. is the Nickel 2003 Trust. By virtue of the limited partnership agreement of MA 1997, L.P., MA 1997, Inc. may be deemed to beneficially own all of such 2,599,265 shares of common stock. By virtue of Nickel 2003 Trust's interest in MA 1997, L.P., the Nickel 2003 Trust may be deemed to beneficially own all such 2,599,265 shares of common stock. Under the terms of the instrument governing the Nickel 2003 Trust, Mr. Arison has the sole right to vote and direct the sale of the common stock indirectly held by the Nickel 2003 Trust. The trustee of the Nickel 2003 Trust is JMD Delaware, Inc., a corporation wholly-owned by James M. Dubin.
 - (8) JMD-LMA Protector, Inc., a Delaware corporation, is the protector of the Artsfare 1992 Irrevocable Trust and Artsfare 2005 Trust No. 2. JMD-LMA Protector, Inc. has shared voting and dispositive power with respect to the shares of common stock held by Artsfare 1992 Irrevocable Trust and Artsfare 2005 Trust No. 2.
 - (9) JPMorgan Trust Company of Delaware acts as trustee for Eternity One Trust and Eternity Two Trust. As trustee of Eternity One Trust, JPMorgan Trust Company of Delaware has shared dispositive power with respect to the 4,000,000 shares of common stock directly held by Eternity One Trust and 1,102,708 shares of common stock held by TAMMS. As Trustee of Eternity Two Trust, JPMorgan Trust Company of Delaware has shared voting and dispositive power with respect to 3,000,000 shares of common stock held by Eternity Two Trust and shared dispositive power with respect to 759,010 shares of common stock beneficially owned by Eternity Two Trust by virtue of its interest in TAMMS. JPMorgan Trust Company of Delaware disclaims beneficial ownership of the common stock held by Eternity One Trust and Eternity Two Trust.
 - (10) MBA I owns 400,000 shares of common stock and a limited partnership interest in TAMMS (See Note 3 above). MBA I may be deemed to own 1,032,440 shares of common stock held by TAMMS which corresponds to its respective partnership interest in TAMMS and TAMMS Corp. The Artsfare 2003 Trust owns a controlling interest in MBA I; therefore, the Artsfare 2003 Trust be deemed to beneficially own all such 1,432,440 shares of common stock.
 - (11) By virtue of being the sole shareholder of JMD Delaware, Inc. and JMD-LMA Protector, Inc., a fifty-percent shareholder of Knight Protector, Inc., and the sole trustee of the Artsfare 2003 Trust, Mr. Dubin may be deemed to own the aggregate of 115,631,297 shares of common stock beneficially owned by such entities, as to which he disclaims beneficial ownership. Mr. Dubin beneficially owns 1,000 shares of common stock held directly.
 - (12) By virtue of being a fifty percent shareholder of Knight Protector, Inc., Mr. O'Neil may be deemed to own the aggregate of 65,546,535 shares of common stock beneficially owned by such entity, as to which he disclaims beneficial ownership.
 - (13) SunTrust Delaware Trust Company acts as trustee for the Artsfare 1992 Irrevocable Trust and Artsfare 2005 Trust No. 2.
 - (14) Knight Protector, Inc. acts as protector of the Eternity Four Trust, and has shared dispositive power with respect to all 61,787,525 shares of common stock held by Eternity Four Trust, shared voting power with respect to 31,701,809 shares of common stock held by Eternity Four Trust and sole voting power with respect to 30,085,716 shares of common stock held by Eternity Four Trust, Knight Protector, Inc. acts as protector of the Eternity Two Trust, and has shared voting and dispositive power with respect to 3,000,000 shares of common stock held by Eternity Two Trust and shared dispositive power with respect to 759,010 shares of common stock beneficially owned by Eternity Two Trust by virtue of its interest in TAMMS.

- (15) Citigroup Institutional Trust Company acts as trustee for the Eternity Four Trust. According to Amendment No. 2 to Schedule 13G filed on February 8, 2006 by Citigroup Inc. and Citigroup Institutional Trust Company (formerly known as Smith Barney Corporate Trust Company), as of December 31, 2005 Citigroup Institutional Trust Company (of which Citigroup Inc. is the sole member) has shared voting power over 26,400 shares of common stock and shared dispositive power over 61,813,925 shares of common stock (61,787,525 shares of which are shares held by the Eternity Four Trust), and Citigroup Inc. has shared voting power over 1,456,082 shares of common stock and shared dispositive power over 64,132,382 shares of common stock (61,787,525 shares of which are shares held by the Eternity Four Trust).
- (16) Includes (i) 336,000 Vested Options and (ii) 296,000 shares of common stock owned by Dickinson Enterprises Limited Partnership (the "Dickinson Partnership"). The general partner of the Dickinson Partnership is Dickinson Enterprises, Inc., which is wholly owned by a revocable trust established for the benefit of Mr. Dickinson and his heirs (the "Dickinson Trust"). Under the terms of the instrument governing the Dickinson Trust, Mr. Dickinson has the sole right to vote and direct the sale of the common stock indirectly held by the Dickinson Trust.
- (17) Includes 100,000 Vested Options.
- (18) Includes (i) 260,000 Vested Options and (ii) 4,000 shares of common stock owned by the Jackson S. Woolworth Irrevocable Trust and the Cassidy B. Woolworth Trust (Mr. Frank is trustee), as to which Mr. Frank disclaims beneficial ownership.
- (19) Includes (i) 10,000 Vested Options and (ii) 13,892 shares held by Mr. Ratcliffe's wife. Does not include Mr. Ratcliffe's conditional right to receive 10,000 restricted stock units and 10,000 shares of common stock pursuant to the Carnival Corporation 2002 Stock Plan after a five-year retention period, during which Mr. Ratcliffe does not have the right to vote or direct the sale of those shares.
- (20) Does not include Mr. Ratcliffe's conditional right to receive 23,675 share awards under the Carnival plc Deferred Bonus and Co-Investment Matching Plan after a three-year retention period, during which Mr. Ratcliffe does not have the right to vote or direct the sale of those shares.
- (21) Includes (i) 37,600 Vested Options, (ii) 7,000 shares owned by the Capen Trust, of which Mr. Capen is co-trustee, and (iii) 802 shares of common stock owned by Mr. Capen's wife as to which he disclaims beneficial ownership.
- (22) Includes (i) 17,600 Vested Options and (ii) 1,800 shares owned by The Arnold and Hazel Donald Charitable Trust (Mrs. Donald is trustee).
- (23) Includes 2,000 Vested Options.
- (24) Includes 8,000 shares of common stock held by the Helen K. Lanterman Trust (Mr. Lanterman is trustee).
- (25) Includes 31,600 Vested Options.
- (26) Includes 2,000 shares held by Roy Nominees Limited on behalf of GHM Trustees Limited, the trustee for Sir John's Fixed Unapproved Restricted Retirement Scheme.
- (27) Includes 17,600 Vested Options.
- (28) Includes 6,900 Vested Options.
- (29) As reflected in Amendment No. 5 to Schedule 13G, dated February 10, 2006, as filed with the U.S. Securities and Exchange Commission.
- (30) Based on notifications to Carnival plc of interests of 3% or more in the share capital of Carnival plc as required by the Companies Act.
- (31) Includes 1,981,294 Vested Options.
- (32) Includes 120,413 Vested Options.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based upon a review of Forms 3 and 4 and amendments thereto furnished to Carnival Corporation and Carnival plc during and with respect to their most recent fiscal year and upon written representations from persons known to Carnival to be subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") (a "reporting person") that no Form 5 is required to be filed for such reporting person, *all reporting persons filed on a timely basis reports required by Section 16(a) of the Exchange Act during the fiscal year ended November 30, 2005, with the exception of one late report filed by Richard J. Glasier.*

PROPOSAL 1 (Resolutions 1-14) RE-ELECTION OF DIRECTORS

The DLC structure requires the boards of Carnival plc and Carnival Corporation to be identical. Shareholders are required to approve the re-election of directors to each board. There are 14 nominees for re-election to each board of directors. *Each nominee currently serves as a director of both companies.* All directors are to be re-elected to serve until the next annual meeting and until their successors are elected.

With respect to each nominee set forth below, the information presented includes such person's age, the month and year in which such person first became a director, any other position held with Carnival Corporation and Carnival plc, such person's principal occupations during at least the past five years and any directorships held by such nominee in public or certain other companies.

The Nominating & Governance Committees conducted performance evaluations on the members of our boards of directors and reported the results to the boards. The boards determined that each director was an effective member of the boards and, therefore, that each director should be proposed for re-election.

Accordingly, the boards of directors unanimously recommend a vote FOR the re-election of each of the following nominees:

Micky Arison, age 56, has been Chairman of the board of directors of Carnival Corporation since October 1990 and a director since June 1987. He became a director and Chairman of the board of directors of Carnival plc in April 2003. He has been Chief Executive Officer of Carnival Corporation since 1979 and became Chief Executive Officer of Carnival plc in April 2003.

Ambassador Richard G. Capen, Jr., age 71, has been a director of Carnival Corporation since April 1994 and a director of Carnival plc since April 2003. He is currently a corporate director, author and business consultant. From 1992 to 1993, Ambassador Capen served as United States Ambassador to Spain. From 1989 to 1991, Ambassador Capen served as Vice Chairman of Knight-Ridder, Inc. Ambassador Capen was the Chairman and Publisher of the Miami Herald from 1983 to 1989. Ambassador Capen is a member of the board of directors of the Fixed Income Funds of The Capital Group, the New Economy Fund and Smallcap World Fund.

Robert H. Dickinson, age 63, has been a director of Carnival Corporation since June 1987 and a director of Carnival plc since April 2003. Since May 2003, Mr. Dickinson has served as President and Chief Executive Officer of the Carnival Cruise Lines division of Carnival Corporation. From May 1993 through May 2003, Mr. Dickinson was President and Chief Operating Officer of Carnival Cruise Lines. He is a member of the board of directors of Watsco, Inc.

Arnold W. Donald, age 51, has been a director of Carnival Corporation since January 2001 and a director of Carnival plc since April 2003. Since January 2006, Mr. Donald has served as President and Chief Executive Officer of Juvenile Diabetes Research Foundation International. From March 2000 to November 2005, Mr. Donald was the Chairman of the Board of Merisant Company, a manufacturer and marketer of tabletop sweetener products, including the Equal® and Canderel® brands. From March 2000 to March 2003, he was also the Chief Executive Officer of Merisant Company. From January 1998 to March 2000 he was Senior Vice-President of Monsanto Company, a company which develops agricultural products and consumer goods, and president of its nutrition and consumer sector. Prior to that he was President

of Monsanto Company's agricultural sector. He is a member of the board of directors of Crown Cork & Seal Company, Inc., The Laclede Group, Oil-Dri Corporation of America, Russell Corporation and The Scotts Company.

Pier Luigi Foschi, age 59, has been a director of Carnival Corporation and of Carnival plc since April 2003. He has been Chief Executive Officer of Costa Crociere S.p.A. ("Costa"), a subsidiary of Carnival plc and chairman of its board since January 2000.

Howard S. Frank, age 65, has been Vice Chairman of the board of directors of Carnival Corporation since October 1993 and a director since April 1992. He has been a director, Vice Chairman of the board of directors and Chief Operating Officer of Carnival plc since April 2003. He has served as Chief Operating Officer of Carnival Corporation since January 1998.

Richard J. Glasier, age 60, has been a director of Carnival Corporation and Carnival plc since July 2004. From July 2002 to May 2005, Mr. Glasier was President of Argosy Gaming Company, an owner and operator of casinos, and its Chief Executive Officer from May 2003 until October 2005. From November 1995 to July 2002, Mr. Glasier was Executive Vice President and Chief Financial Officer of Royal Caribbean Cruises Ltd.

Baroness Hogg, age 59, has been a director of Carnival Corporation since April 2003 and a director of Carnival plc since October 2000. She is Chairman of 3i Group Plc and Frontier Economics Ltd. and Deputy Chairman of GKN plc. She is also a member of the board of directors of BG Group plc and a member of the Financial Reporting Counsel. Sarah Hogg was Head of the Prime Minister's Policy Unit, with the rank of Second Permanent Secretary, from 1990-1995 and served as a non-executive director of The Peninsular and Oriental Steam Navigation Company ("P&O") between 1999 and October 2000.

A. Kirk Lanterman, age 74, has been a director of Carnival Corporation since April 1992 and a director of Carnival plc since April 2003. He has been non-executive Chairman of the Board of Holland America Line Inc. ("HAL"), a subsidiary of Carnival plc, since December 2004. He was Chairman of the Board and Chief Executive Officer of HAL from November 2003 to November 2004. From August 1999 to November 2003, he was Chairman of the Board, President and Chief Executive Officer of HAL.

Modesto A. Maidique, age 66, has been a director of Carnival Corporation since April 1994 and a director of Carnival plc since April 2003. He has been President of Florida International University ("FIU") since 1986. Prior to assuming the presidency of FIU, Dr. Maidique taught at the Massachusetts Institute of Technology, Harvard University and Stanford University. Dr. Maidique has also served as Vice President and General Manager of the Semiconductor Division of Analog Devices, Inc. which he co-founded in 1969, as President and Chief Executive Officer of Gerome Therapeutics Collaborative Research, Inc., a genetics engineering firm, and as General Partner of Hambrecht & Quist, a venture capital firm. Dr. Maidique is a director of National Semiconductor, Inc.

Sir John Parker, age 63, has been a director of Carnival Corporation since April 2003 and a non-executive director of Carnival plc since October 2000. He was Deputy Chairman of Carnival plc from September 2002 to April 2003. He is the non-executive Chairman of National Grid plc and Chairman of P&O. He is also Senior Non-executive Director of the Court of the Bank of England. He was formerly a non-executive director of Brambles Industries plc, Chairman of Babcock International Group plc, Chairman of RMC Group plc and a President of the Royal Institution of Naval Architects. Sir John Parker has been a member of the General Committee of Lloyds Register of Shipping since 1983 and was Chairman of its Technical Committee from 1993 until 2002.

Peter G. Ratcliffe, age 57, has been a director of Carnival Corporation since April 2003 and a director of Carnival plc since October 2000. He was Carnival plc's Chief Executive Officer until April 2003. He is now Chief Executive Officer of P&O Princess Cruises International comprised of Cunard Line, Ocean Village, P&O Cruises, P&O Cruises (Australia), P&O Travel, Princess Cruises, Princess Tours and Swan Hellenic.

Stuart Subotnick, age 64, has been a director of Carnival Corporation since July 1987 and a director of Carnival plc since April 2003. Mr. Subotnick has been a general partner and the Executive Vice President

of Metromedia Company since July 1986. He is a director of Abovenet Inc., Big City Radio Inc. and Metromedia International Group, Inc.

Uzi Zucker, age 70, has been a director of Carnival Corporation since July 1987 and a director of Carnival plc since April 2003. Mr. Zucker was a Senior Managing Director of Bear, Stearns & Co. until he retired in December 2002. Mr. Zucker is now a private investor.

PROPOSALS 2 & 3 (Resolutions 15 & 16)
RE-APPOINTMENT AND REMUNERATION OF INDEPENDENT AUDITORS FOR
CARNIVAL PLC AND RATIFICATION OF INDEPENDENT REGISTERED
CERTIFIED PUBLIC ACCOUNTING FIRM FOR CARNIVAL CORPORATION

The Audit Committee of the board of directors of Carnival plc has selected the UK firm of PricewaterhouseCoopers LLP as Carnival plc's independent auditors for the year ending November 30, 2006, subject to approval of our shareholders. The Audit Committee of the board of directors of Carnival Corporation has selected the U.S. firm of PricewaterhouseCoopers LLP as Carnival Corporation's independent registered certified public accounting firm for the year ending November 30, 2006. Representatives of both the U.S. and UK firms of PricewaterhouseCoopers LLP will be present at the annual meetings and will have an opportunity to make a statement if they desire to do so. The PricewaterhouseCoopers LLP representatives will be available to respond to appropriate questions from shareholders.

This resolution would re-appoint PricewaterhouseCoopers LLP as the independent auditors of Carnival plc until the conclusion of the next general meeting at which accounts are laid. It is a requirement of Section 385(2) of the Companies Act that Carnival plc appoint its independent auditors at a general meeting at which accounts are laid. You are also being asked to authorize the Audit Committee of Carnival plc to determine the remuneration of PricewaterhouseCoopers LLP as independent auditors of Carnival plc.

Although ratification by our shareholders of the appointment of independent certified public accountants for Carnival Corporation is not legally required, our boards of directors believe that such action is desirable. If our shareholders do not approve Proposal 2, the Audit Committees will consider the selection of another accounting firm for 2006 and future years.

The boards of directors unanimously recommend a vote FOR the re-appointment of the UK firm of PricewaterhouseCoopers LLP as Carnival plc's independent auditors for the 2006 fiscal year, the authorization of the Audit Committee of Carnival plc to agree the remuneration of PricewaterhouseCoopers LLP and the ratification of the selection of the U.S. firm of PricewaterhouseCoopers LLP as Carnival Corporation's independent registered certified public accounting firm for the 2006 fiscal year.

PROPOSAL 4 (Resolution 17)
RECEIPT OF ACCOUNTS AND REPORTS OF CARNIVAL PLC

The directors of Carnival plc are required by the Companies Act to present the financial statements, the UK statutory Directors' Report and the auditors' report relating to those accounts to the Carnival plc shareholders. Accordingly, the directors of Carnival plc lay before the annual meetings the Carnival plc accounts and the reports of the directors and auditors for the financial year ended November 30, 2005, which have been approved by and signed on behalf of Carnival plc's board of directors and will be delivered to Companies House in the UK following the annual meetings. Shareholders are voting to approve receipt of these documents, as UK law does not require shareholder approval of the substance and content of these documents. The UK statutory Directors' Report and the UK GAAP summary financial information for the financial year ended November 30, 2005 are attached to this proxy statement as Annex A. The full accounts and reports of Carnival plc will be available for inspection prior to and during the annual meetings.

The boards of directors unanimously recommend a vote FOR the receipt of the accounts and reports of Carnival plc for the financial year ended November 30, 2005.

PROPOSAL 5 (Resolution 18)
APPROVAL OF DIRECTORS' REMUNERATION REPORT

The UK Directors' Remuneration Report Regulations 2002 (the "Regulations") require companies listed on the Official List of the UK Listing Authority to prepare a directors' remuneration report, which must be put to a shareholder vote. Shareholders are voting to approve adoption of the Directors' Remuneration Report, which is attached to this proxy statement as Annex B. UK law does not require shareholder approval of the substance and content of the Directors' Remuneration Report. Accordingly, disapproval of the Directors' Remuneration Report will not require us to amend the report although under applicable UK guidelines the boards and Compensation Committees are expected to take into account both the voting result and the views of our shareholders in their application, development and implementation of remuneration policies and schemes.

The Directors' Remuneration Report sets out the board's remuneration policy for the next and subsequent financial years and other details required by the Regulations and the Combined Code appended to the Listing Rules of the UK Listing Authority (the "UK Combined Code").

No action is required in respect of the Report of the Compensation Committees of Carnival Corporation and Carnival plc included in this proxy statement as it is responsive to the rules of the U.S. Securities and Exchange Commission.

The boards of directors unanimously recommend a vote FOR the approval of the Carnival plc Directors' Remuneration Report.

PROPOSALS 6 & 7 (Resolutions 19 & 20)
APPROVAL OF LIMITS ON THE AUTHORITY TO ALLOT CARNIVAL PLC SHARES
AND THE DISAPPLICATION OF PRE-EMPTION RIGHTS FOR CARNIVAL PLC

At the last Carnival plc annual general meeting, the shareholders of Carnival plc approved appropriate limits on the authority and power granted to directors by Carnival plc's articles of association to allot ordinary shares of Carnival plc and to allot shares for cash without making a pre-emptive offer to existing shareholders. These prior authorizations lapse at the upcoming annual general meeting.

Under Article 30 of Carnival plc's articles of association, the directors have, for a "prescribed period," unconditional authority to allot ordinary shares in Carnival plc up to an aggregate nominal amount known as the "Section 80 amount." The prescribed period and the Section 80 amount are approved by shareholders passing an ordinary resolution. By passing an ordinary resolution, shareholders are authorizing the board of Carnival plc to issue, during the prescribed period, up to an amount of shares having an aggregate nominal value equal to the Section 80 amount, without further shareholder approval. In the absence of such approval, the issuance of any additional shares would require shareholder approval.

Under Article 31, the directors have, for the same prescribed period, power to allot ordinary shares for cash without making a pre-emptive offer to existing shareholders up to an aggregate nominal amount known as the "Section 89 amount." The Section 89 amount is approved by shareholders passing a special resolution. By passing a special resolution, shareholders are authorizing the board of Carnival plc to issue, during the same prescribed period, an amount of shares having an aggregate nominal value equal to the Section 89 amount, for cash without first offering them to existing shareholders of Carnival plc.

Carnival Corporation's articles of incorporation do not contain provisions similar to Articles 30 and 31 of Carnival plc's articles of association and holders of Carnival Corporation shares do not have pre-emption rights. Accordingly, no action is required in respect of Carnival Corporation's authority to allot shares or to disapply pre-emption rights.

In common with many UK companies, resolutions to renew the prescribed period and re-establish the Section 80 amount and the Section 89 amount are normally proposed each year as the directors believe occasions may arise from time to time when it would be beneficial for shares to be allotted and for shares to be allotted for cash without making a pre-emptive offer. This is the purpose of Resolution 19 (an ordinary

resolution) and Resolution 20 (a special resolution). As usual, the prescribed period is the period from the passing of the resolutions until the next annual general meeting.

Guidelines issued by the Association of British Insurers, whose member insurance companies are some of the largest institutional investors in UK listed companies, require the Section 80 amount to be limited to the lesser of (a) the authorized but unissued ordinary share capital and (b) one-third of the issued ordinary share capital. By reference to Carnival plc's issued ordinary share capital on January 31, 2006, the maximum Section 80 amount is \$21,977,399 which is the nominal value of the authorized but unissued ordinary share capital of Carnival plc and is equivalent to approximately 6.23% of Carnival plc's issued share capital.

Guidelines issued by the Pre-emption Group, a group comprising representatives of UK listed companies, investment institutions and corporate finance practitioners and formed under the support of the LSE to monitor the operation of the Guidelines, recommend that a resolution to disapply Section 89 of the Companies Act should be limited to an amount of equity securities not exceeding 5% of the nominal value of the company's issued ordinary share capital. By reference to Carnival plc's issued ordinary share capital on January 31, 2006, the maximum Section 89 amount is \$17,651,130.

The directors have no commitment or plans to allot additional shares of Carnival plc.

Carnival plc's authorized share capital is \$375 million and £100,002 divided into 225,903,614 ordinary shares of \$1.66 each, two subscriber shares of £1 each, 99,998 preference shares of £1 each, a special voting share of £1 and an equalization share of £1. As of January 31, 2006, there were 212,664,217 ordinary shares allotted and issued. The proposals you are voting on do not increase the authorized share capital of Carnival plc.

The boards of directors unanimously recommend a vote FOR the approval of limits on the authority to allot Carnival plc shares and the disapplication of pre-emption rights for Carnival plc.

PROPOSAL 8 (Resolution 21) GENERAL AUTHORITY TO BUY BACK CARNIVAL PLC ORDINARY SHARES

In October 2004, Carnival Corporation and Carnival plc announced that their boards of directors had authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation and Carnival plc shares. Shareholder approval is not required for us to buy back shares of Carnival Corporation, but is required under the Companies Act for us to buy back shares of Carnival plc. Accordingly, last year Carnival Corporation and Carnival plc sought and obtained shareholder approval to effect market purchases (within the meaning of Section 163(3) of the Companies Act) of up to 10,610,900 ordinary shares of Carnival plc (being approximately 5% of Carnival plc's ordinary shares in issue). That approval expires at the conclusion of Carnival plc's 2006 annual general meeting. As a result, shareholder approval to effect market purchases of up to 10,633,211 ordinary shares of Carnival plc (being approximately 5% of Carnival plc's ordinary shares in issue) is being sought. Under the terms of the Equalization and Governance Agreement entered into between Carnival Corporation and Carnival plc on formation of the DLC structure, Carnival plc is restricted from repurchasing more than 5% of its shares in any 12 month period from April 17, 2005 until April 17, 2008.

As of January 31, 2006, Carnival Corporation has purchased 8,002,049 shares of Carnival Corporation for \$385.7 million, but neither Carnival Corporation nor Carnival plc has purchased any Carnival plc shares. The boards of directors confirm that the authority to purchase Carnival plc's shares will only be exercised after careful consideration of prevailing market conditions and the position of Carnival plc. In particular the program will only proceed if we believe that it is in the best interests of Carnival Corporation, Carnival plc and their shareholders generally. The boards of directors are making no recommendation as to whether shareholders should sell any shares in Carnival plc and/or Carnival Corporation.

If the boards of directors exercise the authority conferred by Proposal 8 (Resolution 21), we would have the option of holding the shares in treasury, or canceling them. Shares held in treasury can be re-sold for cash, used for employee share schemes or later cancelled. The boards of directors think it prudent to maintain discretion as to dealing with the purchased shares.

The boards of directors considers that any buy back of Carnival plc may include the purchase of its American Depositary Receipts with a subsequent cancellation of the underlying ADSs. If the underlying ADSs are so cancelled, Carnival plc will either cancel or hold in treasury the ordinary share represented by such ADSs.

The minimum price (exclusive of expenses) which may be paid for each Carnival plc ordinary share is \$1.66, and the maximum price which may be paid is an amount (exclusive of expenses) equal to the higher of: (i) 105% of the average middle market quotations for an ordinary share, as derived from the LSE Daily Official List, for the five business days immediately preceding the day on which such ordinary share is contracted to be purchased; and (ii) that stipulated by Article 5 of Commission Regulation (EC) of 22 December 2003 (No. 2273/2003).

As of January 31, 2006, there are options outstanding to subscribe for 3,173,637 ordinary shares, which represent approximately 1.5% of Carnival plc's issued share capital. If 10,633,211 ordinary shares of Carnival plc were purchased, these options would represent approximately 1.6% of Carnival plc's issued share capital.

The authority to purchase Carnival plc ordinary shares will expire at the conclusion of the Carnival plc annual general meeting in 2007 or on October 20, 2007, whichever is earlier (except in relation to any purchases of shares the contract for which was entered before the expiry of such authority).

The boards of directors unanimously recommend a vote FOR the general authority to buy back Carnival plc ordinary shares.

BOARD STRUCTURE AND COMMITTEE MEETINGS

Independence of Board Members

The boards of directors have determined that each of the following directors is an "independent director" in accordance with the corporate governance rules of the NYSE as a result of having no material relationship with Carnival Corporation & plc other than (1) serving as a director and board committee member, (2) receiving related fees as disclosed in this proxy statement and (3) having beneficial ownership of Carnival Corporation and/or Carnival plc securities as disclosed in the section of this proxy statement entitled "*Stock Ownership of Certain Beneficial Owners and Management*": Ambassador Richard G. Capen, Jr., Arnold W. Donald, Richard J. Glasier, Baroness Hogg, Modesto A. Maidique, Sir John Parker, Stuart Subotnick and Uzi Zucker.

Board Meetings

During the year ended November 30, 2005, the board of directors of each of Carnival Corporation and Carnival plc held a total of eight meetings and each Carnival Corporation director and each Carnival plc director attended either telephonically or in person at least 75% of all Carnival Corporation board of directors and applicable committee meetings.

Our corporate governance guidelines provide that our non-management directors will meet privately in executive session at least quarterly. Since A. Kirk Lanterman continues to serve as our consultant, he does not participate in the executive sessions. All of our other non-management directors (each of whom satisfy the independence requirements of the NYSE), acting in executive session, elected Stuart Subotnick as the Presiding Director to preside at these meetings. Mr. Subotnick also acts as the senior independent director under the UK Combined Code.

All board members are expected to attend our annual meetings of shareholders. At the 2005 annual meetings, all of the current board members of each company were in attendance.

Board Committees

The board of directors of each of Carnival Corporation and Carnival plc has established standing Audit, Nominating & Governance, Compensation and Executive Committees, which are comprised of the same directors for each company. A majority of the directors of each company and all of the members of the Audit Committee, Nominating & Governance Committee and Compensation Committee of each company are independent (as defined by the listing standards of the NYSE and the UK Combined Code).

The membership and function of each committee is described below and a copy of the charter of each of the Audit, Nominating & Governance and Compensation Committees is available on our website at www.carnivalcorp.com or www.carnivalplc.com and is available in print to any shareholder who requests it. Each committee will periodically review its charter in light of new developments in applicable regulations and may make additional recommendations to the boards to reflect evolving best practices.

Additional information with respect to Carnival plc's corporate governance practices during the 2005 financial year is included in the Carnival plc Corporate Governance Report attached to this proxy statement as Annex C.

Name of Committee and Members	Functions of the Committee	Number of Meetings/ Consent Actions in Fiscal 2005
AUDIT: Stuart Subotnick, Chair Richard G. Capen, Jr. Arnold W. Donald Richard J. Glasier Sir John Parker	<ul style="list-style-type: none"> • Inspects the work and written reports of our internal audit department • Reviews submissions from independent auditors • Selects independent auditors and approves fees for audit and non-audit services • Assists board oversight of: <ul style="list-style-type: none"> — the integrity of our financial statements; — our compliance with legal and regulatory requirements; — the independent auditors' qualifications and independence; and — the performance of the internal audit function and the independent auditors • Prepares the report of the Audit Committee to be included in our proxy statement 	12
NOMINATING & GOVERNANCE: Uzi Zucker, Chair Baroness Hogg Stuart Subotnick	<ul style="list-style-type: none"> • Develops and recommends to the boards Corporate Governance Guidelines reflecting the requirements applicable to companies listed for trading on the NYSE and the LSE • Identifies individuals qualified to become board members • Recommends to the boards the director nominees for the next annual meetings of shareholders • Recommends to the boards director nominees for each committee • Assists the boards with such other matters as may be set forth in its charter from time to time 	5
COMPENSATION: Modesto A. Maidique, Chair Richard J. Glasier Sir John Parker	<ul style="list-style-type: none"> • Discharges the board's responsibilities relating to the compensation of independent directors and executive officers • Administers stock incentive plans • Approves grants of stock and option awards • Prepares the annual report on executive compensation to be included in our proxy statement • Makes recommendations to the board with respect to incentive compensation and equity-based plans 	8
EXECUTIVE: Micky Arison, Chair Howard S. Frank Uzi Zucker	<ul style="list-style-type: none"> • Exercises the authority of the full board of directors in between board meetings 	4

Corporate Governance Guidelines

Our Corporate Governance Guidelines address various governance issues and principles, including director qualifications and responsibilities, access to management personnel, director compensation, director orientation and continuing education and annual performance evaluations of the boards and directors. Our Corporate Governance Guidelines are posted on our website at www.carnivalcorp.com or www.carnivalplc.com.

Nominations of Directors

Carnival Corporation and Carnival plc are two separate legal entities and, therefore, each has a separate board of directors, each of which in turn has its own Nominating & Governance Committee. As the DLC structure requires that there be identical boards of directors, the Committees make one set of determinations in relation to both companies.

The Nominating & Governance Committees actively seek individuals qualified to become board members and recommend to the boards the nominees to stand for election as directors at the annual meetings of shareholders or, if applicable, at a special meeting of shareholders.

When evaluating prospective candidates for director, regardless of the source of the nomination, the Nominating & Governance Committees will consider, in accordance with their charter, such factors, as they deem appropriate, including:

- the candidate's judgment;
- the candidate's skill;
- diversity considerations;
- the candidate's experience with businesses and other organizations of comparable size;
- the interplay of the candidate's experience with the experience of other board members; and
- the extent to which the candidate would be a desirable addition to the boards and any committees of the boards.

The Nominating & Governance Committees will also use their best efforts to seek to ensure that the composition of the boards at all times adheres to the independence requirements applicable to companies listed for trading on the NYSE and the LSE. The Nominating & Governance Committees may consider candidates proposed by management, but is not required to do so. Other than the foregoing, there are no stated minimum criteria for director nominees.

The Nominating & Governance Committees identify nominees by first evaluating the current members of the boards willing to continue in service. Current members of the boards with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the boards with that of obtaining a new perspective. If any member of the boards does not wish to continue in service or if the Nominating & Governance Committees or the boards decide not to re-nominate a member for re-election, the Nominating & Governance Committees identify the desired skills and experience of a new nominee in light of the criteria above. Current members of the Nominating & Governance Committees and the boards are polled for suggestions as to individuals meeting the criteria of the Nominating & Governance Committees. The Nominating and Governance Committees may engage a third party search firm to identify or evaluate or assist in identifying potential nominees.

Procedures Regarding Director Candidates Recommended by Shareholders

The Nominating & Governance Committees will also consider shareholder recommendations of qualified nominees when such recommendations are submitted in accordance with the procedures below. In order to have a nominee considered by the Nominating & Governance Committees for election at the 2007 annual meetings, a shareholder must submit its recommendation in writing to the attention of our Secretary at our headquarters not later than November 10, 2006. Any such recommendation must include:

- the name and address of the candidate;
- a brief biographical description, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements set forth above; and
- the candidate's signed consent to serve as a director if elected and to be named in the proxy statement.

Once we receive the recommendation, we will deliver to the candidate a questionnaire that requests additional information about the candidate's independence, qualifications and other matters that would assist the Nominating & Governance Committees in evaluating the candidate, as well as certain information that must be disclosed about the candidate in our proxy statement or other regulatory filings, if nominated. Candidates must complete and return the questionnaire within the time frame provided to be considered for nomination by the Committees.

Communications between Shareholders and the Boards

Shareholders who wish to communicate with the boards should address their communications to the attention of the Secretary of Carnival Corporation and Carnival plc at 3655 N.W. 87th Avenue, Miami, Florida 33178-2428. The Secretary will maintain a log of all such communications, promptly forward to the Presiding Director those which the Secretary believes require immediate attention, and also periodically provide the Presiding Director with a summary of all such communications and any responsive actions taken. The Presiding Director will notify the boards or the chairs of the relevant board committees as to those matters that he believes are appropriate for further action or discussion.

Communications between Interested Parties and the Presiding Director

Interested parties who wish to communicate with the Presiding Director should address their communications to the attention of Stuart Subotnick at 3655 N.W. 87th Avenue, Miami, Florida 33178-2428. The Presiding Director will notify the boards or the chairs of the relevant board committees as to those matters that he believes are appropriate for further action or discussion.

Code of Business Conduct and Ethics

Carnival Corporation and Carnival plc's Code of Business Conduct and Ethics applies to all employees and members of the boards of Carnival Corporation and Carnival plc. Our Code of Business Conduct and Ethics is posted on our website at www.carnivalcorp.com or www.carnivalplc.com and is available in print to any shareholder who requests it. The Code of Business Conduct and Ethics may be amended periodically to remain in line with best practices.

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Our non-employee directors are entitled to receive an annual retainer of \$40,000 per year, an attendance fee per board meeting of \$5,000 (\$2,000 if meeting attended by telephone), equity compensation in the form of options to acquire shares of Carnival Corporation common stock, restricted stock or restricted stock units, as further described below, and reimbursement for travel, meals and accommodation expenses attendant to their board membership. In certain circumstances, we request that the directors' spouses attend a special event and we reimburse the directors for travel expenses incurred. In addition, non-employee directors receive additional compensation for serving as chairman or a member of a board committee, as follows:

	Retainer		Attendance Fee	
	Chair	Member	In Person	By Telephone
Audit Committees	\$15,000	\$7,500	\$3,000	\$1,500
All other Committees	\$ 7,500	\$3,750	\$2,500	\$1,250

For purposes of calculating fees, a board or committee meeting of Carnival Corporation and a concurrent or related board or committee meeting of Carnival plc constitute a single meeting. Directors who are

employed by us or our subsidiaries or acting as our consultants do not receive any additional compensation for their board activities.

During fiscal 2005, with the exception of A. Kirk Lanterman who elected not to participate, each non-executive director received an award representing 10,000 "points" under the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan. Each option to purchase one share of Carnival Corporation common stock represents one point and each share of Carnival Corporation restricted stock represents four points. At the discretion of the Compensation Committee, an award may be composed of options, restricted stock, restricted stock units or a combination thereof. During fiscal 2005, the following awards were made to non-executive directors:

<u>Non-Executive Director</u>	<u>Number of Options</u>	<u>Number of Restricted Shares</u>
Richard G. Capen, Jr.	10,000	—
Arnold W. Donald	5,000	1,250
Richard J. Glasier	10,000	—
Baroness Hogg	—	2,500
Modesto A. Maidique	10,000	—
Sir John Parker	—	2,500
Stuart Subotnick	—	2,500
Uzi Zucker	10,000	—

The exercise price for the options is \$46.61, being the average of the high and low market prices of Carnival Corporation common stock on the date of grant. The options and restricted stock vest ratably over a five year period. The options and restricted stock shall also vest in full upon the death or disability of the director, and shall continue to vest in accordance with the original five-year vesting schedule and are not forfeited if a director ceases to be a director for any other reason after serving as a director for at least one year. The options expire on the 10th anniversary of the grant date.

Until October 2005, Baroness Hogg and Sir John Parker also received an additional \$5,000 for each board meeting held outside the UK attended in person as part compensation for not previously accepting stock options. Following the grant of awards under the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan in October 2005 when Baroness Hogg and Sir John Parker received their first awards under that plan, this additional compensation was discontinued.

The following policies also apply to our non-executive directors:

- *Stock Ownership Guidelines.* All non-executive directors should own at least 5,000 shares of either Carnival Corporation common stock or Carnival plc ordinary shares. The board has mandated that this guideline be achieved by October 2007.
- *Product Familiarization.* All non-executive directors are encouraged to take a cruise for up to 14 days per year for product familiarization and pay a fare of \$35 per day for such cruises. Guests traveling with the non-executive director in the same stateroom will each be charged a fare of \$35 per day. All other charges associated with the cruise (e.g., air fares, government fees and taxes, gratuities, ground transfers, tours, etc.) are the responsibility of the non-executive director.

Carnival plc

Additional information with respect to Carnival plc's compensation and reimbursement practices during fiscal 2005 for non-employee directors is included in the Carnival plc Directors' Remuneration Report, which is attached as Annex B to this proxy statement.

EXECUTIVE COMPENSATION

Although Carnival Corporation and Carnival plc are two separate entities with separate officers, our business is run by a single management team. The following table sets forth all compensation awarded to, earned by, or paid to our Chief Executive Officer and our four other most highly compensated executive officers (each of whom are also members of our boards of directors) for the years ended November 30, 2005, 2004 and 2003.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards		Payouts	
		Salary (\$)	Bonus (\$)*	Other Annual Compensation (\$) ⁽¹⁾	Restricted Stock Awards (\$) ⁽²⁾⁽³⁾⁽⁴⁾	Number of Securities Underlying Options (#) ⁽³⁾⁽⁴⁾	LTIP Payouts (\$)	All other Compensation (\$)
Micky Arison	2005	800,000	2,900,000 ⁽⁵⁾	423,600	3,218,400	120,000	—	—
Chairman and CEO	2004	700,000	2,400,000 ⁽⁵⁾	389,500	3,475,200	120,000	—	—
	2003	500,000	1,675,000	101,200	2,654,000	120,000	—	—
Howard S. Frank	2005	700,000	2,800,000	198,300	2,682,000	100,000	—	—
Vice Chairman and COO	2004	600,000	2,300,000	193,400	2,896,000	100,000	—	—
	2003	400,000	1,645,000	198,100	4,913,650	100,000	—	—
Robert H. Dickinson	2005	741,000	1,594,400 ⁽⁶⁾	160,100	2,070,400	80,000	—	—
President and CEO of Carnival Cruise Lines	2004	400,000	1,393,200 ⁽⁶⁾	137,600	1,849,200	80,000	—	—
	2003	400,000	1,256,200 ⁽⁶⁾	98,900	5,688,400	80,000	—	—
Peter G. Ratcliffe	2005	1,100,000	902,000 ⁽⁶⁾	56,900	1,420,300 ⁽⁹⁾	50,000	—	67,000 ⁽¹²⁾
CEO of P&O Princess Cruises International	2004	1,100,000	814,000 ⁽⁶⁾	60,500	1,393,200 ⁽⁹⁾	50,000	—	66,700 ⁽¹²⁾
	2003	996,833 ⁽⁷⁾	419,800 ⁽⁸⁾	57,800	864,900 ⁽⁹⁾	51,188 ⁽¹⁰⁾	3,130,000 ⁽¹¹⁾	61,300 ⁽¹²⁾
Pier Luigi Foschi	2005	1,097,000 ⁽¹³⁾	979,400 ⁽¹⁴⁾	237,100	543,600 ⁽¹⁵⁾	50,000 ⁽¹⁶⁾	—	—
Chairman and CEO of Costa	2004	981,000 ⁽¹³⁾	1,033,000 ⁽¹⁴⁾	150,000	— ⁽¹⁶⁾	— ⁽¹⁶⁾	—	—
	2003	885,000 ⁽¹³⁾	490,000 ⁽¹⁴⁾	75,000	— ⁽¹⁶⁾	— ⁽¹⁶⁾	—	—

* The cash bonuses payable to the named executive officers were approved by the Compensation Committees on February 21, 2006.

- (1) This column includes our aggregate incremental cost of providing perquisites and personal benefits to the named executive officers. The amounts of personal benefits shown in this column for fiscal 2005 that represent more than 25% of the applicable executive's total Other Annual Compensation include: personal use of sporting event tickets of \$159,804 to Mr. Arison; personal use of the Carnival Corporation aircraft of \$215,536 to Mr. Arison and \$101,889 to Mr. Frank; personal air travel of \$90,119 to Mr. Dickinson; private club membership of \$18,614 and automobile lease of \$16,337 to Mr. Ratcliffe; and living accommodations of \$99,382 and driver and security services of \$76,562 to Mr. Foschi.
- (2) Represents the value, based on the closing market price of Carnival Corporation common stock on the NYSE on the date of grant. As of November 30, 2005, Messrs. Arison, Frank and Dickinson held 300,000 shares, 310,000 shares and 296,000 shares of restricted Carnival Corporation common stock, respectively. As of November 30, 2005, Mr. Ratcliffe held 10,000 shares of restricted Carnival Corporation common stock and 10,000 restricted stock units ("RSUs"). The restricted shares owned by Messrs. Frank and Dickinson include a special one-time grant in April 2003 of 100,000 restricted shares of Carnival Corporation common stock to Mr. Frank in recognition of Mr. Frank's additional role and responsibilities during the period leading up to competition clearance of the P&O Princess acquisition and the completion of the DLC transaction and 160,000 restricted shares of Carnival Corporation common stock to Mr. Dickinson in recognition of his continuing services as the President and Chief Executive Officer of Carnival Cruise Lines. As of November 30, 2005, Mr. Foschi did not own any shares of restricted Carnival Corporation common stock or RSUs. At November 30, 2005, based on the closing price of Carnival Corporation common stock on such date of \$54.49 per share, such restricted shares of common stock and RSUs owned by Messrs. Arison, Frank, Dickinson and Ratcliffe had a value of \$16,347,000, \$16,891,900, \$16,129,040, and \$1,089,800, respectively. Generally, the restricted shares will continue to vest following retirement after a certain age. Except for the restricted shares owned by Mr. Ratcliffe, the restricted shares of Carnival Corporation common stock held by such executive officers have the same rights with respect to dividends and other distributions as all other outstanding shares of Carnival Corporation common stock.
- (3) Except as otherwise indicated, represents shares or options in respect of Carnival Corporation common stock. No stock appreciation rights were granted to any of the named executive officers.
- (4) In certain instances, shares and options are granted to executive officers during the subsequent fiscal year in recognition of services rendered during the prior fiscal year.
- (5) Pursuant to Mr. Arison's request, Carnival Corporation donated \$2.5 million of Mr. Arison's 2005 bonus to the Partnership for Recovery, Inc., Florida Hurricane Relief Fund, Save the Children and My Key West Emergency Relief Fund established by the Community Foundation of the Florida Keys to aid in hurricane relief efforts. The entire amount of Mr. Arison's 2004 bonus

- was donated to the American Red Cross International Response Fund, the U.S. Fund for UNICEF and Save the Children Asia Earthquake/Tsunami Relief Fund to aid in the tsunami relief efforts in Asia and Africa.
- (6) Represents amounts payable to Mr. Dickinson pursuant to the Carnival Cruise Lines Management Incentive Plan (or its predecessors, as applicable) pursuant to which key management employees of Carnival Cruise Lines participate in a bonus pool primarily based on Carnival Cruise Lines' return on invested capital.
 - (7) Represents Mr. Ratcliffe's compensation for the fiscal year ended November 30, 2003 (including for the period through April 16, 2003, as Chief Executive Officer of P&O Princess Cruises plc).
 - (8) Represents cash amounts payable to Mr. Ratcliffe under his employment agreement pursuant to which he receives a bonus contingent upon the net income of certain specified cruise and tour brands, consisting of Cunard Line, Ocean Village, P&O Cruises, P&O Cruises (Australia), P&O Travel, Princess Cruises, Princess Tours and Swan Hellenic units. The cash amount represents 50% of Mr. Ratcliffe's bonus, the other 50% of which is payable in shares of Carnival plc pursuant to the Deferred Bonus Plan described in note (9) below.
 - (9) Represents (a) the value of 10,000 shares of restricted Carnival Corporation common stock or RSUs, based on the closing market price of Carnival Corporation common stock on the NYSE on the date of grant, and (b) the value of awards over shares in Carnival plc in respect of 50% of Mr. Ratcliffe's annual bonus described in note (8) above. Pursuant to the terms of Carnival plc Deferred Bonus and Co-Investment Matching Plan (the "Deferred Bonus Plan"), 50% of Mr. Ratcliffe's bonus is payable in the form of a conditional right to receive Carnival plc shares after a three-year retention period. As of November 30, 2005, Mr. Ratcliffe held 36,979 share awards under the Deferred Bonus Plan, which were granted in respect of his 2002, 2003 and 2004 bonuses. At November 30, 2005, based on the closing price of Carnival plc ordinary shares on such date of £32.41, such 36,979 restricted shares had a value of £1,198,489 (or \$2,073,386 based on the November 30, 2005 exchange rate of \$1.73:£1), which shares have the right to dividends during the retention period.
 - (10) Represents options to purchase ordinary shares of Carnival plc granted to Mr. Ratcliffe on April 15, 2003.
 - (11) Represents the value of 128,473 Carnival plc ordinary shares at the April 15, 2003 share price of \$24.37 (based on an exchange rate of \$1.5748:£1) acquired by Mr. Ratcliffe on April 15, 2003 through the acceleration resulting from the DLC transaction of LTIP options, LTIP awards, share awards and matching awards, granted to him by P&O Princess Cruises plc in his capacity as Chief Executive Officer of P&O Princess Cruises plc.
 - (12) Represents employer contributions made on behalf of Mr. Ratcliffe under the Princess Cruises Retirement Savings Plan in the amount of \$12,000, \$12,300 and \$12,600 in fiscal 2003, 2004 and 2005, respectively, and employee contributions made by Carnival plc on behalf of Mr. Ratcliffe under the P&O Princess Cruises Pension Scheme in the amount of \$49,300, \$54,400 and \$54,400 in fiscal 2003, 2004 and 2005, respectively.
 - (13) Mr. Foschi's compensation was payable in euro. His base salary has been translated into U.S. dollars at the average exchange rate of the dollar for the 2003 fiscal year of \$1.114=€1, 2004 fiscal year of \$1.235=€1 and 2005 fiscal year of \$1.258=€1. His 2005 bonus has been translated into U.S. dollars at the exchange rate of \$1.22=€1.
 - (14) Represents amounts payable to Mr. Foschi under an agreement pursuant to which he receives a base bonus (which was €669,000 in 2005 and was €440,000 in 2004 and 2003) plus additional amounts based on the percentage increase in consolidated net income of Costa.
 - (15) Represents the value of RSUs granted to Mr. Foschi based on the closing price of Carnival plc ordinary shares on the LSE on the date of grant translated into U.S. dollars at the exchange rate of \$1.74=£1.
 - (16) In October 2003, the Compensation Committees approved a grant to Mr. Foschi of 50,000 options to purchase Carnival Corporation common stock pursuant to the terms of the Carnival Corporation 2002 Stock Plan. Following the legal transfer of Costa from Carnival Corporation to Carnival plc in December 2003, the Costa employees participating in the Carnival Corporation 2002 Stock Plan and Carnival Corporation would have faced significant negative tax consequences under Italian law if the employees retained their options. Accordingly, in February 2004, the Compensation Committees accelerated the vesting of all Carnival Corporation options granted to Costa employees and approved a general exceptional grant of share options under Carnival plc's Executive Share Option Plan to replace the Carnival Corporation options. Mr. Foschi received options over 200,000 Carnival plc ordinary shares as part of this general exceptional grant, being the number of Carnival Corporation stock options he had outstanding at the time of the transfer of Costa.
- In October 2004, Mr. Foschi received an option over 58,264 Carnival plc ordinary shares which replaced the value of a grant of 10,000 restricted shares of Carnival Corporation originally granted on January 30, 2004. The restricted shares were rescinded because of significant negative tax consequences under Italian law if Mr. Foschi retained shares. Mr. Foschi was also granted an option over 28,800 Carnival plc ordinary shares as part of a wider grant of options to Costa employees. Due to limitations under Carnival plc's Executive Share Option Plan, we were unable to grant Mr. Foschi the 50,000 annual grant of options that were historically granted to him. Accordingly, when our shareholders approved the adoption of the Carnival plc 2005 Employee Share Plan in April 2005, the Compensation Committees granted Mr. Foschi an additional option over 21,200 Carnival plc ordinary shares.
- In October 2005, the Compensation Committees granted Mr. Foschi an option over 40,000 Carnival plc ordinary shares to Mr. Foschi in lieu of the 10,000 shares of restricted stock he historically would have received in 2004.

Additional information with respect to Carnival plc's compensation and reimbursement practices during fiscal 2005 for non-employee (or non-executive) directors is included in the Carnival plc Directors' Remuneration Report, which is attached as Annex B to this proxy statement.

Option Grants in Last Fiscal Year

The following table sets forth all stock options granted to our Chief Executive Officer and our four other most highly compensated executive officers during fiscal 2005.

Name	Individual Grants				
	Number of Securities Underlying Options Granted (#) ⁽¹⁾⁽²⁾	Percent of Total Options Granted to Employees in Fiscal Year ⁽³⁾	Exercise or Base Price (\$/Sh) ⁽⁴⁾	Expiration Date	Grant Date Present Value (\$) ⁽⁵⁾
Micky Arison	120,000	2.70%	46.610	10/18/2012	1,326,000
Howard S. Frank	100,000	2.25%	46.610	10/18/2012	1,105,000
Robert H. Dickinson	80,000	1.80%	52.185	08/01/2015	1,052,000
Peter G. Ratcliffe	50,000	1.12%	50.225	04/14/2015	676,500
Pier Luigi Foschi	21,200	0.48%	55.434	04/14/2015	305,492
	40,000	0.90%	50.453	10/18/2015	516,400

- (1) Represents options granted in respect of Carnival Corporation common stock, except for options granted to Mr. Foschi which are in respect of Carnival plc ordinary shares. No stock appreciation rights were granted to the executive officers in fiscal 2005.
- (2) Subject to accelerated vesting upon the death or disability of the option holder, each option is exercisable in amounts equal to twenty percent of the aggregate number of shares underlying the option, on the first through fifth anniversaries of the grant date, except for the options granted to Mr. Foschi on April 14, 2005, all of which vest on the third anniversary of the grant date. Generally, the options will continue to vest and are not forfeited following retirement after a certain age.
- (3) Represents the percent of the aggregate of Carnival Corporation and Carnival plc options granted.
- (4) Except in the case of options granted to Mr. Foschi, represents fair market value of Carnival Corporation common stock at date of grant. In the case of options granted to Mr. Foschi, represents the middle market quotation of Carnival plc ordinary shares on the date of grant. The exercise price for the Carnival plc options granted on April 14, 2005 is £29.33 and October 18, 2005 is £28.83. These amounts have been converted to U.S. dollars based on the grant date exchange rates of \$1.89:£1 and \$1.75:£1, respectively.
- (5) The Black-Scholes option pricing model was chosen to estimate the Grant Date Present Value set forth in this table of (a) the Carnival Corporation options at \$13.53 per share at April 14, 2005, \$13.15 per share at August 1, 2005 and \$11.05 per share at October 18, 2005 and (b) the Carnival plc options at \$14.41 per share at April 14, 2005 and \$12.91 per share at October 18, 2005. Our use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option models require a prediction about the future movement of the stock price. Several factors impact the expected option life, including the vesting schedule of the options. All of the options described above lapse on the tenth anniversary of the grant date with the exception of the Carnival Corporation options granted on October 18, 2005 which lapse on the seventh anniversary of the grant date. In addition, all of the options described above vest ratably over five years with the exception of the Carnival plc options granted on April 14, 2005 which cliff vest on the third anniversary of the grant date. Accordingly, the Grant Date Present Values presented in the table were determined in part using the following assumptions:

	Carnival Corporation			Carnival plc	
	April 14, 2005	August 1, 2005	October 18, 2005	April 14, 2005	October 18, 2005
Expected volatility	27.00%	27.00%	27.00%	27.00%	27.00%
Risk free interest rate	4.08%	4.17%	4.30%	4.61%	4.36%
Expected dividend yield	1.92%	2.47%	2.42%	1.82%	2.48%
Expected option life	5.75 years	5.75 years	4.75 years	4.75 years	5.75 years

The real value of the options in this table depends upon the actual performance of Carnival Corporation common stock and Carnival plc ordinary shares, as applicable, during the applicable period and upon when they are exercised. The approach used in developing the assumptions upon which the Black-Scholes valuation was done is consistent with the requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values⁽¹⁾

The following table provides information on the values of the exercised and unexercised options held by our Chief Executive Officer and our four other most highly compensated executive officers at November 30, 2005.

Name	Shares Acquired on Exercise (#) ⁽¹⁾	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year End(#)		Value of Unexercised In-the-Money Options at Fiscal Year End (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Micky Arison	—	—	768,000	432,000	16,042,710 ⁽²⁾	6,828,240 ⁽²⁾
Howard S. Frank	—	—	640,000	360,000	13,368,925 ⁽²⁾	5,690,200 ⁽²⁾
Robert H. Dickinson	96,000	3,250,840	320,000	240,000	5,647,880 ⁽²⁾	2,963,400 ⁽²⁾
Peter G. Ratcliffe	—	—	10,000	90,000	110,050 ⁽²⁾	659,700 ⁽²⁾
	—	—	0	51,188 ⁽³⁾	0	1,622,670 ⁽⁴⁾
Pier Luigi Foschi	—	—	50,000 ⁽³⁾	298,264 ⁽³⁾	599,500 ⁽⁴⁾	2,747,649 ⁽⁴⁾

(1) Except as otherwise indicated, represents options granted in respect of Carnival Corporation common stock. No stock appreciation rights are held by any of the named executive officers.

(2) The value of the unexercised options is based upon the difference between the exercise price and the average of the high and low market prices of Carnival Corporation common stock on November 30, 2005 of \$54.615.

(3) Represents stock options granted in respect of Carnival plc ordinary shares.

(4) The value of the unexercised options is based upon the difference between the exercise price and the mid-market price of Carnival plc ordinary shares on November 30, 2005 of £32.41 (or \$56.07 based on an exchange rate of \$1.73:£1).

Additional information with respect to option values for the directors of Carnival plc for the financial year ended November 30, 2005 is included in the Carnival plc Directors' Remuneration Report, which is attached as Annex B to this proxy statement.

Policy on Use of Carnival Corporation & plc Aircraft

On February 21, 2006, the Compensation Committees of Carnival Corporation & plc approved a policy to establish procedures and controls as to the authorized use of aircraft owned or chartered by Carnival Corporation & plc (the "Aircraft"). According to the policy, the Aircraft can only be used for business purposes, except our chairman and vice chairman (with the authorization of the chairman) are authorized to use the Aircraft for personal travel. Personal use of the Aircraft is required to be reported in our public filings and may be taxable, as appropriate.

Compensation Agreements

2006 Salaries

On February 21, 2006, the Compensation Committee approved the annual base salaries payable to the named executive officers effective as of January 1, 2006 as follows:

Name	2006 Base Salary
Micky Arison	\$ 850,000
Howard S. Frank	\$ 750,000
Robert H. Dickinson	\$ 763,000
Peter G. Ratcliffe	\$1,150,000
Pier Luigi Foschi	\$1,116,000 ⁽¹⁾

(1) Mr. Foschi's compensation is payable in euro. His base salary as been translated into U.S. dollars at the exchange rate of \$1.22=€1.

Executive Long-Term Compensation Agreements

Carnival Corporation has entered into Executive Long-Term Compensation Agreements (the "Compensation Agreements") with Micky Arison, its Chairman of the Board and Chief Executive Officer, Howard S. Frank, its Vice Chairman of the Board and Chief Operating Officer, and Robert H. Dickinson, President and Chief Executive Officer of Carnival Cruise Lines (each an "Officer"). The Compensation Agreements provide that during the term of such Officer's employment, Carnival Corporation will provide long-term compensation (in addition to his annual compensation consisting of a base salary and annual bonus, which in the case of Mr. Dickinson is awarded under the Carnival Cruise Lines Management Incentive Plan) in the form of annual grants to each Officer, contingent upon satisfactory performance, as follows: Mr. Arison, 60,000 restricted shares of common stock and 120,000 options to purchase common stock; Mr. Frank, 50,000 restricted shares of common stock and 100,000 options to purchase common stock; and Mr. Dickinson, 40,000 restricted shares of common stock and 80,000 options to purchase common stock.

The options vest in five equal annual installments beginning one year from the date of grant and the restricted shares of common stock vest five years from the date of grant. Unvested options and restricted shares of common stock are forfeited if an Officer's employment is terminated for cause, if he engages in competition with Carnival Corporation or if he violates the nondisclosure provisions of the Compensation Agreement, or by the Officer prior to attaining a specified age other than as a result of a terminal medical condition.

Employment Agreement

Peter G. Ratcliffe has entered into an employment agreement under which he acts as Chief Executive Officer of P&O Princess Cruises International responsible for the Cunard Line, Ocean Village, P&O Cruises, P&O Cruises (Australia), P&O Travel, Princess Cruises, Princess Tours and Swan Hellenic units (the "Covered Operations"). Mr. Ratcliffe's minimum base salary is \$1.1 million with an annual bonus based on a specified percentage of the adjusted net income from the Covered Operations. Fifty percent of the annual bonus is payable in cash with the remaining fifty percent payable in the form of a right to receive shares in Carnival plc ("share awards") after a retention period of three years pursuant to the terms of the Deferred Bonus Plan. The employment agreement provides that Carnival Corporation will provide an annual grant of options to purchase 50,000 shares of Carnival Corporation common stock, contingent upon satisfactory performance. The options vest in five equal annual installments beginning one year from the date of grant. Unvested options are forfeited if Mr. Ratcliffe's employment is terminated for cause or because he is in material violation of the non-competition, non-disclosure or intellectual property provisions of his employment agreement, or by Mr. Ratcliffe prior to the age of 60 other than as a result of a terminal medical condition or for good reason as defined in his employment agreement.

Mr. Ratcliffe is also entitled to certain fringe benefits available to other senior executives as well as participation in the P&O Princess Cruises Pension Scheme.

If Mr. Ratcliffe's employment agreement is terminated by Carnival plc without "cause" or is terminated by Mr. Ratcliffe with "good reason" (as such terms are defined in the employment agreement), Mr. Ratcliffe is entitled to compensation of base salary, a bonus equal to the bonus paid the year prior to termination and certain other benefits unless Mr. Ratcliffe becomes eligible for similar benefits from another employer prior to expiration of 12 months from the date of termination. If Mr. Ratcliffe's employment is terminated for cause, Mr. Ratcliffe terminates the employment agreement without good reason or Mr. Ratcliffe materially breaches the non-disclosure or intellectual property provisions of the employment agreement, no additional compensation is due. In the event of termination for reasons other than for cause Mr. Ratcliffe retains his share awards and matching awards for the full retention period, subject to certain exceptions.

Service Agreement

In February 2005, Costa entered into a service agreement with Mr. Foschi under which he acts as its chairman and chief executive officer. The agreement provides that during its term Mr. Foschi is entitled to an annual base salary of €757,000 per year (which may be subject to increases upon renewal of the agreement), a base bonus (which was €669,000 in 2005) plus additional amounts based on the percentage increase in consolidated net income of Costa, non-competition compensation of €115,000 per year and certain fringe benefits (including a company car and living accommodations). The employment agreement also contains confidentiality provisions.

The agreement is automatically renewed for an additional year unless either party provides the other with 60 days notice of an intention not to renew. If the agreement is terminated by Costa for reasons other than Mr. Foschi's breach of his obligations under the agreement or because Mr. Foschi is revoked as a director of Costa for cause, or if Mr. Foschi resigns with cause under Italian law or as a result of a change of control of Costa, Mr. Foschi is entitled to a termination payment equal to his annual base salary, the annual non-competition compensation and a bonus equal to the bonus paid the year prior to termination (unless in the case of a change of control an alternative contractual arrangement is entered into with the new controlling group).

Additional long-term compensation information for the directors of Carnival plc for the financial year ended November 30, 2005 is included in the Carnival plc Directors' Remuneration Report, which is attached as Annex B to this proxy statement.

EQUITY COMPENSATION PLANS

Carnival Corporation

Set forth below is a table that summarizes compensation plans (including individual compensation arrangements) under which Carnival Corporation equity securities are authorized for issuance as of November 30, 2005.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	16,872,865 ⁽¹⁾	\$39.32	30,562,296 ⁽²⁾⁽³⁾
Equity compensation plans not approved by security holders	0	0	0
Total	16,872,865	\$39.32	30,562,296

- (1) Includes outstanding options to purchase Carnival Corporation common stock under the Carnival Cruise Lines, Inc. 1987 Stock Option Plan, Carnival Corporation 1992 Stock Option Plan, Carnival Corporation 2002 Stock Plan, Carnival Corporation 1993 Outside Directors' Stock Option Plan and Carnival Corporation 2001 Outside Director Stock Plan. Also includes 50,998 restricted stock units outstanding under the Carnival Corporation 2002 Stock Plan.
- (2) Includes Carnival Corporation common stock available for issuance as of November 30, 2005 as follows: 2,706,772 under the Carnival Corporation Employee Stock Purchase Plan, 27,369,274 under the Carnival Corporation 2002 Stock Plan and 486,250 under the Carnival Corporation 2001 Outside Director Stock Plan. This figure excludes securities reflected in column (a).
- (3) In addition to options, the Carnival Corporation 2002 Stock Plan and the Carnival Corporation 2001 Outside Director Stock Plan provide for the award of restricted stock without limitation on the number of shares that can be awarded in either form.

Carnival plc

Set forth below is a table that summarizes compensation plans (including individual compensation arrangements) under which Carnival plc equity securities are authorized for issuance as of November 30, 2005.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,236,385 ⁽²⁾	\$38.28	13,482,407 ⁽³⁾
Equity compensation plans not approved by security holders	0	0	0
Total	3,236,385	\$38.28	13,482,407

- (1) Converted from sterling, if applicable, using the November 30, 2005 exchange rate of \$1.73:£1.
- (2) Includes outstanding options to purchase Carnival plc ordinary shares under the Carnival plc Executive Share Option Plan and Carnival plc 2005 Employee Share Plan.
- (3) In addition to options, the Carnival plc 2005 Employee Share Plan provides for the award of restricted stock without limitation on the number of shares that can be awarded in either form.

DEFINED BENEFIT AND OTHER PLANS

Carnival Corporation

The following table sets forth the combined estimated pension benefits payable at age 65 (the "Normal Retirement Date"), pursuant to Carnival Corporation's Supplemental Executive Retirement Plan (the "SERP") and Nonqualified Retirement Plan for Highly Compensated Employees (the "Carnival Corporation Retirement Plan").

Pay	Years of Service				
	15	20	25	30	35
\$1,750,000	\$ 501,507	\$ 676,507	\$ 851,507	\$ 851,507	\$ 851,507
\$2,000,000	\$ 576,507	\$ 776,507	\$ 976,507	\$ 976,507	\$ 976,507
\$2,250,000	\$ 651,507	\$ 876,507	\$1,101,507	\$1,101,507	\$1,101,507
\$2,500,000	\$ 726,507	\$ 976,507	\$1,226,507	\$1,226,507	\$1,226,507
\$2,750,000	\$ 801,507	\$1,076,507	\$1,351,507	\$1,351,507	\$1,351,507
\$3,000,000	\$ 876,507	\$1,176,507	\$1,476,507	\$1,476,507	\$1,476,507
\$3,250,000	\$ 951,507	\$1,276,507	\$1,601,507	\$1,601,507	\$1,601,507
\$3,500,000	\$1,026,507	\$1,376,507	\$1,726,507	\$1,726,507	\$1,726,507

Carnival Corporation established the SERP to provide benefits to a select group of management or highly compensated employees. Currently, only Robert H. Dickinson and Howard S. Frank are eligible to participate. The SERP provides a benefit equal to 50% of cash compensation (as defined in the SERP) reduced proportionately for each year of service less than 25. Mr. Dickinson and Mr. Frank have already satisfied the 25-year service requirement. The SERP provides an early retirement benefit at age 55 after completion of 15 years of service, subject to a reduction of 0.25% for each month that distribution of benefits precedes the participant's Normal Retirement Date. The SERP benefit is offset for any benefit payable under the Carnival Corporation Retirement Plan and for Social Security benefits. The form of payment is either a lump-sum, life annuity (with either a 5-year or 10-year certain benefit) or a joint and survivor annuity for married participants.

A participant's benefits under the Carnival Corporation Retirement Plan are calculated based on an employee's length of service with Carnival Corporation and the average of the participant's five highest consecutive years of compensation (including base pay, overtime, bonuses and commissions) out of the last ten years of service. The eligible compensation with respect to the individuals named in the Summary Compensation Table includes base salary and cash bonuses. The Carnival Corporation Retirement Plan provides an early retirement benefit at age 55 after completion of 15 years of service, subject to a reduction of 0.5% for each month that distribution of benefits precedes the participant's Normal Retirement Date.

The normal form of payment is a straight life annuity with benefits ceasing at the later of the death of the participant or five years from the date of first payment. If the employee is married, pension benefits are presumptively payable on a reduced 50% joint and survivor annuity basis with the employee's spouse as the contingent annuitant. If the employee is not married, pension benefits are paid as a lump sum to the participant's beneficiary or estate, as applicable. For retired or terminated employees, other forms of distribution are available under the Carnival Corporation Retirement Plan.

Credited service for benefit calculation purposes under the Carnival Corporation Retirement Plan is limited to 30 years. As of December 31, 2005, Micky Arison, Robert H. Dickinson and Howard S. Frank each have at least 30 years of credited service. Pier Luigi Foschi and Peter G. Ratcliffe are not eligible for participation in the Carnival Corporation Retirement Plan.

Carnival Corporation has a benefit limitation policy for the Carnival Corporation Retirement Plan consistent with Section 415 of the Internal Revenue Code of 1986 (the "Code") applicable only to Mr. Arison. The annual compensation covered by the Carnival Corporation Retirement Plan for the calendar year 2004 for Mr. Arison is limited to \$310,054 (as may be indexed) pursuant to Section 401(a)(17) of the Code. Based on Mr. Arison's level of compensation and his 30 credited years of service, the estimated benefits payable to Mr. Arison at the Normal Retirement Date pursuant to the Carnival Corporation Retirement Plan is \$136,642, currently being the maximum benefit under the plan. The Carnival Corporation Retirement

Plan does not reduce benefits on account of Social Security (or any other benefit), other than as reflected in the benefit formula which is integrated with Social Security.

Carnival plc

Pursuant to the P&O Princess Cruises Pension Scheme (the "UK Scheme"), a UK Inland Revenue approved defined-benefit scheme, participants generally accrue pension rights at a rate of up to 1/60th of final salary for each year of service, although the accrual rate varies by employee. For this purpose, final salary is generally defined as the basic salary received in the final 12 months of service, subject to certain adjustments. Normal retirement age is 63 for general employees and 60 for sea staff and certain senior executives. Additional cash supplements are paid depending on the number of years of pensionable service.

Peter G. Ratcliffe, our only named executive officer who is eligible for pension benefits from Carnival plc, has 34 years of credited service under the UK Scheme. Under the UK Scheme, in the event of compulsory early retirement, or voluntary early retirement after the age of 55, Mr. Ratcliffe would receive a minimum pension of two-thirds of his final salary subject to UK Inland Revenue limits. The estimated annual benefits payable upon retirement to Mr. Ratcliffe under the UK Scheme at the normal retirement age of 60 is \$802,933 based on unchanged basic salary.

Additional information with respect to pension plan arrangements for Carnival plc for the financial year ended November 30, 2005 is included in the Carnival plc Directors' Remuneration Report, which is attached as Annex B to this proxy statement.

REPORT OF THE COMPENSATION COMMITTEES

Carnival Corporation and Carnival plc are two separate legal entities and, therefore, each has a separate board of directors, each of which in turn has its own Compensation Committee. As there is a single management team, the Compensation Committees (which have three identical members), make one set of determinations in relation to both companies.

This report of the Compensation Committees sets out the compensation policies of the Compensation Committee with respect to the Chief Executive Officer and the four other most highly compensated executive officers for the year ended November 30, 2005, details of whose compensation is set forth under *"Executive Compensation"* in accordance with U.S. Securities and Exchange Commission requirements. Further information on our compensation policies as required under applicable UK law is set out in the Carnival plc Directors' Remuneration Report, which is attached as Annex B to this proxy statement.

The Compensation Committees are responsible for annually approving the cash compensation, including annual performance-related bonuses, payable to the executive officers and for the administration of the Carnival Corporation and Carnival plc equity-based incentive plans.

The Compensation Committee for each of Carnival Corporation and Carnival plc is currently comprised of Modesto A. Maidique, Richard J. Glasier and Sir John Parker, each of whom is independent as defined by the listing standards of the NYSE and the UK Combined Code.

Compensation Philosophy

The key components of the compensation of the Chief Executive Officer and the other executive officers are base salary, annual performance-related bonus and equity-based incentives. The overall objective is to position the total potential compensation, if performance warrants, at approximately the 75th percentile of a comparable group of U.S. companies (being companies of similar size in the entertainment, hospitality and media industries) (the "Comparative Group"), as well as to provide both short-term rewards and long-term incentives for positive individual and corporate performance.

Carnival Corporation & plc is a global entity with executives working and living in different parts of the world with a majority of senior employees located in the U.S., and most of the remainder in the UK and Italy. As a global entity, it is challenging to establish consistent compensation practices across geographic and corporate lines that satisfy the particular requirements of all jurisdictions. Since the largest presence of executives is in the U.S., U.S. compensation practice shapes our compensation policy. However, the Compensation Committees seek to incorporate UK compensation principles, including those contained in the UK Combined Code, as far as practicable, unless the application of those principles would be uncompetitive in the U.S. or other markets, would result in substantial inconsistencies within the Carnival Corporation & plc group, or would restrict the Carnival Corporation & plc group's ability to transfer executives between brands. The overall remuneration objective is to pay high rewards for the continued delivery of high performance from a moderate base salary.

The various components of executive compensation are discussed below.

Base Salaries

Overall, the base salaries of the executive officers, including the base salary of the Chief Executive Officer, are set at a level the Compensation Committees believe to be at approximately the 50th percentile of the Comparative Group. The objective is to emphasize the performance-related annual bonus as the most important cash compensation feature of executive compensation as a reward for contributions made towards achieving Carnival Corporation & plc's goals, including profitability.

Bonuses

The bonuses for each of the Chief Executive Officer and the Chief Operating Officer were determined by the Compensation Committees after taking into account the net income of Carnival Corporation & plc, the individual performance of such executives and Carnival Corporation & plc's return on invested capital.

The annual bonuses to the heads of our operating companies are based on the financial performance of their respective operating units. The annual bonus to Robert H. Dickinson is based on the financial performance of Carnival Cruise Lines and determined pursuant to the terms of the Carnival Cruise Lines Management Incentive Plan (the "CCL Plan"). The annual bonus for Peter G. Ratcliffe is based on the financial performance of the brands for which he was responsible during the fiscal year (for 2005 being Cunard Line, Ocean Village, P&O Cruises, P&O Cruises (Australia), P&O Travel, Princess Cruises, Princess Tours and Swan Hellenic). The annual bonus for Pier Luigi Foschi is based on the financial performance of Costa.

Equity-Based Incentives

The third component of Carnival Corporation & plc's executive compensation is comprised of stock-based incentive plans. Whereas the cash bonus payments are intended to reward positive short-term individual and corporate performance, grants under the equity-based plans are intended to provide executives with longer-term incentives, which appreciate in value with the continued favorable future stock price performance of Carnival Corporation & plc. The Compensation Committees approved individual compensation agreements that provide for grants of stock options and/or restricted stock pursuant to the 2002 Stock Plan, the Carnival plc Employee Share Plan and the other equity-based incentive plans described elsewhere in this proxy statement based on the individual performance and responsibilities of the executive officers, taking into account the following:

- The overall financial performance of Carnival Corporation & plc in the previous fiscal year; and
- The personal contribution that each executive has made to the:
 - development of a strategy to deliver future growth;
 - ongoing creation of a competitive cost structure; and
 - overall corporate success of Carnival Corporation & plc through the spread of best practices.

Annual grants of stock options or restricted shares pursuant to individual compensation agreements are subject to a determination of satisfactory performance by the Compensation Committees.

Other Compensation

Carnival Corporation and Carnival plc have entered into various compensation-related agreements with each of the executive directors and certain individual officers. See "Executive Compensation—Executive Long-Term Compensation Agreements," "Executive Compensation—Employment Agreement" and "Executive Compensation—Service Agreement." Such agreements include stock compensation agreements, employment agreements and service agreements. The Compensation Committees and the boards of directors will continue to consider such arrangements in the future in connection with circumstances that warrant an individualized compensation arrangement.

In fiscal 2005, some of Carnival Corporation's executive officers also participated in Carnival Corporation's nonqualified defined benefit pension plan and all were able to participate in Carnival Corporation's nonqualified 401(k)/profit sharing plan. In addition, two of Carnival Corporation's executive officers participated in Carnival Corporation's supplemental executive retirement plan and Peter G. Ratcliffe participated in the Princess Cruises Retirement Savings Plan and the UK Scheme.

Advisors

The Compensation Committees engaged an outside compensation consultant, Watson Wyatt Worldwide, to conduct a review of executive remuneration within the Carnival Corporation & plc group. The review provided the Compensation Committees with benchmark data on awards within the Comparative Group on the basis of which the Compensation Committees were able to frame a more definitive compensation policy.

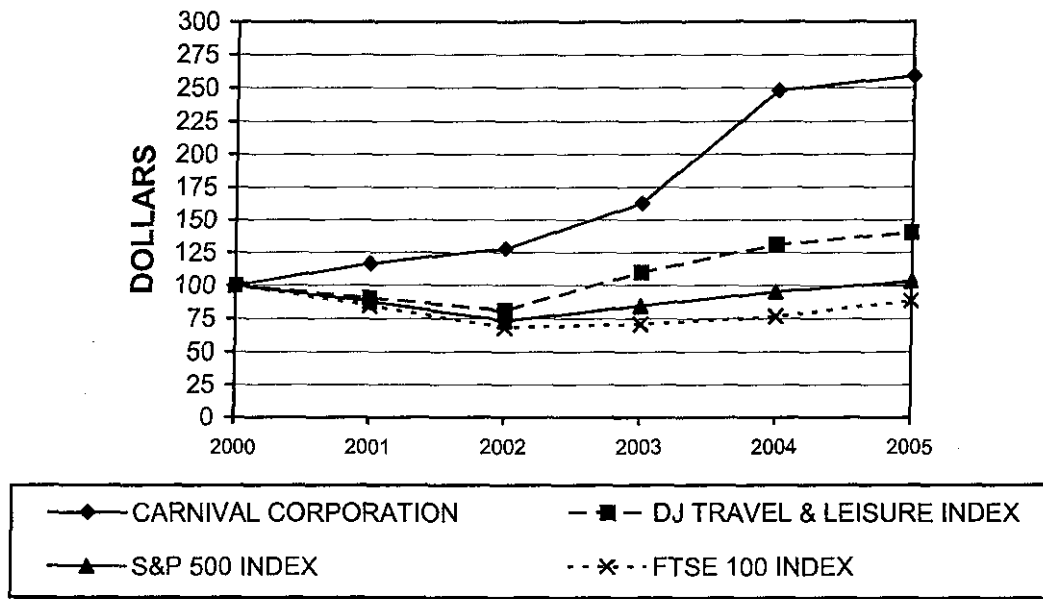
The Compensation Committee of Carnival Corporation	The Compensation Committee of Carnival plc
Modesto A. Maidique, Chairman Richard J. Glasier Sir John Parker	Modesto A. Maidique, Chairman Richard J. Glasier Sir John Parker

STOCK PERFORMANCE GRAPHS

Carnival Corporation

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

COMPARE 5-YEAR CUMULATIVE TOTAL RETURN AMONG CARNIVAL CORPORATION, S&P 500 INDEX AND PEER GROUP INDEX



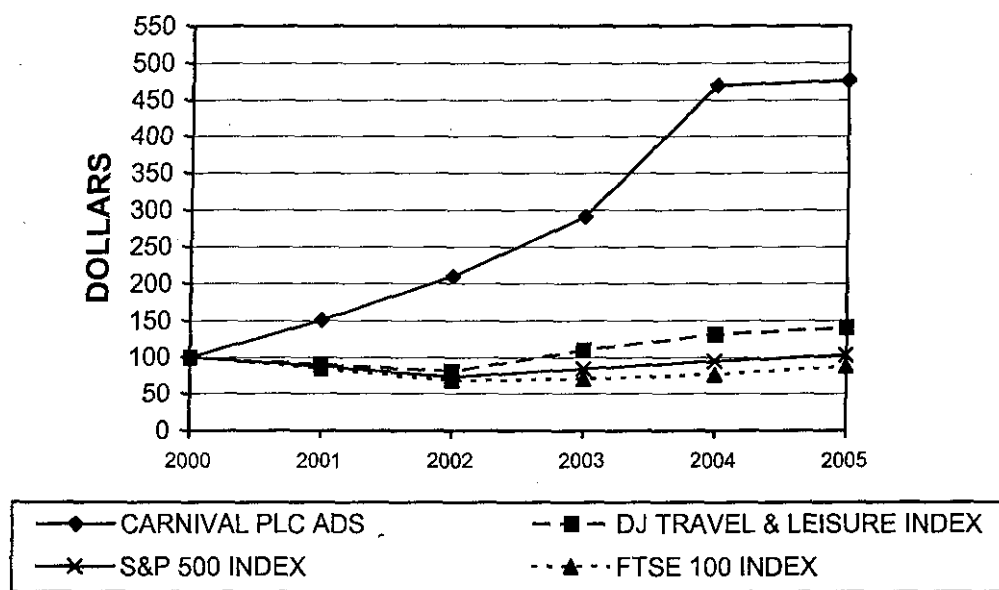
ASSUMES \$100 INVESTED ON DEC. 1, 2000
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDED NOVEMBER 30

	2000	2001	2002	2003	2004	2005
Carnival Corporation	\$100	\$117	\$128	\$163	\$248	\$259
Dow Jones Industry Group/REQ	\$100	\$ 90	\$ 81	\$110	\$131	\$140
S&P 500 Index	\$100	\$ 88	\$ 73	\$ 84	\$ 95	\$103
FTSE 100 Index	\$100	\$ 85	\$ 68	\$ 71	\$ 77	\$ 88

Carnival plc

The following graph compares the Price Performance of \$100 invested in Carnival plc ADSs, each representing one ordinary share of Carnival plc (prior to April 17, 2003 each ADS represented four ordinary shares of Carnival plc), with the Price Performance of \$100 invested in each of the S&P 500 Index, the Dow Jones Industry Group REQ (recreational product and services index) and the FTSE 100 Index. The Price Performance, as used in the Performance Graph, is calculated by assuming \$100 was invested at the beginning of the period in Carnival plc ADSs. The total value of the investment at the end of each subsequent fiscal year is computed by taking the number of ADSs owned, assuming Carnival plc dividends are reinvested on an annual basis, times the market price of ADSs at the end of each fiscal year.

COMPARE 5-YEAR CUMULATIVE TOTAL RETURN AMONG CARNIVAL PLC ADS, S&P 500 INDEX AND PEER GROUP INDEX



ASSUMES \$100 INVESTED ON DEC. 1, 2000
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDED NOVEMBER 30

	2000	2001	2002	2003	2004	2005
Carnival Corporation	\$100	\$151	\$210	\$291	\$470	\$477
Dow Jones Industry Group/REQ	\$100	\$ 90	\$ 81	\$110	\$131	\$140
S&P 500 Index	\$100	\$ 88	\$ 73	\$ 84	\$ 95	\$103
FTSE 100 Index	\$100	\$ 85	\$ 68	\$ 71	\$ 77	\$ 88

INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

Audit and Non-Audit Fees

PricewaterhouseCoopers LLP were the auditors of Carnival Corporation & plc during 2005 and 2004. Aggregate fees for professional services rendered by PricewaterhouseCoopers LLP for the years ended November 30, 2005 and 2004 are set forth below:

	Carnival Corporation & plc 2005 (in millions)	Carnival Corporation & plc 2004 (in millions)
Audit Fees	\$3.7	\$4.3
Audit-Related Fees	0.0 ⁽¹⁾	0.0 ⁽¹⁾
Tax Fees	0.2	0.5
All Other Fees	0.1	0.2
Total	<u>\$4.0</u>	<u>\$5.0</u>

(1) Audit-Related Fees were less than \$50,000.

Audit Fees for 2005 and 2004 were for professional services rendered for the audits of the Carnival Corporation & plc joint Annual Report on Form 10-K, including our consolidated financial statements, quarterly reviews of our joint Quarterly Reports on Form 10-Q, which include the audits of the Carnival plc UK GAAP annual financial statements, consents, opinions on management's assessment of our effectiveness of internal control over financial reporting in connection with our compliance with Section 404 of the Sarbanes-Oxley Act of 2002, comfort letters, registration statements, statutory audits of various international subsidiaries and other agreed upon procedures. The 2004 audit fees were increased by approximately \$400,000 from what was reported last year because these fees were approved after the 2004 proxy statement was filed.

Audit-Related Fees for 2004 and 2005 were mostly for employee benefit plan audits.

Tax Fees for 2005 and 2004 were for services related to tax compliance and tax planning.

All Other Fees for 2005 and 2004 were primarily for actuarial services and employee benefit plan consulting and Immigration and Naturalization Service certifications.

All of the services described above were approved by the Audit Committees, and in doing so, the Audit Committees did not rely on the *de minimis* exception set forth in Rule 2-01(c)(7)(i)(C) under Regulation S-X.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Certified Public Accounting Firm

In December 2003, the Audit Committees adopted Key Policies and Procedures which address, among other matters, pre-approval of audit and permissible non-audit services provided by the independent registered certified public accounting firm. The Key Policies and Procedures require that all services to be provided by the independent registered certified public accounting firm must be approved by the Audit Committees. The Audit Committees consider whether the services requested are consistent with the rules of the U.S. Securities and Exchange Commission on auditor independence.

REPORT OF THE AUDIT COMMITTEES

Carnival Corporation and Carnival plc are two separate legal entities and, therefore, each has a separate board of directors, each of which in turn has its own Audit Committee. In accordance with their charter, each Audit Committee assists the relevant board of directors in carrying out its oversight of:

- the integrity of the relevant financial statements;
- the company's compliance with legal and regulatory requirements;
- the auditors' qualifications and independence; and
- the performance of the company's internal audit functions and independent auditors.

Both Audit Committees are subject to the audit committee independence requirements under the corporate governance standards of the NYSE and relevant U.S. Securities and Exchange Commission rules, and the Audit Committee of Carnival plc is also subject to the requirements of the UK Combined Code. The two Audit Committees have identical members and each currently consists of five independent (as defined by the listing standards of the NYSE currently in effect and the UK Combined Code), non-employee directors. Each board of directors has determined that Stuart Subotnick is both "independent" and an "audit committee financial expert," as defined by SEC rules. In addition, the board of Carnival plc has determined that Stuart Subotnick has "recent and relevant financial experience" for purposes of the UK Combined Code.

Management has primary responsibility for Carnival Corporation & plc's financial reporting process, including its system of internal control, and for the preparation of consolidated financial statements. Carnival Corporation & plc's independent auditors are responsible for performing an independent audit of those financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles. The Audit Committees are responsible for monitoring and overseeing the financial reporting process and the preparation of consolidated financial statements and for supervising the relationship between Carnival Corporation & plc and its independent auditors, as well as reviewing the group's systems of internal controls and compliance with the group Code of Business Conduct and Ethics. The Audit Committees have met and held discussions with management of Carnival Corporation & plc and the independent auditors. In this context, management represented to the Audit Committees that Carnival Corporation & plc's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles.

The Audit Committees (i) reviewed and discussed Carnival Corporation & plc's audited consolidated financial statements for the year ended November 30, 2005 with Carnival Corporation & plc's management and with Carnival Corporation & plc's independent auditors; (ii) discussed with Carnival Corporation & plc's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61; and (iii) received the written disclosures and the letter from Carnival Corporation & plc's independent accountants required by Independence Standards Board Statement No. 1 (Independence Discussions with Audit Committees) and discussed with Carnival Corporation & plc's independent auditors the independent auditor's independence. The Audit Committees also considered whether the provision to the relevant entity by the independent auditors of non-audit services was compatible with maintaining the independence of the independent auditors. Based on the reviews and discussions described above, the Audit Committees recommended to the boards of directors that the audited consolidated financial statements of Carnival Corporation & plc be included in Carnival Corporation & plc's Annual Report on Form 10-K for the year ended November 30, 2005 for filing with the U.S. Securities and Exchange Commission.

The Audit Committee of Carnival Corporation	The Audit Committee of Carnival plc
Stuart Subotnick, Chairman	Stuart Subotnick, Chairman
Richard G. Capen, Jr.	Richard G. Capen, Jr.
Arnold W. Donald	Arnold W. Donald
Richard J. Glasier	Richard J. Glasier
Sir John Parker	Sir John Parker

TRANSACTIONS OF MANAGEMENT AND DIRECTORS

Transactions with Micky Arison. Micky Arison, our Chairman and Chief Executive Officer is also the Chairman, President and the indirect sole shareholder of FBA II, Inc., the sole general partner of Miami Heat Limited Partnership ("MHLP"), the owner of the Miami Heat, a professional basketball team. He is also the indirect sole shareholder of Basketball Properties, Inc., the sole general partner of Basketball Properties, Ltd. ("BPL"), the manager and operator of AmericanAirlines Arena. Pursuant to a five-year advertising and promotion agreement between Carnival Cruise Lines, MHLP and BPL effective July 2004, Carnival Cruise Lines paid an aggregate of \$264,000 in fiscal 2005 for the advertising and promotion of Carnival Cruise Lines during Miami Heat games and other events held at the AmericanAirlines Arena, located in Miami, Florida.

Carnival Cruise Lines also agreed to become the title sponsor of a Hurricane Katrina Relief Benefit Game between the Miami Heat and the San Antonio Spurs held at the AmericanAirlines Arena in October 2005. In becoming the title sponsor of the game, Carnival Cruise Lines agreed to purchase all of the tickets that remained unsold six days prior to the event. Carnival's ticket purchase guaranteed that the game was sold out, ensuring that the donation to the Hurricane Katrina relief efforts topped the \$1 million mark. As a result of this sponsorship, Carnival Cruise Lines received substantial promotional benefits associated with the event and related media coverage. Ultimately, Carnival Cruise Lines purchased approximately 7,600 tickets to the event for \$499,977. The tickets were distributed to Carnival Cruise Lines employees and several local community groups, schools and other organizations. The Miami Heat donated 100% of the proceeds from the game, both the ticket and concession revenue, to hurricane relief charities, including the American Red Cross.

In addition, in October 2004 Carnival Corporation entered into a seven-year agreement with BPL for the use of six courtside lounge seats at the Miami Heat games played at the AmericanAirlines Arena and other public events at the arena. Under the agreement, Carnival Corporation agreed to pay \$180,000 per year for the first five years, plus taxes, subject to a 5% increase in years six and seven.

Transactions with the Ted Arison Family Foundation USA, Inc. Shari Arison (Micky Arison's sister) is the Chairman of the Board of Trustees and President of the Ted Arison Family Foundation USA, Inc. (the "Foundation"), a charitable foundation established by Carnival Corporation's founder, Ted Arison. Carnival Corporation leases approximately 100 square feet of office space to the Foundation and employs one of its employees. During fiscal 2005, Carnival Corporation received approximately \$132,000 from the Foundation for both lease payments and for all costs incurred by Carnival Corporation related to this employee. It is expected that Carnival Corporation will continue these arrangements with the Foundation in the future.

Registration Rights. Pursuant to a letter agreement (the "Trust Registration Rights Agreement") dated July 11, 1989, Carnival Corporation granted to the Ted Arison Irrevocable Trust (the "Irrevocable Trust") and the Arison Children's Irrevocable Trust (the "Children's Trust," and together with the Irrevocable Trust, the "Trusts") certain registration rights with respect to certain shares of Carnival Corporation common stock held for investment by the Trusts (the "Shares"). The beneficiaries of the Trusts included the children of Ted Arison, including Micky Arison, our Chairman of the boards and Chief Executive Officer, and Shari Arison, a major shareholder. Effective December 26, 1991, the Children's Trust was divided into three separate continued trusts, including continued trusts for Micky Arison, Shari Arison and Michael Arison.

Under the Trust Registration Rights Agreement, Carnival Corporation has granted the Trusts demand and piggyback registration rights. Carnival Corporation is not required to effect any demand registration unless all of the Shares owned by either of the Trusts are included in the demand. Carnival Corporation has agreed to bear all expenses relating to such demand and piggyback registrations, except for fees and disbursements of counsel for the Trusts, selling costs, underwriting discounts and applicable filing fees.

Under a registration rights agreement dated June 14, 1991 (the "Arison Registration Rights Agreement"), Carnival Corporation granted certain registration rights to Ted Arison with respect to certain shares of common stock beneficially owned by him (the "Arison Shares") in consideration for \$10,000. The registration rights were held by the Estate of Ted Arison. The Estate of Ted Arison subsequently transferred the Arison Shares to the Nickel 1997 Irrevocable Trust (formerly known as The 1997 Irrevocable Trust

of Micky Arison), the Artsfare 1992 Irrevocable Trust (formerly known as the Ted Arison 1992 Irrevocable Trust for Lin No. 2) and the Eternity Four Trust (formerly known as the Ted Arison 1994 Irrevocable Trust for Shari No. 1) (collectively, the "Family Trusts"). The Arison Registration Rights Agreement provides for demand and piggyback registration rights. Carnival Corporation has agreed to bear all expenses relating to such demand and piggyback registrations, except for fees and disbursements of counsel for the Family Trusts, selling costs, underwriting discounts and applicable filing fees.

Agreements with Kirk Lanterman. On December 1, 2004, HAL entered into a letter agreement with Mr. Lanterman regarding the terms of his employment for the month of December 2004 (the "December Employment Agreement"). Pursuant to the December Employment Agreement, Mr. Lanterman was paid \$62,500, less applicable taxes and other standard deductions, including, but not limited to, medical insurance premiums and previously authorized 401(k) contributions, if any. In accordance with the December Employment Agreement, Mr. Lanterman resigned as a HAL employee effective December 31, 2004.

In 1999 and years prior thereto, A. Kirk Lanterman deferred receipt of a portion of his annual bonus. In exchange, Carnival Corporation and Mr. Lanterman entered into a Retirement and Consulting Agreement, which provides that Carnival Corporation will pay him the deferred bonus amounts plus interest in monthly installments over the 15 years following his retirement. During fiscal 2005, Carnival Corporation paid Mr. Lanterman approximately \$1.8 million under the terms of his Retirement and Consulting Agreement.

HAL entered into an 11-month Consulting Agreement (the "Consulting Agreement") with Mr. Lanterman. The initial term of the Consulting Agreement was from January 1, 2005 through November 30, 2005, and was automatically renewed for one additional year. Under the terms of the Consulting Agreement, Mr. Lanterman will have the title of "Chairman" of HAL, which shall be a non-executive title. During the term of the Consulting Agreement, Mr. Lanterman will provide such consulting services and other assistance as may be required by HAL's President on strategic, financial and historical analyses and other various services that are specified by HAL's President, up to a maximum of 1,000 hours annually.

During fiscal 2005, Mr. Lanterman received compensation of approximately \$722,000 under the terms of the Consulting Agreement. He does not participate in any incentive compensation plans offered by HAL or any affiliate of HAL, but is eligible for medical and dental insurance and certain other benefits. The Consulting Agreement contains confidentiality and indemnification provisions and may be terminated by HAL for good cause or upon the death or disability of Mr. Lanterman. HAL has also agreed to indemnify Mr. Lanterman from any losses arising from his provision of the consulting services subject to the Consulting Agreement, subject to customary exceptions. At the end of the term of the Consulting Agreement, no further severance or other payments shall be provided to Mr. Lanterman, except as set forth in the Retirement and Consulting Agreement between Mr. Lanterman and HAL as discussed above.

Transactions with Cruise Specialists. Until January 2005, Janet Olczak Lanterman, the wife of A. Kirk Lanterman, one of our directors and a former executive officer, was the owner of a travel agency located in Seattle, Washington, named Cruise Specialists. Under the laws of the State of Washington, Ms. Lanterman's ownership interest in Cruise Specialists was her separate property and, accordingly, Mr. Lanterman did not have any ownership interest in the agency. Cruise Specialists sells cruises and other similar products for various travel providers, including us, under arrangements that are common throughout the travel industry, whereby Cruise Specialists receives a commission based on sales generated. From December 1, 2004 to December 31, 2004, Cruise Specialists generated approximately \$1.14 million of gross revenues for Carnival Corporation & plc. In connection with such revenues, Cruise Specialists received from Carnival Corporation & plc approximately \$293,000 in commissions and other marketing incentives. Carnival Corporation and Carnival plc believe that the terms and conditions of the agreement with Cruise Specialists were no less favorable to Carnival Corporation & plc than those terms and conditions available for comparable transactions with unaffiliated persons.

Brother of Robert H. Dickinson. Carnival Cruise Lines entered into an agreement with Waste Management National Services, Inc. ("WMNS") for the analytical, management, collection, transportation, disposal and recycling services for certain wastes generated or accumulated by its vessels in U.S. and foreign ports. We have been advised that John Dickinson, the brother of Robert H. Dickinson (President and Chief Executive Officer of Carnival Cruise Lines and a member of our boards of directors), served as a consultant to WMNS in connection with the negotiation of this agreement and receives fees based

on Carnival Cruise Lines' usage of WMNS under the agreement. During fiscal 2005, Carnival Cruise Lines paid approximately \$3.3 million to WMNS for their services. John Dickinson advised us that he received approximately \$37,000 during fiscal 2005 from WMNS.

Son of Pier Luigi Foschi. The son of Pier Luigi Foschi, one of our executive officers and a director, is a minority partner in Studio Biscozzi-Nobili, an Italian tax consulting firm, which is retained from time to time to provide tax advice to Costa, one of Carnival plc's subsidiaries. During fiscal 2005, Costa paid approximately \$184,000 to Studio Biscozzi-Nobili for providing such services to Costa.

Transactions with Affiliated Entities. Carnival Corporation & plc has adopted a policy of dealing with affiliated entities on an arm's-length basis and Carnival Corporation & plc may not engage in business transactions with any affiliate on terms and conditions less favorable to Carnival Corporation & plc than terms and conditions available at the time for comparable transactions with unaffiliated persons. All contracts between us and an entity in which a director or senior employee of Carnival Corporation & plc has an interest must be approved by the boards of directors.

CARNIVAL PLC DIRECTORS' REPORT AND UK GAAP SUMMARY FINANCIAL INFORMATION

Directors' Report

Carnival plc and Carnival Corporation are separate legal entities (together referred to in this report as "Carnival Corporation & plc") and each company has its own board of directors and committees of the board. However, as is required by the agreements governing the dual listed company ("DLC") structure, there is a single management team and the boards of directors and members of the committees of the boards are identical.

Principal activities

Carnival Corporation & plc is the largest cruise vacation group in the world, with a portfolio of 12 cruise brands in North America, Europe and Australia. Together, these brands operate 79 ships totaling 137,000 lower berths with 16 new ships scheduled to enter service between February 22, 2006 and September 2009. Carnival has a multi-brand strategy, which provides products and services appealing to the widest possible target audience across all major sectors of the vacation industry.

Business review and future developments

A review of the Carnival Corporation & plc's group activities during the year and likely future developments is provided in the Chairman's statement and the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Carnival Corporation & plc 2005 Annual Report, which accompanies the proxy statement.

On December 14, 2005 Carnival plc entered into an agreement to sell the Pacific Sky. In addition on January 1, 2005 Carnival plc acquired the business assets of Cunard Line Limited, its wholly owned subsidiary. The purchase price was based on the book values of the assets held by Cunard Line Ltd. Further details of movements in group and company fixed assets are provided in the notes to the audited consolidated financial statements of Carnival plc (the "Carnival plc Accounts").

Dividends

During the year ended November 30, 2005, Carnival Corporation and Carnival plc paid four quarterly dividends totalling 70 U.S. cents per ordinary share (2004—50 U.S. cents). In April 2005 the boards approved an increase in the quarterly dividend from 15 to 20 U.S. cents per share and in October 2005 approved a further increase in the quarterly dividend to 25 U.S. cents per share.

Although the dividend is declared in U.S. cents, it is paid in sterling to the holders of ordinary shares in Carnival plc unless they elect to receive their dividends in U.S. dollars. The dividend will be converted into sterling at an exchange rate set approximately 10 days prior to the actual payment.

Holders of the Carnival plc's American Depositary Shares ("ADSs") are paid their dividend in U.S. dollars.

On September 21, 2004, Bedell Trustees Limited, the trustee for the Carnival plc Deferred Bonus and Co-Investment Matching Plan, waived its right to all dividends payable by Carnival plc. The amount waived during the year was £66,238.60.

Share capital

Changes in Carnival plc's share capital during the year are given in note 16 to the Carnival plc Accounts.

The preference shares of Carnival plc, which have been allotted but not issued, are entitled, in priority to the holders of any other class of shares in Carnival plc's share capital, to a cumulative fixed dividend of 8% per annum. The preference shares carry no voting rights and rank behind the ordinary shares in relation to a winding-up and certain types of return of capital. The Carnival plc subscriber shares have

no dividend rights nor voting rights nor any rights to payment of capital upon a distribution of assets by Carnival plc. The preference shares and subscriber shares are unlisted.

Details of options over ordinary shares granted to employees are given in note 19 to the Carnival plc Accounts.

In October 2004, Carnival Corporation and Carnival plc announced that their boards of directors had authorised the repurchase of up to an aggregate of \$1 billion of Carnival Corporation and Carnival plc shares. Shareholder approval is not required to buy back shares of Carnival Corporation, but is required under the Companies Act to buy back shares of Carnival plc. Accordingly, at the annual general meetings held on April 13, 2005, the authority for Carnival plc to buy back its own shares was approved. This authority enabled Carnival plc to buy back up to 10,610,900 ordinary shares of Carnival plc (being approximately 5% of Carnival plc's ordinary shares in issue). That approval expires at the conclusion of Carnival plc's 2006 annual general meeting. As of January 31, 2006, Carnival Corporation has purchased 8,002,049 shares of Carnival Corporation for \$385.7 million, but neither Carnival Corporation nor Carnival plc has purchased any Carnival plc shares.

Directors

The names of the persons, who served as directors of Carnival Corporation and Carnival plc during the financial year, and biographical notes about each of the directors, including the period for which they held office during the 2005 financial year, are contained in the proxy statement to which this report is annexed. Details of the directors' membership on board committees are set out in the Carnival plc Corporate Governance Report attached as Annex C to the proxy statement.

All directors retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details of the directors' remuneration and their interests in the shares of Carnival Corporation and Carnival plc are set out in the *Carnival plc Directors' Remuneration Report* attached as Annex B to the proxy statement.

Substantial shareholdings

As at the date of this report, Carnival plc has been notified of the following material interests of 3% or more in Carnival plc's issued ordinary share capital:

	<u>No. of shares</u>	<u>Percentage of issued capital</u>
Carnival Investments Ltd.	41,679,877	19.60% ⁽¹⁾
Fidelity Investments	9,286,349	4.37% ⁽²⁾
Legal & General Group plc	8,545,069	4.02% ⁽³⁾
The Capital Group Companies, Inc.	8,669,178	4.08% ⁽⁴⁾

(1) These shares carry no voting rights or rights on liquidation unless Carnival Corporation owns over 90% of all the Carnival plc shares.

(2) FMR Corp. and its direct and indirect subsidiaries and Fidelity International Limited and its direct and indirect subsidiaries have a non-beneficial interest in these shares.

(3) Legal & General Group plc and/or its subsidiaries have an interest in these shares.

(4) Interests of The Capital Group of Companies, Inc. and its affiliates Capital Research and Management Company, Capital International S.A., Capital International Limited and Capital Guardian Trust Company.

Save for the above, no person has reported any material interest of 3% or more or any non-material interest exceeding 10% of the issued ordinary share capital of Carnival plc.

Corporate Governance

A report on corporate governance and compliance with the Combined Code appended to the UK Listing Authority's Listing Rules is contained in the Carnival plc Corporate Governance Report attached as Annex C to the proxy statement. The Carnival plc Directors' Remuneration Report is attached as Annex B to the proxy statement.

Corporate and Social Responsibility

Health, safety and the environment

There are corporate policies for Health & Safety and the Environment that are reviewed annually.

The boards recognise that Carnival Corporation & plc need to ensure there is a consistent standard of operation throughout its fleet in keeping with its leading position in the cruise industry. In this regard, the Carnival Corporation & plc Corporate Maritime Affairs Department has worked with the operating companies in developing corporate-wide health and safety and security standards in order to provide fleet-wide consistency.

Similarly, in conjunction with the Carnival Corporation & plc Corporate Environmental Compliance Department, appropriate standards have been developed on policy matters regarding environmental issues. All vessels operate to a common Environmental Compliance Plan ("ECP") issued in April 2002 and augmented by the additional policies issued and being developed. Carnival Corporation & plc is actively pursuing external certification of its environmental management system to ISO 14001 standards.

Monitoring of compliance with corporate policies, and corporate standards is maintained by annual audit under the direction of the Carnival Corporation & plc Audit Services Department and Corporate Environmental Compliance Department, each of which reports to the Audit Committees.

Carnival Corporation & plc's Environmental Policy and Environmental Report are available on the website at www.carnivalcorp.com or www.carnivalplc.com.

Employees

Carnival Corporation & plc is comprised of 12 cruise brands in North America, Europe and Australia. Individual brands employ a variety of methods, such as intranet sites, management briefings, newsletters and reward programmes to keep employees informed of the performance, development and progress of Carnival Corporation & plc.

Senior employees within Carnival Corporation & plc are eligible to participate in either the Carnival plc 2005 Employee Share Plan or the Carnival Corporation 2002 Stock Plan, further details of which are provided in Carnival plc's Directors' Remuneration Report attached as Annex B to the proxy statement. These schemes reinforce the philosophy of encouraging senior employees to contribute directly to the achievement of Carnival Corporation & plc's goals and of rewarding individual and collective success.

It is the policy of Carnival Corporation & plc that disabled persons should receive full and fair consideration for all job vacancies for which they are suitable applicants and training and career development is encouraged as for all other employees. It is the policy of Carnival Corporation & plc to seek to retain employees who become disabled whilst in its service wherever possible and to provide specialist training where appropriate.

Charitable donations

Carnival Corporation & plc provides support to charities by way of donations in cash and/or gifts in kind. Carnival Corporation has established the Carnival Foundation (the "Foundation"), which assists it in its commitment to enrich and better the lives of communities where it does business and/or where its employees live and work. The Foundation considers applications for charitable support from individuals and organisations and, according to an assessment of the merits of each application, determines whether it is appropriate to support particular causes or projects. Its primary funding interests include human and social needs, art and culture, health services and education.

Pursuant to Mr. Arison's request, Carnival Corporation donated \$2.5 million of Mr. Arison's 2005 bonus to the Partnership for Recovery, Inc., Florida Hurricane Relief Fund, Save the Children and My Key West Emergency Relief Fund established by the Community Foundation of the Florida Keys to aid in hurricane relief efforts.

During the financial year ended November 30, 2005, the Carnival plc group made charitable donations totalling \$1.4 million (2004—\$1.0 million) of which \$1.1 million (2003—\$0.8 million) was in respect of charitable organisations in the United States.

Creditor payment policy

It is Carnival plc's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At November 30, 2005, the company had an average of 22 days purchases outstanding in trade creditors.

Political contributions

Carnival plc did not make any political contributions to any European Union ("EU") political organisation during the year ended November 30, 2005 (2004—nil). Carnival plc subsidiaries made political contributions to organisations outside the EU of \$0.1 million (2003—\$0.5 million).


International Financial Reporting Standards ("IFRS")

Carnival plc will be required to adopt IFRS in its consolidated standalone financial statements, from December 1, 2005. The information included in the November 30, 2005 financial statements has been prepared under UK GAAP, however, the Carnival plc Interim Report for 2006 will include Carnival plc standalone financial information prepared under IFRS. A detailed announcement providing the reconciliation of the UK GAAP 2005 financial information to the equivalent reports prepared applying IFRS will be issued prior to the publication of the Carnival plc 2006 Interim Report. We expect the most significant changes to the Carnival plc group's future reported results to arise from the expensing of share based payments, the recording of derivatives at fair values on the Carnival plc balance sheet, the measurement of pension assets and liabilities and the timing of Carnival plc's dividend recognition.

Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting.

By order of the board



Arnaldo Perez
Company Secretary
February 21, 2006

Statement of directors' responsibilities

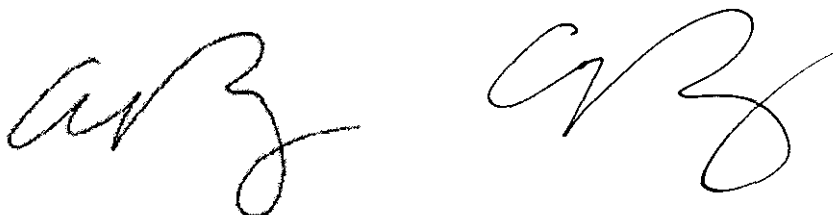
UK company law requires the directors of Carnival plc to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Carnival plc group and of the profit or loss of the group for that period.

In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements. *The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Carnival plc and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of Carnival plc and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.*

By order of the board



Arnaldo Perez
Company Secretary
February 21, 2006

Carnival plc UK GAAP Summary Financial Information

The Summary Financial Information does not give all the information needed to gain as full an understanding of the results and state of affairs of the Carnival plc group (being Carnival plc and its subsidiary undertakings) as the full UK Annual Report and Accounts. To receive a free copy of the full UK Annual Report and Accounts which consists of the proxy statement (which includes the Directors' Report and Directors' Remuneration Report), the Carnival Corporation & plc 2005 Annual Report and the Carnival plc 2005 financial statements for this or future years, please contact our registrar, details of which can be found on page 48 of the Carnival Corporation & plc 2005 Annual Report. The Carnival plc group standalone financial information excludes the results of Carnival Corporation and is prepared under UK GAAP, whereas the Carnival Corporation & plc financial statements include the results of Carnival Corporation and Carnival plc prepared under U.S. GAAP.

Summarised Group profit and loss account

	Twelve months to Nov. 30, 2005	Twelve months to Nov. 30, 2004
	U.S.\$m	U.S.\$m
Turnover	4,352.2	3,901.3
Cost of sales	(3,023.8)	(2,632.3)
Administrative expenses	(616.2)	(609.0)
Operating costs	(3,640.0)	(3,241.3)
Group operating profit	712.2	660.0
Loss on disposal of ships (note 2)	(32.0)	—
Profit on ordinary activities before interest	680.2	660.0
Net interest payable and similar items	(120.0)	(110.3)
Profit on ordinary activities before taxation	560.2	549.7
Taxation	(23.9)	(27.6)
Profit on ordinary activities after taxation	536.3	522.1
Dividends	(191.1)	(116.5)
Retained profit for the financial year	<u>345.2</u>	<u>405.6</u>
Carnival plc standalone earnings per share (in U.S. dollars)		
Basic earnings per share	2.53	2.47
Diluted earnings per share	2.52	2.46
Dividend per share	0.90	0.55

See accompanying notes to the Summary Financial Information.

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2005 Annual Report (see note 1). For information, we set out below the U.S. GAAP consolidated earnings per share included within the Carnival Corporation & plc consolidated financial statements for the twelve months ended November 30, 2005 and 2004 (in U.S. dollars):

DLC Basic earnings per share	2005: 2.80	2004: 2.31
DLC Diluted earnings per share	2005: 2.70	2004: 2.24

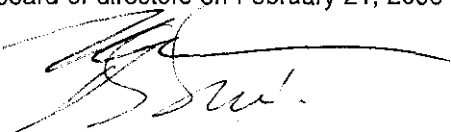
Summarised Group balance sheet

	As at Nov. 30, 2005 U.S.\$m	As at Nov. 30, 2004 U.S.\$m
Fixed assets		
Goodwill and other intangible assets	703.8	749.4
Tangible assets		
Ships	6,525.7	7,303.2
Properties and other fixed assets	556.1	544.9
	7,081.8	7,848.1
Investments	4.7	7.9
	<u>7,790.3</u>	<u>8,605.4</u>
Current assets		
Stocks	102.5	106.3
Debtors	480.2	452.2
Cash at bank and in hand	778.0	174.5
	1,360.7	733.0
Creditors: amounts falling due within one year	<u>(2,865.3)</u>	<u>(2,531.1)</u>
Net current liabilities	<u>(1,504.6)</u>	<u>(1,798.1)</u>
Total assets less current liabilities	6,285.7	6,807.3
Creditors: amounts falling due after more than one year	<u>(1,726.0)</u>	<u>(2,217.3)</u>
Provisions for liabilities and charges	<u>(77.7)</u>	<u>(72.1)</u>
	<u>4,482.0</u>	<u>4,517.9</u>
Capital and reserves		
Called up share capital	352.9	352.2
Share premium account	75.6	64.7
Other reserves	35.6	35.6
Merger reserve	1,459.2	1,459.2
Profit and loss account	2,556.3	2,604.2
Equity shareholders' funds	4,479.6	4,515.9
Equity minority interests	2.4	2.0
	<u>4,482.0</u>	<u>4,517.9</u>

See accompanying notes to the Summary Financial Information.

Approved by the board of directors on February 21, 2006 and signed on its behalf by:

Micky Arison
Howard S. Frank



Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2005 Annual Report (see note 1).

Notes to the Summary Financial Information

1. Basis of preparation

On April 17, 2003, Carnival Corporation and Carnival plc (formerly known as P&O Princess Cruises plc) completed a dual listed company ("DLC") transaction (the "DLC transaction"), which implemented the Carnival Corporation & plc DLC structure. The DLC transaction combined the businesses of Carnival Corporation and Carnival plc (collectively known as "Carnival Corporation & plc") through a number of contracts and through amendments to Carnival Corporation's articles of incorporation and by-laws and to Carnival plc's memorandum of association and articles of association. The two companies have retained their separate legal identities, however, they operate as if they were a single economic enterprise. Each company's shares continue to be publicly traded; on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange for Carnival plc. In addition, Carnival plc American Depository Shares are traded on the NYSE. The contracts governing the DLC structure provide that Carnival Corporation and Carnival plc each continue to have separate boards of directors, but the boards and senior executive management of both companies are identical. Under the contracts governing the DLC the Carnival Corporation & plc consolidated earnings accrue equally to each unit of Carnival Corporation stock and each Carnival plc share.

In order to provide the Carnival Corporation and Carnival plc shareholders with the most meaningful picture of their economic interest in the DLC formed by Carnival Corporation and Carnival plc, consolidated financial statements and management commentary of Carnival Corporation & plc have been included in the Carnival Corporation & plc 2005 Annual Report. The consolidated Carnival Corporation & plc financial statements have been prepared under purchase accounting principles whereby the DLC transaction has been accounted for as an acquisition of Carnival plc by Carnival Corporation. These consolidated Carnival Corporation & plc financial statements have been prepared under U.S. GAAP on the basis that all significant financial and operating decisions affecting the DLC companies are taken on the basis of U.S. GAAP information and consequences.

The standalone Carnival plc UK GAAP Summary Financial Information is required to satisfy statutory reporting requirements in the UK and does not include the results or net assets of Carnival Corporation. However, the directors consider that within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is by reference to the U.S. GAAP financial statements of Carnival Corporation & plc, which are included in the Carnival Corporation & plc 2005 Annual Report that accompanies this document.

Carnival plc has a single business of operating cruise ships and North American related landside assets under various brand names as follows: Holland America Tours and Princess Tours in North America, Costa, P&O Cruises, Swan Hellenic, Ocean Village and AIDA Cruises in Europe and P&O Cruises (Australia) in Australia and New Zealand. In addition, Carnival plc operates the Cunard brand, approximately 60% of the results of which are generated in North America with the remainder primarily arising in Europe.

2. Loss on disposal of ships

During 2005 as part of a redeployment of vessels between the UK and North America, Carnival plc sold the Adonia to Princess Cruises. The sale resulted in a UK GAAP loss of \$12.6m for Carnival plc. In the Carnival Corporation & plc consolidated financial statements no loss arose because the transfer was between companies within the DLC.

On December 14, 2005, Carnival plc entered into an agreement to sell the Pacific Sky. The net sale proceeds will be approximately \$19.4m less than the UK GAAP carrying value, and thus a provision in anticipation of the disposal has been made in the 2005 results. The U.S. GAAP Pacific Sky carrying value is less than the net sale proceeds and, accordingly, no provision in anticipation of disposal was recorded in the 2005 Carnival Corporation & plc consolidated financial statements.

3. Merchant Navy Officers Pension Fund ("MNOFF")

A number of Carnival plc's operating companies are participating employers in the MNOFF, an industry-wide multiemployer defined benefit pension scheme. The New Section of the fund, which is closed to new membership, has an actuarial deficit, however the extent of each employers' liability for any ultimate deficit is uncertain. Following a March 2005 court ruling the Carnival plc group ("the Group") is currently estimated to be liable for approximately 2.5% of any fund deficit, after apportionment to Princess Cruise Lines Ltd for participation by its employees in the fund. At March 31, 2003, the date of the most recent formal actuarial valuation of the New Section, prepared by the MNOFF's actuary, the Group's estimated 2.5% share of the fund deficit was approximately \$7.6 million, assuming a 7.8% discount rate. During August 2005 the Group received invoices from the MNOFF trustee requiring payment over the next ten years of \$11.0m, representing the trustee's revised estimate, at that time, of the Group's share of the deficit. At November 30, 2005, Carnival plc's independent actuary informally updated the March 31, 2003 valuation for UK accounting purposes, and estimated that the Group's share of New Section deficit could increase to \$29m, assuming a 4.8% discount rate. *The amount of the fund deficit could vary considerably if different assumptions and/or estimates were used in its calculation. It is possible that the fund's trustee could invoice the Group for additional amounts in the future for various reasons, including if they believe the fund requires further funding.* In the Carnival Corporation & plc consolidated financial statements a provision of \$23m was made, which represents the MNOFF trustee's calculation of its share of the entire MNOFF liability. Further details of the circumstances of this pension scheme are included in note 13 to the Carnival Corporation & plc 2005 Annual Report.

CARNIVAL PLC DIRECTORS' REMUNERATION REPORT

This report forms part of the audited consolidated financial statements of Carnival plc for the financial year ended November 30, 2005. Carnival plc and Carnival Corporation are separate legal entities (together referred to in this report as "Carnival Corporation & plc") and each company has its own board of directors and Compensation Committee. However, as is required by the agreements governing the dual listed company ("DLC") structure, there is a single management team and the boards of directors and members of the committees of the boards are identical.

This report has been drafted in compliance with the *Directors' Remuneration Report Regulations 2002* incorporated into the UK Companies Act 1985 and with the July 2003 Combined Code on Corporate Governance (the "Combined Code"). Sections 1 to 7 below comprise the "auditable part" of this report.

Sterling and Euro denominated amounts are converted to U.S. dollar amounts at the average exchange rates for the year ended November 30, 2005 of £1:\$1.836 (2004—£1:\$1.818) and Euro 1:\$1.258 (2004—Euro 1:\$1.235) unless otherwise stated.

The Compensation Committees

The members of the Compensation Committees are Modesto A. Maidique (chairman), Sir John Parker and Richard J. Glasier, all of whom the boards consider to be independent non-executive directors as explained in the Carnival plc Corporate Governance Report attached as Annex C of the proxy statement to which this report is annexed.

The Compensation Committees determine the compensation policy and the compensation payable to the executive directors and senior executives of Carnival plc, including annual performance related bonuses, grants of share options and share awards under incentive plans within the terms of reference contained in the charter of the Compensation Committees approved by the boards. Compensation of the executive directors is determined following consultation with the Chairman. The Chairman ensures that contact is maintained with principal shareholders on remuneration issues in the same way as with other matters.

To assist in reaching their decisions, the Compensation Committees have access to survey information and independent advice where the Compensation Committees determine this is required. Watson Wyatt Worldwide ("Watson Wyatt"), who were appointed by the Compensation Committees, continued to provide advice to the Compensation Committees on executive remuneration during the 2005 financial year.

Watson Wyatt Limited, a related company of Watson Wyatt, provides actuarial advice and administrative services in relation to the UK pension schemes to Carnival plc and advice on share incentive plans to Carnival Corporation and Carnival plc.

Policy on Directors' Remuneration

Carnival Corporation & plc is a global company with executives working and living in different parts of the world, with the substantial majority of senior employees located in the U.S., and most of the remainder in the UK and Italy. As a global entity it is challenging to establish consistent compensation practices across geographic and corporate lines that satisfy the particular requirements of all jurisdictions. For example, approximately 95% of annual share option grants are made to Carnival Corporation & plc executives outside the UK, and only one executive director is resident outside the U.S. Therefore, since the largest presence of executives is in the U.S., U.S. compensation practice shapes group compensation policy. However, the Compensation Committees seek to incorporate UK compensation principles, including those contained in the Combined Code, as far as practicable, unless the application of those principles would be uncompetitive in the U.S. or other markets, would result in substantial inconsistencies within the Carnival Corporation & plc group, or would restrict the Carnival Corporation & plc group's ability to transfer executives between brands. The overall remuneration objective is to pay high rewards for the continued delivery of high performance from a moderate base salary.

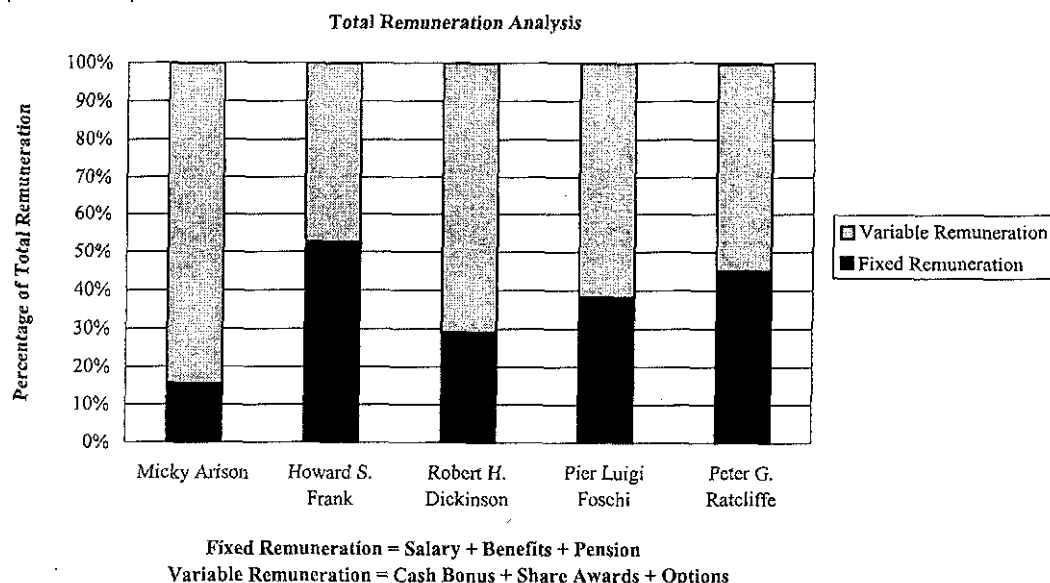
EXECUTIVE DIRECTORS

In accordance with U.S. practice, compensation arrangements for the executive directors are determined on an individual basis in order to ensure recruitment and retention of candidates with the necessary experience and skill, taking account of their individual compensation history, as well as local geographical market factors.

The objectives of the Compensation Committees as regards executive director remuneration for 2005 and subsequent financial years, are to create executive compensation packages that are competitive with compensation payable by a comparable group of U.S. peer companies (being companies of similar size in the entertainment, hospitality and media industries) (the "Comparative Group"), as well as to provide both short-term rewards and long-term incentives for positive individual and corporate performances. The overall objective for compensating executives, including equity-based compensation, is to position total potential compensation, if performance warrants, at about the 75th percentile of the Comparative Group.

The main components of remuneration for executive directors, and where applicable, the performance criteria on which they are based, are set out below. The principles applied by the Compensation Committees are that a high proportion of the total remuneration package to executive directors will be delivered through performance-related reward in the form of performance-related cash bonuses and share-based incentive plans. The share-based incentive plans are designed to align the interests of participants with those of the shareholders and to support retention of the executive directors. The Compensation Committees seek to ensure that the operation of the plans in practice is consistent with their overall objectives, recommending changes to achieve this if necessary.

The key components of the remuneration of the executive directors and senior executives are base salary, annual performance-related bonus, share-based incentives and pensions. The following chart shows the relative values of fixed and variable elements of the remuneration of executive directors of Carnival Corporation & plc in 2005:



The fixed and variable components of the remuneration shown in the above table were calculated using actual salary, benefits and performance-related bonuses, the face value of share awards and expected value of options awarded in respect of the financial year ended November 30, 2005. The expected value of the options is calculated using the Black-Scholes option pricing model. The approach used in developing the assumptions upon which the Black-Scholes valuation was done is consistent with the requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

Base salaries

Overall, the base salaries of the executive officers, including the base salary of the Chief Executive Officer, are set at a level the Compensation Committees believe to be at approximately the 50th percentile of the *Comparative Group*. *Internal relativities and salary levels in the comparable employment market* are also taken into account.

Annual performance-related bonuses

The performance-related annual bonus is the most important cash compensation feature of executive compensation as a reward for contributions made towards achieving Carnival Corporation & plc's goals, including profitability. Annual bonus payments are intended to reward positive short-term individual and corporate performance. The emphasis on the annual discretionary bonus for the executive directors and senior executives allows Carnival Corporation & plc greater flexibility in rewarding favourable individual and corporate performance than is possible under a salary-oriented structure. The Compensation Committees' objective is to position total cash compensation of executives, comprising annual bonus and base salary, at approximately the 75th percentile, if performance warrants, of the *Comparative Group*. Consistent with these goals, no upper limits are attached to annual bonuses, with the exception of that paid to Mr. Foschi whose bonus increase is capped at 20% of his base year bonus of Euro 669,000.

The Compensation Committees determined the bonuses for executive directors for 2005 on the basis set out in the table below:

<u>Director</u>	<u>Performance measure</u>
Micky Arison Chief Executive Officer of Carnival Corporation & plc	Based on the net income of Carnival Corporation & plc, individual performance of the executive in meeting the personal targets set by the Compensation Committees and return on invested capital.
Robert H. Dickinson President and Chief Executive Officer of Carnival Cruise Lines division of Carnival Corporation	Based primarily on return on invested capital of Carnival Cruise Lines reaching certain pre-determined levels pursuant to the terms of the Carnival Cruise Lines Management Incentive Plan.
Pier Luigi Foschi Chief Executive Officer of Costa Crociere S.p.A. ("Costa")	Base bonus of Euro 669,000, and an amount based on the year-on-year percentage increase in consolidated net income of Costa.
Howard S. Frank Chief Operating Officer of Carnival Corporation & plc	Based on the net income of Carnival Corporation & plc, individual performance of the executive in meeting the personal targets set by the Compensation Committees and return on invested capital.
Peter G. Ratcliffe Chief Executive Officer of P&O Princess Cruises International	Based on a percentage of net income of the following brands: Cunard Line, Ocean Village, P&O Cruises, P&O Cruises (Australia), P&O Travel, Princess Cruises, Princess Tours and Swan Hellenic.

With the exception of Carnival Cruise Lines, the financial performance criteria relative to each business are those that have been applied historically in those businesses and are designed to be competitive in the markets where those businesses operate.

The Carnival Cruise Lines Management Incentive Plan was amended during 2005 so that the level of bonuses under the plan would primarily be determined by the return on invested capital reaching certain predetermined levels pursuant to the terms of the plan, as opposed to net income. The amendment to the plan rewarded prudent capital investment and resultant high return.

In line with U.S. practice, the cash bonuses of Howard S. Frank and Robert H. Dickinson form part of their pensionable earnings. The bonuses of Micky Arison and Peter G. Ratcliffe do not form part of their pensionable earnings.

Long-term incentive plans

The Carnival Corporation & plc share-based incentive plans are intended to provide executives with longer term incentives in the form of share options and awards, which appreciate in value with continued favourable future performance of Carnival Corporation & plc. The purpose of the plans is to create incentives by providing an opportunity to senior employees who are important to the success and growth of the business of Carnival Corporation & plc to own either Carnival Corporation or Carnival plc ordinary shares.

The Compensation Committees' policy is to make grants of share options and awards that will accord with the historical practice of each business unit, requirements of local law and practice in which a business unit operates, and as necessary to maintain competitiveness in the local employment market. Given that approximately 95% of annual share option grants are made to Carnival Corporation & plc executives located outside the UK, the Compensation Committees have determined that, from a business standpoint, it would be difficult to fully adopt UK practice relating to share options and awards.

Accordingly, in line with market practice in the U.S., the terms of the various Carnival Corporation & plc equity-based plans, details of which are described below, do not include the Combined Code requirement that corporate performance conditions be applied to the vesting of options and share awards. The application of performance conditions is entirely within the discretion of the Compensation Committees. The only exception is that performance conditions continue to apply to the matching shares under the Carnival plc Deferred Bonus and Co-Investment Matching Plan described below.

Annual grants and awards to executive directors under the Carnival Corporation & plc equity-based incentive plans are determined by the Compensation Committees after taking account of the overall financial performance of the Carnival Corporation & plc group in the previous financial year and the personal contribution that each executive has made to the development of strategy to deliver future growth, the ongoing creation of a competitive cost structure, and the overall corporate success of the Carnival Corporation & plc group through the spread of best practice.

The long term incentive plans currently in operation by Carnival Corporation & plc are as follows:

- Carnival plc Deferred Bonus and Co-Investment Matching Plan;
- Carnival Corporation 2002 Stock Plan;
- Carnival plc 2005 Employee Share Plan; and
- Carnival plc Executive Share Option Plan.

Carnival plc Deferred Bonus and Co-Investment Matching Plan

Peter G. Ratcliffe, the only participating director of Carnival plc and other senior executives of Carnival plc and its subsidiaries participate in the Carnival plc Deferred Bonus and Co-Investment Matching Plan, except that from April 17, 2003, Mr. Ratcliffe no longer received matching awards as described below. A percentage of their annual bonus is mandatorily delivered in the form of Carnival plc share awards that are retained in a trust for a three-year period. During this period, participants in the plan have no right to vote. The level of mandatory deferral for Mr. Ratcliffe in 2005 was 50% of his annual bonus.

Senior executives below board level may choose to invest all or part of their post-tax cash bonus, or funds from their own resources, into the plan ("invested shares") subject to a maximum limit on the amount invested in the plan in any one year of 75% of base salary. In addition, they may be granted a matching award, which is subject to an earnings per share ("EPS") growth performance condition.

The vesting of matching awards is subject to Carnival Corporation & plc's EPS growth over the three year retention period:

<u>Carnival Corporation & plc's EPS Growth</u>	<u>% of matching award capable of release or exercise</u>
50% and greater	100%
15%	25%
Below 15%	0%

Where Carnival Corporation & plc's EPS growth is between 15% and 50%, the percentage of a matching award which is capable of exercise is calculated on a straight line basis between 25% and 100%. The Compensation Committee determines whether the performance target has been satisfied by comparing Carnival Corporation & plc's EPS (calculated in accordance with applicable U.S. GAAP accounting standards) of the financial year ending immediately prior to the financial year in which the grant date falls with the EPS for the last financial year of the retention period. The EPS growth performance measure was selected by the Compensation Committee on the establishment of the plan in 2000 in accordance with market practice, and in line with shareholder requirements at the time.

Carnival Corporation 2002 Stock Plan

Under the Carnival Corporation 2002 Stock Plan, the Carnival Corporation Compensation Committee may issue share options, restricted shares and restricted share units to selected employees, directors, consultants and advisors who are important to the success of Carnival Corporation & plc. The Carnival Corporation Compensation Committee has the discretion to determine the persons to whom awards are granted, the type of award, the number of shares to be covered by each award and, with respect to options, the exercise price.

Share options

Options are generally granted at or above market value and vest according to a schedule set by the Compensation Committee with an expiration date not more than ten years after the date of the grant. Options granted to executive directors outstanding at November 30, 2005 vest in equal instalments over a five-year period beginning one year from the date of grant.

Restricted share and restricted share units

The grant or the vesting of an award of restricted shares and restricted share units may be made conditional upon service to a member of Carnival Corporation & plc or any of its affiliates or the attainment of performance goals or other factors. Generally, restricted shares and restricted share units granted to executive directors outstanding at November 30, 2005 vest five years from the date of grant. Holders of an award of restricted shares have all of the rights of a shareholder of Carnival Corporation, including the right to vote, but holders of an award of restricted share units do not have such rights. The Compensation Committee has discretion to determine whether dividends with respect to restricted shares will be paid to the participant or withheld by Carnival Corporation and credited upon release, and interest may be credited on such dividends at a rate determined by the Compensation Committee. If the shares were forfeited, the participant would also forfeit his or her right to any dividends attributable. The Compensation Committee has discretion to determine whether dividend equivalents with respect to restricted share units (being equal to cash and share dividends on the shares represented by the restricted share units) will be paid to the participant or withheld by Carnival Corporation, whether interest may be credited on such dividend equivalents at a rate determined by the Compensation Committee, as well as whether the award will be settled in cash or by shares. If the restricted shares are forfeited, the participant would also forfeit his or her right to any dividend equivalents attributable.

As restricted share awards and restricted share units may only be forfeited in limited circumstances, they are regarded as remuneration for the year of award and, therefore, the 2005 awards are disclosed in the executive directors' remuneration table below.

Carnival plc 2005 Employee Share Plan

The Carnival plc 2005 Employee Share Plan (the "PLC Share Plan"), which was approved by shareholders on April 13, 2005, replaced the Carnival plc Executive Share Option Plan, and no further options will be granted under that plan. The PLC Share Plan is designed for maximum flexibility as to the types of options and other share awards that may be granted to employees and executive directors. The PLC Share Plan allows the Compensation Committee to tailor equity compensation policies for the various operating companies under Carnival plc that are competitive in their respective employment markets, as well as strengthen Carnival plc's ability to recruit and retain talented employees and more closely align their interests with those of shareholders. The Compensation Committee is aware that the terms of the PLC Share Plan are not wholly consistent with UK practices, but consider it highly relevant that approximately 95% of the annual awards made to executives of the Carnival Corporation & plc group under the share based plans of Carnival Corporation & plc are made to executives outside of the UK.

All employees of Carnival plc and its subsidiaries are eligible to participate in the PLC Share Plan at the discretion of the Compensation Committee, however awards are granted primarily to management (including executive directors).

The Compensation Committee may award annual grants of share options, or awards of restricted shares or restricted share units separately, or in any combination that the Compensation Committee decides. The value of an award to be granted to any individual will be determined taking into account an individual's present and potential contribution to the success of Carnival Corporation & plc and the market practice for companies with global operations in the country where the participants are based. Whilst the PLC Share Plan does not place an individual limit on the value of share options and awards that may be granted to the executive directors in any year, the Compensation Committee is guided by the compensation policy described above.

Share options

The terms and conditions under which options are granted generally mirror those of the Carnival Corporation 2002 Stock Plan described above with the exception that options may also be granted over American Depositary Shares (ADSs), each representing one ordinary share of Carnival plc, where appropriate for U.S.-based executives.

Restricted share and restricted share units

The terms and conditions under which restricted shares and restricted share units are awarded, mirror those of the Carnival Corporation 2002 Stock Plan described above.

The Combined Code provides that shares granted to directors should not vest, and options should not be exercisable, in less than three years. The terms of the plan give flexibility to the Compensation Committee to determine the vesting schedule applicable to share options and awards.

The Combined Code also provides that grants under all incentive plans should be subject to challenging performance criteria reflecting the company's objectives. In accordance with U.S. practice and consistent with historical practice in relation to the Carnival Corporation 2002 Stock Plan, the Compensation Committee has discretion to determine whether the grant or vesting of share options and awards under the plan will be subject to performance targets. In determining whether performance targets shall apply, the Compensation Committee will have regard to the local practice in the country in which the participant is based.

Carnival plc Partnership Share Scheme

The Carnival plc Partnership Share Scheme (formerly known as the P&O Princess Cruises Partnership Share Scheme) approved by shareholders at the 2001 annual general meeting of Carnival plc (formerly P&O Princess Cruises plc) was expected to be implemented in 2005. However, after careful consideration it was decided that the Carnival plc Partnership Share Scheme would not be implemented.

Stock Purchase Plan

Carnival plc 2005 Employee Stock Purchase Plan

The Carnival plc 2005 Employee Stock Purchase Plan ("ESPP") was approved by shareholders at the annual general meeting held on April 13, 2005. The ESPP enables employees of Carnival plc and designated subsidiaries, to the extent the ESPP is offered to employees, to purchase American Depositary Shares (ADSs) of \$1.66 each in Carnival plc on a semi-annual basis at approximately a 15% discount to market value, up to an annual maximum individual purchase limit of \$17,647. The maximum total number of ADSs, which may be purchased pursuant to the ESPP, is 2,000,000 ADSs.

Service contracts

It is the policy of the Compensation Committees for executive directors to have notice periods of not more than 12 months in duration. Following U.S. accepted practice on remuneration as stated above, the policy of the Compensation Committee of Carnival Corporation has been not to enter into service contracts with U.S. executive directors, but to enter into individual compensation arrangements. The Compensation Committees will continue to have regard to the individual circumstances of each case taking account of best practice in the UK and the U.S. and the expected cost to Carnival Corporation & plc of any termination of a director's employment arrangements. Details of individual termination arrangements are set out below:

<i>Executive director</i>	<i>Effective date of service contract</i>	<i>Unexpired term of contract from November 30, 2005</i>	<i>Notice period</i>	<i>Compensation for loss of office</i>
Micky Arison	None ⁽¹⁾	None	None	None
Howard S. Frank	None ⁽¹⁾	None	None	None
Robert H. Dickinson	None ⁽¹⁾	None	None	None
Pier Luigi Foschi	Dec. 1, 2004	12 months	12 months	1x annual base salary and bonus
Peter G. Ratcliffe	April 17, 2003 ⁽²⁾	Term continues until termination of contract	12 months	1x annual base salary and bonus

(1) Messrs. Arison, Frank and Dickinson only have Executive Long-Term Compensation Agreements. Nothing in those agreements confers a right to be employed by Carnival Corporation and no notice period to terminate the agreements applies.

(2) Amended on July 19, 2004.

In accordance with U.S. practice, Micky Arison, Howard S. Frank and Robert H. Dickinson have no service contract and no entitlement to severance except for retention of unvested options and restricted share awards. Only Pier Luigi Foschi and Peter G. Ratcliffe have service contracts. In line with U.S. practice, annual bonus forms part of the severance for Peter G. Ratcliffe and Pier Luigi Foschi.

Vesting of options and share awards on termination of an executive director's contract is dependent upon the reasons the contract is terminated. Under the Carnival plc 2005 Employee Share Plan and Carnival Corporation 2002 Stock Plan, all share options and share awards, not vested at the time of termination, will lapse with the exception of retirement. In the case of retirement, depending on the director's years of service and age, the options will vest according to the vesting schedule. In the case of the Deferred Bonus and Co-Investment Matching Plan, share awards and matching awards are generally subject to the provisions of the plan until the end of the retention period. The matching awards will vest pro rata for the proportion of the performance period for which the director served. However, upon resignation, all share awards and matching awards will lapse. Share awards granted within 12 months immediately prior to termination are exercisable within three months from termination and related matching awards shall lapse. The aforementioned applies unless the Compensation Committees determine otherwise.

Pensions

Carnival Corporation & plc operates various group pension schemes for its executives in which the executive directors also participate. Under the Carnival plc pension schemes, retirement benefits are based solely on base salary and no other emoluments are pensionable in line with UK best practice. Under the Carnival Corporation schemes, cash bonuses form part of pensionable earnings in addition to base salary.

Robert H. Dickinson and Howard S. Frank participate in the Carnival Corporation Non-Qualified Retirement Plan for Highly Compensated Employees as disclosed under the section entitled "Defined Benefit and Other Plans" in the proxy statement. Messrs. Dickinson and Frank also participate in the Carnival Corporation Supplemental Executive Retirement Plan as also described under that section. Carnival Corporation has also established the Carnival Corporation Fun Ship Nonqualified Savings Plan, which is a defined contribution plan. Robert H. Dickinson and Howard S. Frank pay certain deferred bonus amounts into the Carnival Corporation Fun Ship Nonqualified Savings Plan. No company contributions are made on their behalf into this plan.

The Carnival Corporation Non-Qualified Retirement Plan for Highly Compensated Employees provides an early retirement benefit at age 55 after completion of 15 years of service, subject to a reduction of 0.5% for each month that distribution of benefits precedes the participants' normal retirement date. The Carnival Corporation Supplemental Executive Retirement Plan provides an early retirement benefit at age 55 after completion of 15 years service, subject to a reduction of 3% for each year that the participant retires before age 65.

Peter G. Ratcliffe participates in the P&O Princess Cruises Pension Scheme, a HM Revenue & Customs approved defined benefit scheme as well as the Princess Cruises Supplemental Executive Retirement Plan in the U.S. under which Mr. Ratcliffe receives a supplement in the case where benefits from the P&O Princess Cruises Pension Scheme are deficient to pay his pension entitlement. Mr. Ratcliffe is also a member of the Princess Cruises Retirement Savings Plan in the U.S., which is a defined-contribution 401(k) plan.

Under the P&O Princess Cruises Pension Scheme, in the event of compulsory early retirement, or voluntary early retirement after the age of 55, Peter G. Ratcliffe would receive a minimum pension of two thirds of final salary subject to HM Revenue & Customs limits.

Mr. Foschi has no company pension arrangements with Carnival Corporation & plc.

NON-EXECUTIVE DIRECTORS

Service contracts

Non-executive directors do not have service contracts, but instead have a letter of appointment setting out the services they are to provide to Carnival Corporation & plc and the other terms and conditions of their appointment. Their appointments and subsequent appointments are subject to annual election and re-election by shareholders.

On December 1, 2004, Holland America Line Inc. ("HAL") entered into a letter agreement with Mr. Lanterman regarding the terms of his employment for the month of December 2004 (the "December Employment Agreement"). Pursuant to the December Employment Agreement, Mr. Lanterman was paid \$62,500, less applicable taxes and other standard deductions, including, but not limited to, medical insurance premiums and previously authorized 401(k) contributions, if any. In accordance with the December Employment Agreement, Mr. Lanterman resigned as a HAL employee effective December 31, 2004.

In addition, HAL entered into a Consulting Agreement (the "Consulting Agreement") with Mr. Lanterman. Under the terms of the Consulting Agreement, Mr. Lanterman will serve as non-executive Chairman of HAL. During the term, Mr. Lanterman will provide such consulting services and other assistance as may be required by HAL's President on strategic, financial and historical analyses and other various services that are specified by HAL's President, up to a maximum of 1,000 hours annually. The initial term of the Consulting Agreement was from January 1, 2005 through November 30, 2005 and pursuant to the terms of the agreement, renewed automatically for a further 12 months. The Consulting Agreement will not be extended beyond November 30, 2006.

During the financial year 2005, Mr. Lanterman received compensation of approximately \$722,000 under the terms of the Consulting Agreement. He does not participate in any incentive compensation plans offered by HAL or any affiliate of HAL, but is eligible for medical and dental insurance and certain other benefits. The Consulting Agreement contains confidentiality and indemnification provisions and may be terminated by HAL for good cause or upon the death or disability of Mr. Lanterman. HAL has also agreed

to indemnify Mr. Lanterman from any losses arising from his provision of the consulting services subject to the Consulting Agreement, subject to customary exceptions. At the end of the term of the Consulting Agreement, no further severance or other payments shall be provided to Mr. Lanterman, except as set forth in the Retirement and Consulting Agreement between Mr. Lanterman and HAL as described below.

Non-executive directors are entitled to receive a basic annual fee of \$40,000 a year, an attendance fee per board meeting of \$5,000 (\$2,000 if meeting attended by telephone), equity compensation in the form of options to acquire shares of Carnival Corporation common stock, restricted shares and/or restricted share units and reimbursement for travel, meals and accommodation expenses attendant to their board membership. If Carnival Corporation & plc requests that the directors' spouses attend a special event, directors are reimbursed for travel expenses incurred. In addition, non-executive directors receive further compensation for serving as chairman or member of a board committee as follows:

	Retainer		Attendance fee	
	Chair \$	Member \$	In person \$	By telephone \$
Audit Committees	15,000	7,500	3,000	1,500
All other Committees	7,500	3,750	2,500	1,250

For purposes of calculating fees, a board or committee meeting of Carnival Corporation and a concurrent or related board or committee meeting of Carnival plc constitute a single meeting.

Until October 18, 2005, Baroness Hogg and Sir John Parker also received an additional \$5,000 for each board meeting held outside the UK attended in person as part compensation for not accepting share options. Effective October 18, 2005, this additional board compensation was suspended in exchange for receiving restricted shares awards, as further described below.

In accordance with prevailing remuneration practice in the U.S., non-executive directors have historically received an annual grant of share options in Carnival Corporation as part of their compensation under the terms of the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan described below. In accordance with UK best practice, Baroness Hogg and Sir John Parker have elected not to receive share options.

Pensions

The non-executive directors do not receive any pension benefits. However, in 1999 and years prior thereto, Mr. Lanterman deferred receipt of a portion of his annual bonus. In exchange, Carnival Corporation and Mr. Lanterman entered into a Retirement and Consulting Agreement, which provides that Carnival Corporation will pay him the deferred bonus amounts plus interest in monthly instalments over the 15 years following his retirement, which commenced on January 1, 2005.

Share Ownership Guidelines

In October 2004, the boards approved minimum share ownership guidelines for non-executive directors to be achieved by October 2007. Pursuant to the guidelines, all non-executive directors should own at least 5,000 shares of either Carnival Corporation common stock or Carnival plc ordinary shares.

Product Familiarization

All non-executive directors are encouraged to take a cruise for up to 14 days per year for product familiarization and pay a fare of \$35 per day for such cruises. Guests traveling with the non-executive director in the same stateroom will each be charged a fare of \$35 per day. All other charges associated with the cruise (e.g., air fares, government fees and taxes, gratuities, ground transfers, tours, etc.) are the responsibility of the non-executive director.

LongTerm Incentive Plan

Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan

On April 13, 2005, the shareholders approved amendments to the Carnival Corporation 2001 Outside Director Stock Option Plan, renamed the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan (the "Outside Director Stock Plan"), primarily permitting awards of restricted shares and restricted share units, in addition to share options, and permitting the Compensation Committee to grant any combination thereof, to non-executive directors at its discretion.

Each non-executive director elected or appointed to the boards of directors annually receives an award representing 10,000 "points". Each option to purchase one share represents one point and each share of restricted share award and each restricted share unit represents four points.

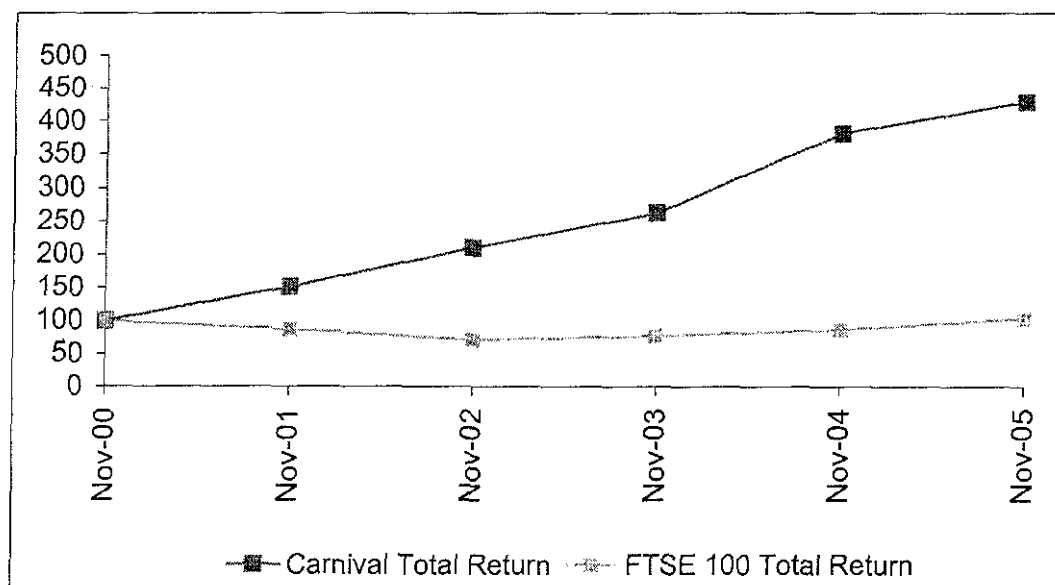
The maximum number of shares that may be subject to awards under the Outside Director Stock Plan is 1,000,000.

The exercise price of each option granted under the Outside Director Stock Plan is equal to the market price of a share of common stock on the date an option is granted. Options granted under the plan vest and become exercisable in five equal annual instalments beginning on the first anniversary of the grant date and expire ten years from the date of grant. Awards of restricted shares and restricted share units shall be granted on the same vesting schedule as share options. No performance conditions are applied to the vesting of options and share awards.

Mr. Lanterman has agreed not to receive compensation for his services as a non-executive director and, as a result, does not receive any share options or awards under the Outside Director Stock Plan. In addition, Baroness Hogg and Sir John Parker, as UK directors, have elected not to receive share options under the plan in accordance with UK best practice. They have, however, accepted restricted share awards under the plan.

Total Shareholder Return

The graph below represents the total shareholder return performance of Carnival plc from November 30, 2000 to November 30, 2005. For comparison, the graph also shows the total shareholder return of the FTSE 100 index. As the FTSE 100 index is more closely aligned to Carnival plc in terms of its size and stage of development, this index has been selected in preference to the FTSE All Share index previously used.



Source: Datastream

REMUNERATION OUTCOME DURING 2005

The following sections contain detailed information on the remuneration of directors during the year ended November 30, 2005. The information set out in Sections 1 to 7 below has been subject to audit.

1. Directors' Emoluments

Executive Directors

The remuneration of the executive directors of Carnival Corporation and Carnival plc for the 2005 financial year, excluding pension benefits, is set out in the following table:

	2005					2004
	Base Salary \$000	Annual Performance Cash Bonus \$000	Share Awards/Units \$000	Benefits \$000 ⁽³⁾	Total \$000	Total \$000
Micky Arison	800	2,900 ⁽¹⁾	3,218 ⁽²⁾	424	7,342	6,965
Robert H. Dickinson	741	1,594	2,070 ⁽²⁾	160	4,565	3,780
Howard S. Frank	700	2,800	2,682 ⁽²⁾	198	6,380	5,989
Pier Luigi Foschi ⁽⁴⁾	1,097	979	544 ⁽²⁾	237	2,857	2,164
A. Kirk Lanterman ⁽⁵⁾	—	—	—	—	—	2,585
Peter G. Ratcliffe	1,100	902 ⁽⁶⁾	1,420 ⁽²⁾⁽⁷⁾	111 ⁽⁸⁾	3,533	3,434 ⁽⁹⁾

(1) Pursuant to Mr. Arison's request, Carnival Corporation donated \$2.5 million of Mr. Arison's 2005 bonus to the Partnership for Recovery, Inc., Florida Hurricane Relief Fund, Save the Children and My Key West Emergency Relief Fund established by the Community Foundation of the Florida Keys to aid in hurricane relief efforts.

(2) Messrs. Arison, Dickinson, Frank and Ratcliffe were each awarded restricted share awards/units under the Carnival Corporation 2002 Stock Plan over 60,000, 40,000, 50,000 and 10,000 shares in Carnival Corporation common stock respectively. The value of the shares/units awarded has been calculated by reference to the closing market price at the date of grant, being \$53.64, \$51.76, \$53.64 and \$51.83, respectively. Mr. Foschi was awarded restricted share units under the Carnival plc 2005 Employee Share Plan. The value of the units awarded to Mr. Foschi has been calculated by reference to the closing market price at the date of grant, being £31.24, translated into U.S. dollars at the exchange rate of \$1.74=£1. The shares/units awarded are not subject to forfeiture and are therefore regarded as remuneration for the year of award. These restricted share awards/units are included in the table of directors' interests disclosed below. Details of the Carnival Corporation 2002 Stock Plan and Carnival plc 2005 Employee Share Plan are set out above.

(3) Represents the estimated value of benefits-in-kind including personal use of corporate aircraft, personal air travel, chauffeur, car, personal use of sporting event tickets, private health insurance, private club membership, life insurance premiums, and tax return preparation and tax planning services provided by a third party. No director was paid expense allowances chargeable to UK income tax in respect of qualifying services.

(4) Mr. Foschi's compensation was paid in Euros.

(5) Mr. Lanterman became a non-executive director with effect from December 1, 2004.

(6) Represents 50% of Mr. Ratcliffe's 2005 bonus which is payable in cash. The other 50% of his annual bonus is payable in the form of Carnival plc share awards pursuant to the Carnival plc Deferred Bonus and Co-Investment Matching Plan described above and included in the next column under "Share Awards/Units".

(7) \$518,300 of the total value of share awards shown were granted to Mr. Ratcliffe as restricted share units under the Carnival Corporation 2002 Stock Plan as described in note 2 above. \$902,000 of the total value of share awards shown will be granted to Mr. Ratcliffe under the Carnival plc Deferred Bonus and Co-Investment Matching Plan as part of his annual bonus as described in note (6) above.

(8) Includes employee contributions made on behalf of Mr. Ratcliffe under the P&O Princess Cruises Pension Scheme.

(9) Total compensation for the year ended November 30, 2004 has been increased by \$54,000 to take into account employee contributions made on behalf of Mr. Ratcliffe under the P&O Princess Cruises Pension Scheme during the 2004 financial year.

During the 2005 financial year, Howard S. Frank and Robert H. Dickinson served as non-executive directors of companies outside the Carnival Corporation & plc group, for which they received fees totalling \$14,800 and \$4,000 (plus an option over 20,000 shares), respectively, which they retained.

Non-Executive Directors

The remuneration of the non-executive directors of Carnival Corporation and Carnival plc for 2005 is set out in the following table.

	2005				2004
	Fees \$000	Share Awards \$000	Other Emoluments \$000	Total \$000	Total \$000
Richard G. Capen, Jr	100	—	—	100	106
Arnold W. Donald	100	58 ⁽¹⁾	—	158	104
Richard J. Glasier ⁽³⁾	116	—	—	116	38
Baroness Hogg	83	117 ⁽¹⁾	10 ⁽²⁾	210	96
A. Kirk Lanterman	—	—	785 ⁽⁴⁾	785	—
Modesto A. Maidique	89	—	—	89	97
John P. McNulty ⁽⁵⁾	83	—	—	83	96
Sir John Parker	117	117 ⁽¹⁾	10 ⁽²⁾	244	114
Stuart Subotnick	122	117 ⁽¹⁾	—	239	125
Uzi Zucker	93	—	—	93	96

- (1) Arnold W Donald, Baroness Hogg, Sir John Parker and Stuart Subotnick were each awarded restricted share awards under the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan over 1,250, 2,500, 2,500 and 2,500 shares in Carnival Corporation common stock, respectively. The value of the shares awarded has been calculated by reference to the market value at the date of grant, being \$46.61. The shares awarded are not subject to forfeiture and are therefore regarded as remuneration for the year of award. These restricted share awards are included in the table of directors' interests disclosed below. The share options received by the non-executive directors, as opposed to restricted share awards, are disclosed below. Details of the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan are set out above.
- (2) Part compensation for not accepting share options.
- (3) Appointed effective July 20, 2004.
- (4) Compensation received pursuant to the Consulting Agreement with HAL and the December Employment Agreement as described above.
- (5) Reflects emoluments paid to Mr. McNulty up to the date of his death, November 17, 2005.

Former Executive Director Compensation

Upon the completion of the DLC transaction, Lord Sterling was appointed as Life President of P&O Cruises and Special Adviser to Micky Arison in his capacity as Chairman and CEO of Carnival Corporation & plc. As Special Adviser, Lord Sterling is entitled to fees for his services at a rate of £25,000 per annum payable in instalments in arrears.

2. Carnival plc Deferred Bonus and Co-Investment Matching Plan

Directors' interests in the Carnival plc Deferred Bonus and Co-Investment Matching Plan at the beginning and the end of the 2005 financial year are as follows:

	At Dec. 1, 2004	Grant ⁽¹⁾	At Nov. 30, 2005	Performance period end date ⁽³⁾
Peter G. Ratcliffe	26,608 ⁽²⁾	—	26,608 ⁽²⁾	Nov. 30, 2005
	8,863	—	8,863	Nov. 30, 2006
		14,812	14,812	Nov. 30, 2007

- (1) Mr. Ratcliffe was granted 14,812 share awards in respect of his 2004 bonus, in March 2005. The market price of each share comprising this award on the day of grant was £29.23 and the value of the share award was disclosed in the "Summary Compensation Table" in the proxy statement for the year ended November 30, 2004. The retention period for such awards ends on the announcement of the financial results of Carnival Corporation & plc for the year ending November 30, 2007.
- (2) Includes 13,304 matching awards granted to Mr. Ratcliffe, which are subject to the performance targets described above and a three-year retention period.
- (3) The performance period applicable to each award is three years.

3. Carnival Corporation 2002 Stock Plan

The number of shares of Carnival Corporation common stock subject to options at the beginning and end of the 2005 financial year for each executive director is as follows:

	Dec. 1, 2004	Granted	Exercised	Nov. 30, 2005 ⁽¹⁾	Actual/ Weighted average exercise price \$	Earliest date from which exercisable	Latest expiry date
Micky Arison	1,080,000	—	—	1,080,000	34.33 ⁽²⁾	Jan. 12, 1999	Oct. 18, 2014
		120,000	—	120,000	46.61	Oct. 18, 2006	Oct. 18, 2012
Robert H. Dickinson	576,000	—	(96,000)	480,000	37.08 ⁽²⁾	Aug. 1, 1999	Aug. 2, 2014
		80,000	—	80,000	52.19	Aug. 1, 2006	Aug. 1, 2015
Howard S. Frank	900,000	—	—	900,000	34.33 ⁽²⁾	Jan. 12, 1999	Oct. 18, 2014
		100,000	—	100,000	46.61	Oct. 18, 2006	Oct. 18, 2012
Peter G. Ratcliffe	50,000	—	—	50,000	43.61	April 21, 2005	April 21, 2014
		50,000	—	50,000	50.23	April 14, 2006	April 14, 2015

(1) There are no share options in respect of shares whose market price is below the option price as at November 30, 2005.

(2) Weighted average price.

Details of the Carnival Corporation share options exercised by executive directors in 2005 are as follows:

	Number exercised	Exercise price \$	Market price at date of exercise \$	Gain \$(⁽¹⁾)	Earliest date from which exercisable	Expiry date
Robert H. Dickinson	16,000	18.91	56.89	607,680	Aug. 1, 2004	Aug. 1, 2010
	16,000	18.91	51.86	527,200	Aug. 1, 2005	Aug. 1, 2010
	48,000	22.57	56.89	1,647,360	Oct. 8, 2002	Oct. 8, 2011
	16,000	22.57	51.86	486,640	Oct. 8, 2005	Oct. 8, 2011

(1) The total gain made by executive directors from share option exercises during the financial year ended November 30, 2005 was \$3.269 million (2004: \$6.267 million).

The highest and lowest prices of Carnival Corporation's common stock during the year ended November 30, 2005 were \$58.74 and \$46.55, respectively. The closing price of Carnival Corporation's common stock at November 30, 2005 was \$54.49.

4. Carnival plc 2005 Employee Share Plan

The number of Carnival plc ordinary shares subject to options at the beginning and end of the 2005 financial year for each executive director is as follows:

	Dec. 1, 2004	Granted	Nov. 30, 2005	Exercise price ⁽¹⁾	Exercisable date	Expiry date
Pier Luigi Foschi	—	21,200 ⁽²⁾	21,200	£29.33	April 14, 2008	April 14, 2015
	—	40,000 ⁽³⁾	40,000	£28.83	Oct. 18, 2006	Oct. 18, 2015

(1) There are no share options in respect of shares whose market price is below the option price as at November 30, 2005.

(2) Balance of Mr. Foschi's option entitlement over 50,000 ordinary shares for the year ended November 30, 2004.

(3) Due to the negative tax consequences on the granting of an award of shares of restricted Carnival Corporation common stock to Mr. Foschi, he was granted an option over ordinary shares in lieu of the restricted stock he historically would have received.

5. Carnival plc Executive Share Option Plan

The number of Carnival plc ordinary shares subject to options at the beginning and end of the 2005 financial year for each executive director is as follows:

	<u>Dec. 1, 2004</u>	<u>Nov. 30, 2005</u>	<u>Exercise price⁽¹⁾</u>	<u>Exercisable date</u>	<u>Expiry date</u>
Peter G. Ratcliffe	51,188	51,188	\$24.37	April 15, 2006	April 15, 2013
Pier Luigi Foschi	200,000	200,000	£25.48	Feb. 26, 2005	Feb. 26, 2012
	58,264	58,264	£28.50	Oct. 18, 2007	Oct. 18, 2014
	28,800	28,800	£28.50	Oct. 18, 2007	Oct. 18, 2014

(1) There are no share options in respect of shares whose market price is below the option price as at November 30, 2005.

The highest and lowest mid-market prices of Carnival plc's shares during the year ended November 30, 2005 were £32.71 and £26.37, respectively. The mid-market price of Carnival plc's shares at November 30, 2005 was £32.41.

6. Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan

The number of shares of Carnival Corporation common stock subject to options at the beginning and end of the financial year ended 2005 for each non-executive director is as follows:

	<u>Dec. 1, 2004</u>	<u>Granted</u>	<u>Exercised</u>	<u>Nov. 30, 2005</u>	<u>Actual/ Weighted average exercise price \$⁽¹⁾</u>	<u>Earliest date from which exercisable</u>	<u>Latest expiry date</u>
Richard G. Capen, Jr	54,000	—	—	54,000	38.18 ⁽²⁾	April 19, 2000	July 20, 2014
		10,000	—	10,000	46.61	Oct. 18, 2006	Oct. 18, 2015
Arnold W. Donald	34,000	—	—	34,000	33.06 ⁽²⁾	April 17, 2002	July 20, 2014
		5,000	—	5,000	46.61	Oct. 18, 2006	Oct. 18, 2015
Richard J. Glasier	10,000	—	—	10,000	45.92	July 20, 2005	July 20, 2014
		10,000	—	10,000	46.61	Oct. 18, 2006	Oct. 18, 2015
Modesto A. Maidique	48,000	—	—	48,000	39.83 ⁽²⁾	April 19, 2000	July 20, 2014
		10,000	—	10,000	46.61	Oct. 18, 2006	Oct. 18, 2015
John P. McNulty ⁽³⁾	16,000	—	—	16,000	41.62 ⁽²⁾	Oct. 13, 2004	Nov. 17, 2006
		10,000	—	10,000	46.61	Oct. 18, 2006	Nov. 17, 2006
Stuart Subotnick	34,000	—	—	34,000	33.06 ⁽²⁾	April 17, 2002	July 20, 2014
Uzi Zucker	28,000	—	(4,800)	23,200	36.26 ⁽²⁾	April 17, 2002	July 20, 2014
		10,000	—	10,000	46.61	Oct. 18, 2006	Oct. 18, 2015

(1) There are no share options in respect of shares whose market price is below the option price as at November 30, 2005.

(2) Weighted average price.

(3) The options granted to Mr. McNulty expire a year from the date of his death, November 17, 2005.

Details of the Carnival Corporation share options exercised by non-executive directors in 2005 are as follows:

	Number exercised	Exercise price \$	Market price at date of exercise \$	Gain \$(⁽¹⁾)	Exercisable date	Expiry date
Uzi Zucker	1,200	25.92	57.34	37,704	April 17, 2004	April 17, 2011
	1,200	22.57	57.34	41,724	Oct. 8, 2004	Oct. 8, 2011
	1,200	27.88	57.34	35,352	Dec. 2, 2004	Dec. 2, 2012
	1,200	34.45	57.34	27,468	Oct. 13, 2004	Oct. 13, 2013

(1) The total gain made by non-executive directors from share option exercises during the financial year ended November 30, 2005 was \$142,248 (2004: \$164,112).

The highest and lowest prices of Carnival Corporation's common stock during the year ended November 30, 2005 were \$58.74 and \$46.55, respectively. The closing price of Carnival Corporation's common stock at November 30, 2005 was \$54.49.

7. Pensions

Executive Directors

The contribution payable to the Princess Cruises Retirement Savings Plan in the U.S. described above by Carnival plc for Mr. Ratcliffe in respect of the 2005 financial year was \$12,590. In addition, employee contributions of \$54,400 were made on behalf of Mr. Ratcliffe under the P&O Princess Cruises Pension Scheme in respect of the 2005 financial year.

Details of the retirement benefits of executive directors arising from their participation in defined benefit pension arrangements are set out below:

	Accrued benefit ⁽¹⁾ at Nov. 30, 2005 \$000	Increase in accrued benefits including inflation \$000	Increase/ (decrease) in accrued benefits net of inflation \$000	Transfer value of increase in accrued benefits less inflation and net of directors' contributions \$000	Transfer value ⁽²⁾ at Dec. 1, 2004 \$000	Transfer value ⁽²⁾ at Nov. 30, 2005 \$000	Increase in transfer value net of directors' contributions \$000	Benefits paid during the year \$000
Micky Arison	129	3	(3)	(23)	930	1,031	101	0
Robert H. Dickinson	885	32	(8)	(87)	8,649	9,661	1,012	0
Howard S. Frank	1,446	445	398	4,858	11,360	17,648	6,288	0
Peter G. Ratcliffe	748	24	5	89	12,326	13,504	1,178	0

(1) The accrued benefit is that pension which would be paid annually on retirement at the normal retirement age under the various defined benefit schemes described above based on service to November 30, 2005.

(2) All transfer values have been calculated on the basis of actuarial advice in accordance with UK Actuarial Guidance Note GN11. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the directors' pension benefits. They do not represent sums payable to individual directors and, therefore, cannot be added meaningfully to annual remuneration.

Non-Executive Directors

Under Mr. Lanterman's Retirement and Consulting Agreement described above if he should die before the end of the 15 year period commencing on his retirement, the then present value of any unpaid balance of the total amount payable to Mr. Lanterman under the agreement would be paid to his estate following his death. In calculating the present value, an interest rate of 8.5% would be applied, being the rate of return agreed under Mr. Lanterman's Retirement and Consulting Agreement.

Details of the retirement benefits of non-executive directors arising from their participation in defined benefit pension arrangements are set out below:

	Accrued benefit at Nov. 30, 2005 \$000	Increase in accrued benefits including inflation \$000	Increase/ (decrease) in accrued benefits net of inflation \$000	Transfer value of increase in accrued benefits less inflation and net of directors' contributions \$000	Transfer value ⁽²⁾ at Dec. 1, 2004 \$000	Transfer value ⁽²⁾ at Nov. 30, 2005 \$000	Increase in transfer value net of directors' contributions \$000	Benefits paid during the year \$000
A. Kirk Lanterman	1,999 ⁽¹⁾	0	(94)	(939)	20,620	20,014	(606)	1,832

- (1) Under Mr. Lanterman's Retirement and Consulting Agreement described above he is entitled to annual payments of \$1,998,924 every year for a period of 15 years during his retirement.
- (2) The transfer value has been calculated on the basis of actuarial advice in accordance with UK Actuarial Guidance Note GN11. The transfer value of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the director's pension benefits. They do not represent sums payable to the director and, therefore, cannot be added meaningfully to annual remuneration.

8. Directors' Interests in Carnival Corporation common stock and Carnival plc ordinary shares

Details of the directors' interests are set out below:

Directors	Carnival plc		Carnival Corporation	
	Dec. 1, 2004	Nov. 30, 2005	Dec. 1, 2004*	Nov. 30, 2005*
Micky Arison ⁽¹⁾	—	—	205,424,443	187,094,943
Robert H. Dickinson ⁽²⁾	—	—	359,751	296,000
Howard S. Frank ⁽³⁾	—	—	351,189	329,717
Pier Luigi Foschi	—	—	—	—
Richard J. Glasier	—	—	—	3,000
A. Kirk Lanterman ⁽⁴⁾	—	—	170,662	166,702
Peter G. Ratcliffe	14,432 ⁽⁵⁾	—	27,974 ⁽⁶⁾	27,974 ⁽⁶⁾
Richard G. Capen, Jr ⁽⁷⁾	—	—	7,802	7,802
Arnold W. Donald ⁽⁸⁾	—	—	1,800	3,050
Baroness Hogg	1,874	1,874	—	2,500
Modesto A. Maidique	—	—	—	—
Sir John Parker	3,004	5,004 ⁽⁹⁾	—	2,500
Stuart Subotnick	—	—	2,000	4,500
Uzi Zucker	—	—	60,000	60,000

- * As part of the establishment of the DLC structure, Carnival plc issued a special voting share to Carnival Corporation, which transferred such share to the trustee of the P&O Princess Special Voting Trust (the "Trust"), a trust established under the laws of the Cayman Islands. Shares of beneficial interest in the Trust were transferred to Carnival Corporation. The trust shares represent a beneficial interest in the Carnival plc special voting share. Immediately following the transfer, Carnival Corporation distributed such trust shares by way of a dividend to holders of shares of common stock of Carnival Corporation. Under a pairing agreement, the trust shares are paired with, and evidenced by, certificates representing shares of Carnival Corporation common stock on a one-for-one basis. In addition, under the pairing agreement, when a share of Carnival Corporation common stock is issued to a person after the implementation of the DLC structure, a paired trust share will be issued at the same time to such person. Each share of Carnival Corporation common stock and the paired trust share may not be transferred separately. The Carnival Corporation common stock and the trust shares (including the beneficial interest in the Carnival plc special voting share) are listed and trade together on the New York Stock Exchange under the ticker symbol "CCL." Accordingly, each holder of Carnival Corporation common stock is also deemed to be the beneficial owner of an equivalent number of trust shares.
- (1) As of November 30, 2005, includes (i) 106,114,284 shares of common stock held by the MA 1994 B Shares, L.P., (ii) 3,622,922 shares of common stock held by the Nickel 2003 GRAT, (iii) 2,539,265 shares of common stock held by Nickel 1997 Irrevocable Trust, (iv) 73,386,032 shares of common stock held by the Artsfare 1992 Irrevocable Trust, Artsfare 2005 Trust No. 2, Eternity Four Trust and the Nickel 1997 Trust by virtue of the authority granted to Micky Arison under the last will of Ted Arison, and (v) 1,432,440 shares of common stock held by Artsfare 2003 Trust, all of which may be deemed to be beneficially owned by Micky Arison.
- (2) As of November 30, 2005, includes 296,000 shares of common stock owned by Dickinson Enterprises Limited Partnership (the "Dickinson Partnership"). The general partner of the Dickinson Partnership is Dickinson Enterprises, Inc., which is wholly owned by a revocable trust established for the benefit of Mr. Dickinson and his heirs (the "Dickinson Trust"). Under the terms

of the instrument governing the Dickinson Trust, Mr. Dickinson has the sole right to vote and direct the sale of the common stock indirectly held by the Dickinson Trust.

- (3) Includes 4,000 shares of common stock owned by the Jackson S. Woolworth Irrevocable Trust and the Cassidy B. Woolworth Trust (Mr. Frank is trustee), as to which Mr. Frank disclaims beneficial ownership.
- (4) Includes 8,000 shares of common stock held by the Helen K. Lanterman Trust (Mr. Lanterman is trustee).
- (5) Shares held by Mr. Ratcliffe's wife.
- (6) Includes 13,892 shares held by Mr. Ratcliffe's wife.
- (7) Includes 7,000 shares owned by the Capen Trust, of which Mr. Capen is co-trustee. Also includes 802 shares of common stock owned by Ambassador Capen's wife as to which he disclaims beneficial ownership.
- (8) Includes 1,800 shares owned by The Arnold and Hazel Donald Charitable Trust (Mrs. Donald is trustee).
- (9) Includes 2,000 shares owned by GHM Trustees Limited, the trustee of Sir John Parker's Fixed Unapproved Restricted Retirement Scheme of which Sir John Parker is a discretionary beneficiary.

Peter G. Ratcliffe, together with other senior executives of the Carnival plc group, who are participants of the Carnival plc Deferred Bonus and Co-Investment Matching Plan, are potentially beneficiaries of the Bedell Trust and therefore deemed to be technically interested in the 175,538 Carnival plc ordinary shares held by the trust for the purposes of satisfying vesting of shares under the plan.

The following changes in the above share interests occurred between December 1, 2005 and January 31, 2006:

<u>Directors</u>	<u>Carnival Corporation</u>	
	<u>Jan. 31, 2006</u>	<u>Dec. 1, 2005</u>
Micky Arison	187,154,943	187,094,943
Howard S. Frank	309,736	329,717
A. Kirk Lanterman	166,716	166,702

On behalf of the board



Modesto A. Maidique
Chairman of the Compensation Committees

February 21, 2006

CARNIVAL PLC CORPORATE GOVERNANCE REPORT

Corporate governance

Carnival Corporation and Carnival plc (together referred to as "Carnival Corporation & plc") operate under a dual listed company structure with primary listings in the U.S. and the UK. Accordingly, Carnival Corporation & plc has implemented a single corporate governance framework consistent, to the extent possible, with the governance practices and requirements of both countries. Where there are customs or practices that differ between the two countries, Carnival Corporation & plc has sought to be compliant with UK practices whenever possible. Carnival Corporation & plc believes that the resulting corporate governance framework described below effectively addresses the corporate governance requirements of both the U.S. and the UK.

Corporate Governance Guidelines

Carnival Corporation & plc has adopted corporate governance guidelines (the "Guidelines") that set forth the general governance principles approved by the boards of directors. These principles are summarized below and are available on the company's website.

- A majority of the members of each of the boards must be independent.
- The boards will each have at all times an Audit Committee, a Compensation Committee and a Nominating & Governance Committee (the "Committees"). All the members of these Committees will be independent directors under the criteria established by the New York Stock Exchange and the London Stock Exchange. Each Committee has its own charter, which principally sets forth the purposes, goals and responsibilities of the Committees.
- The Nominating & Governance Committees will review with the boards, on an annual basis, the requisite skills and characteristics of new board members, as well as the composition of the boards as a whole. The Nominating & Governance Committees will assess and recommend board candidates for appointment as directors.
- The responsibilities of the directors are laid out in the Guidelines and cover matters such as the directors duties to Carnival Corporation & plc and its shareholders, attendance at meetings and the annual review of Carnival Corporation & plc's long-term strategic plans and the principal issues that Carnival Corporation & plc will face in the future.
- The non-executive directors shall designate a senior independent director to preside at meetings of the non-executive directors and at board meetings in absence of the Chairman, and to serve as the principal liaison for non-executive directors.
- Directors have free and full access to officers and employees of Carnival Corporation & plc, to the advice and services of the Secretary to the boards and to independent professional advice at the expense of Carnival Corporation & plc, as necessary.
- The Compensation Committees will recommend the form and amount of director and senior executive compensation in accordance with the policies and principles set forth in its charter and conduct an annual review thereof. In particular the Compensation Committees will annually review the compensation of the Chief Executive Officer ("CEO") and his performance to ensure that the CEO is providing the best leadership for Carnival Corporation & plc in the long and short-term.
- The Nominating & Governance Committees will maintain orientation programs for new directors and continuing education programs for all directors.
- The boards will conduct an annual performance evaluation to determine whether they, their Committees and individual directors are functioning effectively.
- The non-executive directors will meet at least annually under the direction of the senior independent director to conduct an appraisal of the Chairman's performance.

- All shareholders may communicate with the boards by addressing all communications to the Secretary, who must forward any item requiring immediate attention to the senior independent non-executive director, who must in turn notify the boards of any matters for discussion or action as appropriate.

Carnival Corporation & plc will continue to monitor governance developments in the UK to ensure a vigorous and effective corporate governance framework of the highest international standards.

Set out below is a statement of how Carnival Corporation & plc has applied the principles of Section 1 of the Combined Code on Corporate Governance, issued in July 2003 (the "Combined Code") during the financial year ended November 30, 2005.

Board composition

Each of the boards of directors is comprised of 14 members: five executive directors and nine non-executive directors. All directors are required to submit themselves to annual re-election. The biographical details of the members of the boards are contained in the proxy statement to which this report is annexed. All directors have been subject to a formal performance evaluation during the year as described below.

Board balance and independence

All of the non-executive directors, with the exception of Mr. Lanterman (a former executive director), are considered by the boards to be independent directors. Messrs. Capen, Maidique, Subotnick and Zucker have been non-executive directors for more than nine years from the date of their first election to the board of Carnival Corporation, however notwithstanding this, the boards have determined that each of those directors is independent for the following reasons.

Consistent with U.S. practice, the boards believe that length of tenure should be one of the factors considered with respect to the independence of directors, but tenure alone should not result in the loss of independence. Automatic loss of independence status for directors due to tenure would effectively operate as a term limit for independent directors and result in the loss of the valuable contributions of directors who have been able to develop over time increasing insight into Carnival Corporation & plc and its operations. The boards prefer to rely on vigorous annual evaluations of individual directors to review their objectivity and independence, as well as their overall effectiveness as directors. All directors are also subject to annual re-election by shareholders following individual evaluations and recommendations by the Nominating & Governance Committees. Performance evaluations conducted during the year are described below.

Six of the non-executive directors of Carnival Corporation & plc who are U.S. citizens participate in a special Carnival Corporation share plan for non-executive directors, details of which are described in the Carnival plc Directors' Remuneration Report, which is attached as Annex B to the proxy statement. The two UK non-executive directors, Baroness Hogg and Sir John Parker, have opted not to receive share options, but in 2005 accepted restricted share awards under the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan. Two U.S. non-executive directors, Messrs. Subotnick and Donald elected to receive all or a portion of their equity grant in 2005 in the form of restricted shares. The remaining non-executive directors received their equity grants in 2005 in the form of share options. Participation in stock option plans by non-executive directors is a common practice in the U.S. and the boards do not believe that such participation affects the independence of the participating directors.

Stuart Subotnick, the senior independent non-executive director, approves board agendas and meeting schedules to ensure information flow to the boards. Each board member is entitled to suggest the inclusion of items on the agenda and to raise at any board meetings subjects that are not on the agenda for that meeting.

Directors' indemnities

As at the date of this report, indemnities are in force under which Carnival Corporation & plc have agreed to indemnify the directors of Carnival Corporation & plc, to the extent permitted by law and Carnival Corporation's articles of incorporation and Carnival plc's articles of association, in respect of all losses

arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of Carnival plc.

Chairman and Chief Executive Officer

The CEO of Carnival Corporation & plc, Micky Arison, also serves as Chairman of the boards, which is not compliant with the Combined Code. Unlike the prevailing practice in the UK, approximately two-thirds of the Fortune 500 companies in the U.S. have chairpersons that are also the CEO or have other significant relationships with their companies beyond board duties. The boards believe that the presence of a majority of non-executive directors, as well as the requirement that all Committees be comprised exclusively of non-executive directors, provides an appropriate balance of power and authority. The role of the senior independent non-executive director also helps to ensure that power and information are not concentrated in one or two individuals. As a further measure to enhance their effectiveness, the non-executive directors meet outside the presence of the executive directors at least quarterly under the chairmanship of the senior independent non-executive director. In addition, the non-executive directors meet periodically with the Chairman of the boards with no other executive directors present.

The boards believe that the separation of the roles of chairman and CEO is best addressed as part of the succession planning process, and that it is in the best interests of Carnival Corporation & plc and its shareholders for the boards to make an appropriate determination, consulting with shareholders as appropriate, as and when a new chairman or CEO may be nominated in the future.

Board procedures and responsibilities

Meetings of the boards are held on a regular basis to enable the boards to properly discharge their responsibilities. During the financial year ended November 30, 2005, the board of directors of Carnival plc held a total of eight meetings. All board meetings during the year were attended by the full board. The agenda for each board meeting is prepared by the Chairman and reviewed and approved by the senior independent non-executive director, in addition to the meeting schedules, and, as described above, any director can contribute to the agenda.

Non-executive directors are required to allocate sufficient time to meet the expectations of their role. The consent of the Chairman and the senior independent non-executive director must be sought before accepting additional directorships that might affect the time a non-executive director of Carnival Corporation & plc is able to devote to that role.

Executive directors may not serve as a non-executive board member on more than one FTSE 100 or Fortune 100 company nor as the Chairman of such a company.

Board structures and delegation to management

As set out in the Guidelines, the basic responsibility of the directors is to exercise their business judgment in what they reasonably believe to be in the best interests of Carnival plc and its shareholders. The boards have a formal schedule of matters specifically reserved to them for decision, which includes the approval of annual and interim results and financial statements, dividends, significant changes in accounting policy, material acquisitions and disposals, material agreements, major capital expenditure, annual operating budgets, strategic plans, treasury policy, risk management policy, material changes to employee incentive schemes as well as approval of share option grants or other share-related benefits, and health, safety and environmental policies.

Details of the Committees of the boards are set out in the section below. In addition, any matters reserved for the boards that arise between formal board meetings that need to be resolved are delegated to an executive committee, comprising any two executive directors and a non-executive director. Any resolutions made by the executive committee are ratified by the board of directors at the following board meeting.

The strategic management and direction of and significant commercial decisions in relation to global operations of Carnival Corporation & plc, except to the extent reserved to the full boards under their schedule

of reserved matters, is delegated by the boards to boards of subsidiary companies within the group and to management committees of the boards, which in turn delegate to local management as appropriate.

Committees of the boards

The following Committees, which have written charters setting out their authority and duties, copies of which can be found on Carnival Corporation & plc's website at www.carnivalcorp.com or www.carnivalplc.com, have operated throughout the year.

AUDIT COMMITTEES

The members of the Audit Committees of the boards comprise five independent non-executive directors: Stuart Subotnick (chairman), Richard G. Capen, Jr., Arnold W. Donald, Sir John Parker and Richard J. Glasier. The board of Carnival plc has determined that Stuart Subotnick has "recent and relevant financial experience" for the purposes of the Combined Code.

The Audit Committees are scheduled to meet at least eight times a year and at other times if required, with a minimum of four meetings per year as required by the Audit Committees' charter. The Chief Operating Officer, the Chief Financial and Accounting Officer and the Senior Vice President—Audit Services, who is responsible for internal control and risk assessment within Carnival Corporation & plc, and the external auditors normally attend meetings at the invitation of the Audit Committees. During the year, 12 meetings of the Carnival plc Audit Committee were held, which were attended by all members of the Audit Committees, with the exception of Mr. Glasier, who attended 11 meetings.

The main role and responsibilities of the Audit Committees are to review the significant risks or exposures of Carnival Corporation & plc, the adequacy of internal controls, the quarterly, interim and annual consolidated financial statements, any formal announcements relating to the Carnival Corporation & plc's performance, the appointment, replacement, reassignment or dismissal of the head of audit services, to liaise with, and assess the effectiveness and independence of, the external auditors and to review compliance with the Carnival Corporation & plc Code of Business Conduct and Ethics. The Audit Committees have established and monitor the procedures for receipt of employee complaints regarding any alleged fraud or violations of law.

In fulfilling its responsibilities during the year, the Audit Committees have:

- Reviewed the quarterly, interim and annual financial results, including accounting matters and key factors affecting financial results and future forecasts;
- Reviewed financial statement and related disclosures, proposed filings with the U.S. Securities and Exchange Commission and draft press releases;
- Confirmed receipt of certification letters, disclosure controls and procedure checklists and loss contingency memos from all companies;
- Received briefings on Carnival Corporation & plc's Sarbanes-Oxley 404 compliance program;
- Reviewed reporting from the independent auditors concerning the audit work performed, identified internal control weaknesses and accounting issues, and all relationships between the independent auditors and Carnival plc;
- Reviewed and approved fees for audit and non-audit related services provided by Carnival plc's independent auditors;
- Received quarterly reporting from the Environmental Compliance group regarding the status of Carnival Corporation & plc's Environmental Compliance Plan and vessel auditing program, as well as any instances of non-compliance and planned remedial action;
- Received reporting, as well as quarterly briefings, from Carnival plc's Audit Services Department ("AS") concerning results from their internal auditing and consulting work. Reporting included significant findings, any identified control weaknesses and management plans for remedial action;
- Reviewed annual AS company-wide risk assessment, historical audit coverage and audit plan for the upcoming year;

- Reviewed AS reporting concerning progress against their audit plan, department staffing and professional qualifications, and the status of management action plans for previously issued reports;
- Reviewed the status of complaints received through Carnival Corporation & plc's third-party administered hotline and other channels; and
- Reviewed and approved revisions to the Audit Committee charter and Carnival plc's Code of Business Conduct and Ethics.

COMPENSATION COMMITTEES

The Compensation Committees of the boards comprise three independent non-executive directors: Modesto A. Maidique (chairman), Richard J. Glasier and Sir John Parker.

The Compensation Committees are scheduled to meet at least four times a year and at other times as required. Executive directors are invited to attend for appropriate items, but are excluded when their own performance and remuneration are under review. During the year, six meetings of the Carnival plc Compensation Committee were held, which were attended by all members.

The Compensation Committees are responsible for the evaluation and approval of the director and officer compensation plans, policies and programmes of Carnival Corporation & plc. They annually review and approve corporate goals and objectives relevant to the CEO's compensation and determine and approve the CEO's compensation. They also annually determine and approve the compensation of all other executive directors and make recommendations to the boards with respect to the compensation of all other directors and certain senior officers. The Compensation Committees are empowered to retain any compensation consultant to be used to assist in the evaluation of compensation issues.

NOMINATING & GOVERNANCE COMMITTEES

The Nominating & Governance Committees of the boards comprise three independent non-executive directors: Uzi Zucker (chairman), Stuart Subotnick and Baroness Hogg.

The Nominating & Governance Committees meet periodically as required. During the year, five meetings of the Carnival plc Nomination & Governance Committee were held, which were attended by all members.

The principal function of the Nominating & Governance Committees is to assess and recommend to the boards candidates for appointment as directors of Carnival Corporation & plc and members of the Committees. They are also responsible for establishing procedures to exercise oversight of the evaluation of the boards and management and the maintenance of orientation programmes for new directors, continuing education for all directors and for annually reviewing and reassessing the adequacy of the Corporate Governance Guidelines and recommending any proposed changes to the boards for approval.

Information and professional development

The Secretary is required to ensure that members of the boards are given appropriate documentation in advance of each meeting and directors are required to devote adequate preparation time reviewing documentation ahead of each meeting. The Secretary is also responsible for advising the boards through the Chairman on all corporate governance matters.

All directors have access to advice and services of the Secretary and are permitted to take independent professional advice, at Carnival Corporation & plc's expense, as he or she may deem necessary to discharge his or her responsibilities as a director. A director is required to inform the senior independent non-executive director of his or her intention to do so.

Directors are offered the opportunity to attend training programmes of their choice.

Board performance evaluation

During the year, the Nominating & Governance Committees conducted performance evaluations of the members of our boards of directors, the boards and their Committees. The performance review of Micky Arison, in his role as Chairman, was conducted separately by the non-executive directors, led by the senior independent non-executive director, Stuart Subotnick, taking into account the views of the executive directors.

As part of the boards' evaluation exercise, each director was required to complete a questionnaire about the performance of the boards and their Committees. All questionnaires were reviewed and assessed by the Nominating & Governance Committees.

In addition, the Nominating and Governance Committees reviewed the individual performance of each director focusing on his or her contribution to Carnival Corporation & plc and specifically focusing on areas of potential improvement. In making their assessment, the Nominating & Governance Committees reviewed *considerations of diversity, age, skills and experience in the context of the needs of the boards* and with the aim of achieving an appropriate balance on the boards.

The Nominating & Governance Committees also discussed and reviewed with non-executive directors any significant time commitments they have to other companies. In addition, the number of directorships held by non-executive directors was taken into account, in line with Carnival plc's policy on multiple appointments.

The Nominating & Governance Committees reported the results of the reviews to the boards, concluding that each director was an effective member of the boards and has sufficient time to carry out properly their respective commitments to the boards, Committees and all other such duties as were required of them. It is the view of the Nominating & Governance Committees that the boards continued to operate effectively during the year. Accordingly, all current board members are recommended to the shareholders for re-election.

During the year the Nominating & Governance Committees also reviewed their own performance against their respective charters by completing questionnaires that were provided to the Chairman. The results of such reviews were discussed among the members and reported to the boards. The boards concluded that the Nominating & Governance Committees continued to function effectively and continued to meet the requirements of their respective charters.

Directors' remuneration

The Carnival plc Directors' Remuneration Report is attached as Annex B to the proxy statement to which this report is annexed. A resolution to approve the Directors' Remuneration Report will be proposed at the forthcoming annual general meeting.

Relations with shareholders

The formal channels of communication by which the boards communicate to shareholders the overall performance of Carnival Corporation & plc are the Annual Reports, UK preliminary announcement and half year statement, joint Annual Report on Form 10-K, joint Quarterly Reports on Form 10-Q and joint Current Reports on Form 8-K, filed with the U.S. Securities and Exchange Commission, the proxy statement and press releases.

Senior management of Carnival Corporation & plc meet periodically with representatives of institutional shareholders to discuss their views and to ensure that the strategies and objectives of Carnival Corporation & plc are well understood. Issues discussed with institutional shareholders include performance, business strategies and any corporate governance concerns.

Presentations are made to representatives of the investment community periodically in the U.S., the UK and elsewhere. Results of each fiscal quarter are reviewed with the investment community following each quarter on conference calls that are broadcast live over the Internet.

The boards receive periodic briefings from management regarding feedback and information obtained from Carnival Corporation & plc's shareholders and brokers. During 2005, Carnival Corporation & plc's management and its corporate brokers made presentations to the boards regarding shareholder issues. The boards' members were also provided copies of reports prepared by key market analysts.

Shareholders will have the opportunity at the forthcoming annual general meeting, notice of which is contained in the proxy statement to which this report is annexed, to put questions to the boards, including the *Chairmen of the Committees of the boards*.

The boards have implemented procedures to facilitate communications between shareholders and the boards. Shareholders who wish to communicate with the boards should address their communications to the attention of the Company Secretary of Carnival Corporation & plc at 3655 N.W. 87th Avenue, Miami, Florida 33178-2428 U.S.A. The Secretary maintains a log of all such communications and promptly forwards to the senior independent non-executive director, Stuart Subotnick, those, which the Secretary believes, require immediate attention, and also periodically provides the senior independent non-executive director with a summary of all such communications and any responsive action taken. The senior independent non-executive director notifies the boards or the *Chairman of the relevant Committees of the boards* of those matters that he believes are appropriate for further action or discussion.

Interested parties who wish to communicate with the senior independent non-executive director should address their communications to the attention of Stuart Subotnick at 3655 N.W. 87th Avenue, Miami, Florida 33178-2428 U.S.A.

Annual meetings of shareholders

As we have shareholders in both the UK and the U.S., our intention is to rotate the location of the annual meetings between the UK and the U.S. each year in order to accommodate shareholders on both sides of the Atlantic. Last year we held our annual meetings in Southampton, England, and this year we will be holding them in Coral Gables, Florida.

This year the annual meetings will be held at the Biltmore Hotel, 1200 Anastasia Avenue, Coral Gables, Florida on April 20, 2006. The meetings will commence at 3:00 pm (UK time), and although technically two separate meetings (the Carnival plc meeting will begin first), shareholders of Carnival Corporation may attend the Carnival plc meeting and vice-versa.

We are also offering an audio webcast of the annual meetings. If you choose to listen to the webcast, go to our website, www.carnivalcorp.com or www.carnivalplc.com, shortly before the start of the meetings and follow the instructions provided.

Directors' responsibility

The statement of directors' responsibilities in relation to the Carnival plc financial statements follows the Carnival plc Directors' Report in Annex A of the proxy statement.

Independence of auditors

The Audit Committees are responsible for engaging a firm of auditors of appropriate independence and experience and for the approval of all audit and non-audit fees and terms. The policy of the Audit Committees is to undertake a formal assessment of the auditors' independence each year, which includes:

- a review of non-audit services provided and related fees;
- discussion with the auditors of a written report detailing all relationships with Carnival Corporation & plc and any other party that could affect the independence or the objectivity of the auditors; and
- evaluation with the boards of the performance of the independent auditors.

The Audit Committees have implemented procedures relating to the provision of services by Carnival Corporation & plc's independent auditors. These include:

- requiring the pre-approval by the Audit Committees of all audit and permissible non-audit services;
- maintenance of a schedule of certain non-audit services, including consultancy, investment banking and legal services, which Carnival Corporation & plc is specifically prohibited from obtaining from its audit firm; and
- procedures which control, and in certain circumstances, prohibit, the recruitment of staff formerly employed by the external audit firm and involved in the audit of Carnival Corporation & plc.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during 2005 and the policy on audit committee pre-approval and permissible non-audit work of the independent auditors is set out in the proxy statement under the heading "Independent Registered Certified Public Accounting Firm".

Going concern

On the basis of current financial forecasts and available borrowing facilities, the directors have a reasonable expectation that Carnival Corporation & plc has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements of Carnival plc.

Internal control and risk management

Internal control and risk management within Carnival Corporation & plc's business units is a well-defined, ongoing process embedded in each of the operations. It is designed to identify, evaluate and manage the significant risks faced by the units. A system of internal controls designed to be capable of responding quickly to evolving risks in the business has been established, comprising procedures for the prompt reporting of material internal control weaknesses and significant deficiencies together with the appropriate corrective action.

Carnival Corporation & plc has adopted the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") guidance for implementing its internal control framework as part of the Sarbanes-Oxley Act Section 404 compliance plan. COSO is considered to be the model internal control framework and references the same internal control objectives and components as are used by the Turnbull Guidance which assists UK boards in assessing the effectiveness of a company's risk and control processes under the Combined Code.

The corporate executive management team receives periodic information regarding internal control issues arising at the business units. The primary focus of this aspect of the system is the corporate audit services group that is responsible for monitoring the process, ensuring that issues common to more than one business unit are identified and that all relevant matters are brought to the attention of the boards as a whole. The audit services group is supported by the corporate accounting, finance and legal groups, as well as the CEO, Chief Operating Officer and the Chief Financial and Accounting Officer (the "Certifying Officers"). The Certifying Officers are required by rules of the U.S. Securities and Exchange Commission to file written certifications on a quarterly basis certifying, among other items, that they have disclosed to the auditors and the Audit Committee all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Carnival Corporation & plc's ability to record, process, summarize and report financial information and any fraud, whether or not material, that involves management or other employees who have a significant role in Carnival Corporation & plc's internal control over financial reporting.

In the UK, the directors of Carnival Corporation & plc are responsible for the Carnival Corporation & plc system of internal controls and for reviewing its effectiveness but recognise that any such system can provide only reasonable and not absolute, assurance against material misstatement or loss. The Audit Committees review the adequacy of internal controls within Carnival Corporation & plc on an annual basis in accordance with the framework of internal control as set forth by COSO and mirrored within the Turnbull Guidance and in accordance with the charter of the Audit Committees.

The system of internal control was in place throughout the year and has continued in place up to the date of approval of this report. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The boards confirm that they have performed their annual review of its effectiveness and that it is in compliance with the Turnbull Guidance.

Statement of compliance with the Combined Code issued in July 2003

Carnival Corporation & plc has complied with the provisions set out in Section 1 of the Combined Code throughout the year ended November 30, 2005, with the following exceptions:

- the joint role of the Chairman and CEO and independence of non-executive directors as explained above;
- there are no performance conditions attaching to the share options and share awards;
- certain non-executive directors receive share options;
- annual bonuses of U.S. executive directors form part of their pensionable salary;
- no upper limits are attached to annual bonuses; and
- share incentives may vest in fewer than three years.

The above matters of non-compliance, with the exception of the joint role of the Chairman and CEO and independence of non-executive directors, are explained in the Carnival plc Directors' Remuneration Report attached as Annex B to the proxy statement.

A handwritten signature in black ink, appearing to be 'CJF', is located below the text of the statement.