

FORM 10-K  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

(Mark One)

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

For the fiscal year ended November 30, 1998  
OR

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

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

CARNIVAL CORPORATION

(Exact name of registrant as specified in its charter)

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

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

3655 N.W. 87th Avenue, Miami, Florida  
(Address of principal executive offices)

33178-2428  
(Zip Code)

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

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

Title of each class	Name of exchange on which registered
Common Stock (\$0.01 par value)	New York Stock Exchange, Inc.

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

Indicate by check mark whether the Registrant (1) has filed  
all reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months  
(or for such shorter period that the registrant was required to  
file such reports), and (2) has been subject to such filing  
requirements for the past 90 days.

Yes  No

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

The aggregate market value of the voting stock held by  
non-affiliates of the Registrant is approximately  
\$14,371,000,000 based upon the closing market price on  
February 12, 1999 of a share of Common Stock on the New York  
Stock Exchange as reported by the Wall Street Journal.

At February 12, 1999, the Registrant had outstanding  
612,903,484 shares of its Common Stock, \$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The information described below and contained in the  
Registrant's 1998 annual report to shareholders to be furnished  
to the Commission pursuant to Rule 14a-3(b) of the Exchange Act  
is shown in Exhibit 13 and is incorporated by reference into this  
Annual Report on Form 10-K.

Part and Item of the Form 10-K

Part II

Item 5(a) and (b). Market for the Registrant's Common Equity and Related  
Stockholder Matters - Market Information and Holders

Item 6. Selected Financial Data

Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk
Item 8.	Financial Statements and Supplementary Data

The information described below and contained in the Registrant's 1999 definitive Proxy Statement, to be filed with the Commission is incorporated by reference into this Form 10-K.

Part and Item of the Form 10-K

Part III

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

PART I

Item 1. Business

A. General

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

A summary of the cruise operations of the Company and its affiliates is as follows:

Cruise Brand	Percentage Owned by Carnival Corporation	Number of Ships	Passenger Capacity(1)	Primary Geographic Market
<b>Majority Owned Cruise Operations:</b>				
Carnival	100%	13	24,404	North America
Holland America	100%	8	10,302	North America
Windstar	100%	4	756	North America
Cunard (2)	68%	5	3,380	Worldwide
Seabourn (2)	68%	3	624	North America
		33	39,466	
<b>Affiliated Cruise Operations:</b>				
Costa	50%(3)	7	7,644	Europe
Airtours' Sun Cruises	26%	3	2,924	Europe
		10	10,568	
		43	50,034	

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

(2) In May 1998, the Company and a group of investors acquired the assets of Cunard, a cruise company operating five luxury ships, for \$500 million,

as adjusted. Simultaneous with the acquisition, Seabourn Cruise Line Limited, a luxury cruise line in which the Company owned a 50% interest, was combined with Cunard. The Company now owns 68% of the combined entity, which is named Cunard Line Limited. See Note 13 to the Financial Statements as included in Exhibit 13 to this Form 10-K.

(3) The 50% equity interest of Costa not owned by the Company is owned by Airtours. Including the Company's interest in Airtours, it beneficially owns 63% of Costa.

Historically, the Company's cruise brands have been marketed primarily in North America. The Company began to globalize its cruise business by expanding its markets into Europe through the acquisition of its interest in Airtours in April 1996, Costa in June 1997 and Cunard in May 1998. Airtours, which is headquartered in Manchester, England, is the largest air inclusive tour operator in the world, selling packaged tours in the Austrian, British, Belgian, Dutch, French, German, Irish, Polish, Scandinavian, Swiss and North American markets. Additionally, it operates three cruise ships (a fourth ship is expected to enter service in April 1999) under the Sun Cruises name. Costa, which is headquartered in Genoa, Italy, has sales offices in Argentina, Brazil, England, Florida, France, Italy, Spain and Switzerland and sells the majority of its cruises in Southern Europe, primarily in Italy, France and Spain. Cunard Line Limited, which is headquartered in Miami, Florida, has Cunard and Seabourn sales offices in Miami, New York City, England, Germany and Australia, and sells a substantial number of its cruises in Europe, primarily in the United Kingdom and Germany. The cruise markets in Europe are much smaller than the North American market. Industry-wide European cruise passengers carried in 1998 are estimated to be approximately 1.3 million compared to approximately 5.4 million from North America.

The Company has signed agreements with two shipyards providing for the construction of additional cruise ships. A summary of new ship agreements for the Company's Majority Owned Cruise Operations is as follows:

VESSEL	EXPECTED SERVICE DATE(1)	PASSENGER CAPACITY
Carnival:		
Carnival Triumph	7/99	2,758
Carnival Victory	8/00	2,758
Newbuild	4/01	2,100
Carnival Conquest	12/02	2,758
Carnival Glory	8/03	2,758
Total Carnival		13,132(2)
Holland America:		
Volendam	8/99	1,440
Zaandam	3/00	1,440
Newbuild	11/00	1,380
Total Holland America		4,260
Total		17,392

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

(2) The Company also has options for the construction of two additional vessels each with a passenger capacity of 2,100. No assurance can be given that the options to construct the vessels will be exercised.

As a result of this shipbuilding program the Company currently expects the passenger capacity for its Majority Owned Cruise Operations to increase from 39,466 to 56,858, or by 44.1%, by the summer of 2003, assuming none of the Company's existing fleet is retired, no new contracts are entered into and the options described above are not exercised.

During 1997, the Company announced that it was in negotiations with shipyards to build a new class of ships for each of its Carnival, Holland America and Costa brands. The first of these orders has been placed by Costa to construct the Costa Atlantica, a 2,112 passenger capacity, 82,000 gross registered ton vessel, which is expected to enter service in the spring of 2000. In February 1998, the Company announced agreements for this new class of vessel for the Carnival brand, which include a contract to purchase one vessel for delivery in 2001 and options to acquire two additional vessels. Additionally, although no assurances can be made, the Company hopes to finalize orders for a new class of vessel for Holland America and an ocean liner for Cunard, known as the Queen Mary Project, in 1999.

In addition to its cruise operations, the Company operates a tour

business, through Holland America Line-Westours Inc. ("Holland America Westours"), which markets sightseeing tours both separately and as a part of Holland America cruise/tour packages. Holland America Westours operates 14 hotels in Alaska and the Canadian Yukon, two luxury dayboats offering tours to the glaciers of Alaska and the Yukon River, over 280 motor coaches used for sightseeing and charters in the states of Washington and Alaska and in the Canadian Rockies and 13 private domed rail cars which are run on the Alaska Railroad between Anchorage and Fairbanks.

B. Cruise Ship Segment - Majority Owned Cruise Operations

North American Cruise Industry

The passenger cruise industry as it exists today began in approximately 1970. Over time, the industry has evolved from a trans-ocean carrier service into a vacation alternative to land-based resorts and sightseeing destinations. According to Cruise Lines International Association ("CLIA"), an industry trade group, in 1970 approximately 500,000 North American passengers took cruises for three consecutive nights or more. CLIA estimates that this number reached 5.4 million passengers in 1998, an average compound annual growth rate of 8.9% since 1970. Also, according to CLIA, by the end of 1998 the number of ships in service totaled 145 with an aggregate capacity of approximately 140,000 lower berths. CLIA estimates that the number of passengers carried in North America increased from 5.051 million in 1997 to 5.4 million in 1998 or 6.9%.

CLIA estimates that the number of cruise passengers will grow to approximately 6.0 million in 1999. CLIA projections (updated for recently announced shipbuilding contracts) indicate that by the end of 1999, 2000 and 2001 North America will be served by 155, 167 and 174 vessels, respectively, having an aggregate capacity of approximately 155,000, 172,000 and 185,000 lower berths, respectively. CLIA estimates of new ship introductions are based on scheduled ship deliveries and could change. The lead time for design, construction and delivery of a typical large cruise ship is approximately two to three years. Additionally, CLIA's estimates of capacity do not include assumptions related to unannounced ship withdrawals due to age or changes in itineraries and, accordingly, could indicate a higher percentage growth in capacity than will actually occur. Nonetheless, management believes net capacity serving North American cruise passengers will increase over the next several years, barring unforeseen events.

A comparison of CLIA's North American cruise passengers and Company total worldwide passenger growth over the last five years based on passengers carried for at least three consecutive nights is as follows:

YEAR	NORTH AMERICAN CRUISE PASSENGERS(1) (Calendar Year)	COMPANY CRUISE PASSENGERS(2) (Fiscal Year)
1998	5,400,000(est.)	2,045,000
1997	5,051,000	1,945,000
1996	4,659,000	1,764,000
1995	4,378,000	1,543,000
1994	4,448,000	1,354,000

(1) Source: CLIA

(2) Represents the Company's worldwide cruise passengers.

From 1994 through 1998, the Company's average compound annual growth rate in total number of passengers carried worldwide was 10.9% versus the industry average of 5.1% for North America.

The Company's passenger capacity has grown from 23,995 at November 30, 1994 to 39,466 at November 30, 1998. In 1995, with the delivery of the Imagination, capacity increased by 2,040 berths. During 1996, net capacity increased by 4,802 berths due to delivery of the Inspiration, the Veendam and the Carnival Destiny, net of the 1,146 berth decrease due to the sale of the Festivale. In 1997 net capacity increased 241 berths due to the delivery of the Rotterdam VI net of the 1,075 berth decrease due to the sale of the Rotterdam V. During 1998, with the delivery of the Elation and the Paradise, the purchase of the Wind Surf, the acquisition of Cunard and the consolidation of Seabourn, capacity increased by 8,396 berths.

In spite of the cruise industry's growth since 1970, management believes cruises represent only approximately 2% of the applicable North American vacation market, defined as persons who travel for leisure

purposes on trips of three nights or longer involving at least one night's stay in a hotel. Only an estimated 9.0% of the North American population has ever taken a cruise.

#### Cruise Ships and Itineraries

Under the Carnival name, the Company serves the contemporary market with 13 ships (the "Carnival Ships"). All of the Carnival Ships were designed by and built for Carnival, including 12 SuperLiners, which are among the largest in the cruise industry. Nine of the Carnival Ships operate in the Caribbean during all or a portion of the year and two Carnival Ships call on ports on the Mexican Riviera year round. Carnival Ships also offer cruises to Alaska, Canada, the Hawaiian Islands, the Bahamas and the Panama Canal. See "Sales and Marketing".

Through its wholly owned subsidiary, HAL Antillen, N.V. ("HAL"), the Company operates 12 ships offering premium or luxury vacations. Eight of these ships, the Rotterdam, Nieuw Amsterdam, Noordam, Westerdam, Statendam, Maasdam, Ryndam and Veendam, are operated under the Holland America name (the "Holland America Ships"). The remaining four ships, the Wind Star, Wind Song, Wind Spirit and Wind Surf, are operated under the Windstar name (the "Windstar Ships").

The Holland America Ships offer premium cruises of various lengths in Alaska, the Caribbean, Panama Canal, Europe, Hawaii, South America and other worldwide itineraries. Cruise lengths vary from seven to 97 days, with a large proportion of cruises being seven or ten days in length. Periodically, the Holland America Ships make longer grand cruises or operate on special itineraries. For example, in 1998, the Rotterdam made a 97-day world cruise and the Nieuw Amsterdam made a series of 15-day South China Sea Explorer cruises. Holland America will continue to offer these special and longer itineraries in order to increase travel opportunities for its customers and strengthen its cruise offerings in view of the fleet expansion. The majority of the Holland America Ships operate in the Caribbean during fall to spring and in Alaska and Europe during spring to fall. In order to offer a unique destination and compete with other cruise lines more effectively while operating in the Caribbean, in December 1997 Holland America introduced into its Caribbean itineraries a private island, Half Moon Cay. Half Moon Cay is a 2400-acre island acquired by Holland America in December 1996. Facilities were constructed on the island on 45 acres along a crescent-shaped white sand beach. The remainder of the island remains undeveloped. The facilities on Half Moon Cay include bars, shops, restrooms, a post office, a chapel and an ice cream shop, as well as a food pavilion with open-air dining shelters and a bandstand.

The four Windstar Ships currently operate in the Caribbean, Europe and Costa Rica and offer a casual, yet luxurious, cruise experience onboard these modern sail ships.

Through Cunard Line Limited, the Company operates eight ships. Five of these ships currently operate under the Cunard brand (the "Cunard Ships") and three operate under the Seabourn brand (the "Seabourn Ships"). The Cunard and Seabourn Ships offer luxury cruises of varying lengths in the Caribbean, Panama Canal, Europe, Transatlantic, South America, Asia and other worldwide itineraries. Cruise length varies from six to 104 days, with many of the cruises being six to 14 days in length. Periodically, these ships make longer grand cruises or operate on special itineraries. For example, Cunard offers two world cruises and a New England Autumn cruise.

Summary information concerning the Company's ships is as follows (primary areas of operation reflect 1998 itineraries and are subject to change in future years).

NAME	REGISTRY	YEAR BUILT	PAX CAP	GROSS REGISTERED TONS	1998 PRIMARY AREAS OF OPERATION
Carnival:					
Paradise	Panama	1998	2,040	70,367	(1)
Elation	Panama	1998	2,040	70,367	Mexican Riviera
Carnival Destiny	Panama	1996	2,642	101,350	Caribbean
Inspiration	Panama	1996	2,040	70,367	Caribbean
Imagination	Panama	1995	2,040	70,367	Caribbean
Fascination	Panama	1994	2,040	70,367	Caribbean
Sensation	Panama	1993	2,044	70,367	Caribbean
Ecstasy	Liberia	1991	2,040	70,367	Caribbean
Fantasy	Liberia	1990	2,044	70,367	Bahamas

Celebration	Liberia	1987	1,486	47,262	Caribbean
Jubilee	Panama	1986	1,486	47,262	Alaska, Hawaii, Mexican Riviera, Panama Canal
Holiday	Panama	1985	1,448	46,052	Mexican Riviera
Tropicale	Liberia	1982	1,014	36,674	Caribbean
Total Carnival Ships Capacity.....			24,404		
Holland America:					
Rotterdam	Netherlands	1997	1,316	62,000	Europe, Worldwide
Veendam	Bahamas	1996	1,266	55,451	Eastern Canada, Caribbean
Ryndam	Netherlands	1994	1,266	55,451	Alaska, Caribbean
Maasdam	Netherlands	1993	1,266	55,451	Alaska, Panama Canal
Statendam	Netherlands	1993	1,266	55,451	Alaska, Hawaii, Caribbean
Westerdam	Netherlands	1986	1,494	53,872	Alaska, Caribbean
Noordam	Netherlands	1984	1,214	33,930	Alaska, Caribbean
Nieuw Amsterdam	Netherlands	1983	1,214	33,930	Alaska, South America, Asia/Pacific
Total Holland America Ships Capacity.....			10,302		
Windstar Cruises:					
Wind Surf	Bahamas	1990	312	14,745	Caribbean, Europe
Wind Spirit	Bahamas	1988	148	5,736	Caribbean, Europe
Wind Song	Bahamas	1987	148	5,703	Costa Rica, Europe
Wind Star	Bahamas	1986	148	5,703	Caribbean, Europe
Total Windstar Ships Capacity.....			756		
Cunard:					
Royal Viking Sun	Bahamas	1988	758	37,845	Worldwide (2)
Sea Goddess II	Bahamas	1985	116	4,253	Asia, Europe (2)
Sea Goddess I	Bahamas	1984	116	4,253	Caribbean, Europe (2)
Vistafjord	Bahamas	1973	675	24,492	Worldwide (3)
Queen Elizabeth 2	England	1969	1,715	70,327	Transatlantic, Worldwide
Total Cunard Ships Capacity.....			3,380		
Seabourn:					
Seabourn Legend	Norway	1992	208	9,975	Pacific, Europe
Seabourn Spirit	Norway	1989	208	9,975	Asia, Europe
Seabourn Pride	Norway	1988	208	9,975	South America, Europe, Caribbean
Total Seabourn Ships Capacity.....			624		
Total Capacity.....			39,466		

(1) The Paradise was in service for only five days during fiscal 1998. During fiscal 1999, the primary area of operation is expected to be the Caribbean.

(2) In late 1999, these ships will be transferred to Seabourn.

(3) In late 1999, this ship's name will be changed to the Caronia.

#### Cruise Ship Construction

The Company has signed agreements with two shipyards providing for the construction of additional cruise ships. A summary of new ship agreements for the Company's Majority Owned Cruise Operations is as follows:

VESSEL	EXPECTED SERVICE DATE(1)	SHIPYARD	PAX CAP	GROSS REGISTERED TONS	ESTIMATED TOTAL COST(2)	REMAINING COST TO BE PAID
(In millions)						
Carnival						
Carnival Triumph	7/99	Fincantieri(3)	2,758	101,000	\$ 410	\$ 299
Carnival Victory	8/00	Fincantieri	2,758	101,000	440	434
Newbuild	4/01	Masa-Yards	2,100	82,000	375	357
Carnival Conquest	12/02	Fincantieri	2,758	101,000	450	429
Carnival Glory	8/03	Fincantieri	2,758	101,000	450	429
Total Carnival Ships			13,132		2,125	1,948
Holland America						
Volendam	8/99	Fincantieri(3)	1,440	63,000	300	240
Zaandam	3/00	Fincantieri(3)	1,440	63,000	300	256

Newbuild	11/00	Fincantieri	1,380	61,000	300	55
Total Holland America Ships			4,260		900	551
Total (4)			17,392		\$3,025	\$2,499

(1) No assurances can be made that the vessels under construction will be introduced into service by the expected service dates.

(2) Estimated total cost is the total cost of the completed vessel and includes the contract price with the shipyard, design and engineering fees, estimated capitalized interest, various owner supplied items and construction oversight costs.

(3) These construction contracts are denominated in Italian Lira and have been fixed into U.S. dollars through the utilization of forward foreign currency contracts.

(4) The Company has options for the construction of two additional 82,000 gross registered ton vessels, each with a passenger capacity of 2,100. The estimated total cost of approximately \$400 million each is denominated principally in German Marks and has not been fixed into U.S. dollars. No assurance can be given that the options to construct the vessels will be exercised.

During 1997, the Company announced that it was in negotiations with shipyards to build a new class of ships for each of its Carnival, Holland America and Costa brands. The first of these orders has been placed by Costa to construct the Costa Atlantica, a 2,112 passenger, 82,000 gross registered ton vessel for approximately 700 billion Lira (approximately U.S. \$410 million), which is expected to enter service in the spring of 2000. In February 1998, the Company announced other agreements for this new class of vessel for the Carnival brand, which include a contract to purchase one vessel for delivery in 2001 and options to acquire two additional vessels described above. Additionally, although no assurances can be made, the Company hopes to finalize orders for a new class of vessel for Holland America and an ocean liner for Cunard in 1999.

#### Cruise Pricing

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

#### On-Board and Other Revenues

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

The casinos, which contain slot machines and gaming tables including blackjack, and in most cases craps, roulette and stud poker, are generally open only when the ships are at sea in international waters. The Company also earns revenue from the sale of alcoholic and other beverages. On-board activities are either performed directly by the Company or by independent concessionaires, from which the Company collects a percentage of revenues.

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

In conjunction with its cruise vacations on its ships, all of the Company's cruise operations sell pre-cruise and post-cruise land packages. Carnival packages generally include one, two or three-night vacations near attractions, such as Universal Studios and Walt Disney World in Orlando, Florida, or in proximity to other vacation destinations in Central and South Florida, Los Angeles, California and San Juan, Puerto Rico. Holland America packages outside of Alaska generally include one, two or three-night vacations, including stays in unique European port cities or near attractions in Central and South Florida. Cunard and Seabourn packages include numerous luxury and/or exotic packages, such as world class golf programs, wine tastings and tours of the Galapagos Islands and the Hidden Kingdoms of Nepal.

In conjunction with its Alaskan cruise vacations on its Holland America and Carnival Ships, the Company sells pre- and post-cruise land packages which are more fully described below (see Part I, Item 1. Business, C. Tour Segment).

#### Passengers

The aggregate number of passengers carried and occupancy percentage for the Company's ships is as follows:

	YEARS ENDED NOVEMBER 30,		
	1998	1997	1996
Passengers Carried	2,045,000	1,945,000	1,764,000
Occupancy Percentage (1)	106.3%	108.3%	107.6%

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

The actual occupancy percentage for all cruises on the Company's ships during each quarter of fiscal 1997 and 1998 was as follows:

QUARTERS ENDED	OCCUPANCY PERCENTAGE
February 28, 1997	106.4%
May 31, 1997	108.0
August 31, 1997	114.3
November 30, 1997	104.2
February 28, 1998	105.9
May 31, 1998	105.4
August 31, 1998	111.5
November 30, 1998	102.1

#### Sales and Marketing

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

During 1998, the Company created a marketing association called "The World's Leading Cruise Lines" for its family of six cruise brands, including Costa, in order to both educate the consumer about the overall breadth of the Company's cruise brands, as well as to increase the effectiveness and efficiency of marketing the brands. This initiative is meant to supplement the existing marketing programs of each individual brand.

The Company's various cruise lines employ over 300 personnel, excluding reservation agents, in the sales and sales support area, who among other things, focus on motivating, training and supporting the retail travel agent community which sells substantially all of the Company's cruises, which arrangement is encouraged as a matter of policy. Travel agents generally receive a standard commission of 10% plus the potential of additional commissions based on sales volume. Commission rates on cruise vacations are often higher than commission rates earned by travel agents on sales of airline tickets and hotel rooms. Moreover, since cruise vacations are substantially all-inclusive, sales of the Company's cruise vacations generally yield higher commissions to travel agents than commissions earned on selling airline tickets and hotel rooms. During fiscal 1998, no controlled group of travel agencies accounted for more than 10% of the Company's consolidated revenues.

#### Carnival



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

The Company markets the Carnival Ships as the "Fun Ships" and uses, among others, the themes "Carnival's Got the Fun" and "The Most Popular Cruise Line in the World!". Carnival advertises nationally directly to consumers on network television and through extensive print media. Carnival believes its advertising generates interest in cruise vacations generally and results in a higher degree of consumer awareness of the "Fun Ships" concept and the "Carnival" name in particular. Substantially all of Carnival's cruise bookings are made through travel agents. In fiscal 1998, Carnival took reservations from about 29,000 of approximately 49,000 travel agency locations known to the Company in the United States and Canada. Travel agents generally receive a standard commission of 10% plus the potential of additional commissions based on sales volume.

Carnival engages in substantial promotional efforts designed to motivate and educate retail travel agents about its "Fun Ships" cruise vacations. Carnival employs approximately 110 business development managers and 50 in-house service representatives to motivate independent travel agents and to promote its cruises. Carnival believes it has one of the largest sales forces in the industry.

To facilitate access and to simplify the reservation process, Carnival employs approximately 700 reservation agents to take bookings from independent travel agents. Carnival's fully-automated reservation system allows its reservation agents to respond quickly to book staterooms on its ships. Additionally, through Leisure Shopper and Cruise Director, travel agents have the ability to make reservations through their own computer terminals directly into Carnival's computerized reservations system.

Substantially all of Carnival's cruises are generally booked several months in advance of the sailing date. This lead time allows Carnival to adjust its prices, if necessary, in relation to demand for available cabins, as indicated by the level of advance bookings. Carnival's SuperSaver fares, introduced several years ago, are designed to encourage potential passengers to book cruise reservations earlier, which helps the Company to more effectively manage overall yields (pricing and occupancy). Carnival's payment terms require that a passenger pay approximately 20% of the cruise price within seven days of the reservation date and the balance not later than 45 days before the sailing date for three, four and five day cruises and 70 days before the sailing date for seven-day cruises.

#### Holland America and Windstar

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

Substantially all of Holland America's bookings are made through travel agents. In fiscal 1998, Holland America took reservations from about 20,000 of approximately 49,000 travel agency locations known to the Company in the United States and Canada. Travel agents generally receive a standard commission of 10% plus the potential of additional commissions based on sales volume.

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

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

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

#### Cunard and Seabourn

Since December 1995, the Company has owned a 50% equity interest in Seabourn Cruise Line Limited. Simultaneously with the Company's acquisition of the assets of Cunard in May 1998, Cunard and Seabourn were combined to form Cunard Line Limited, in which the Company owns a 68% equity interest. Cunard Line Limited currently operates eight ships in its Cunard and Seabourn brands.

The Cunard brand currently operates five ships in the luxury market segment. Cunard's most visible asset is the Queen Elizabeth 2 (the "QE2"). The QE2 is the only active passenger ship of its size built specifically for navigating ocean waters and currently offering Transatlantic cruises, and thus enjoys a unique standing among modern passenger ships. Since being acquired by the Company, Cunard has redefined itself as the brand that offers classic "Old World" cruising with a British essence.

The Seabourn brand currently operates three ships, which offer ultra-luxury cruising with an intense focus on service and cuisine, which management believes enables Seabourn to be marketed as the "Best of the Best" in luxury worldwide cruising.

Seabourn and Cunard currently market and sell their products through one combined sales and marketing organization. This combined organization has sales offices in Miami, New York City, England, Germany and Australia. Marketing efforts are devoted primarily to i) travel agent support and awareness, ii) direct mail solicitation of past passengers and iii) targeted print media campaigns and brochure distribution. Cunard Line Limited has consolidated and streamlined its entire organization, including its sales and marketing activities, and implemented a new pricing program called "Simplicity Pricing", a less complicated pricing structure than previously used.

Cunard Line Limited employs approximately 47 field sales representatives, 25 inside sales representatives and seven sales and service representatives to support its field sales force. They also employ approximately 99 Cruise Sales Consultants to take bookings, substantially all of which come from travel agents. Travel agents generally receive a standard commission of approximately 10% plus the potential for additional commissions based upon sales volume.

During late 1999, Cunard will be refurbishing the Royal Viking Sun and will transfer it along with the Sea Goddess I and II ships to the Seabourn brand. Management believes these ships more appropriately fit within the Seabourn brand. Additionally, after a major refurbishment in late 1999, Cunard's Vistafjord will be renamed the "Caronia", the name once used by two of Cunard's former "Old World" ships. The QE2 will also undergo a major refurbishment in late 1999. Management is currently revising cruising itineraries and schedules for the year 2000 in order to more appropriately coordinate individual ship itineraries with their new branding strategies.

#### Seasonality

The Company's different businesses experience varying degrees of

seasonality. The Company's revenue from the sale of passenger tickets for Carnival, Cunard, Seabourn and Windstar ships is moderately seasonal. Historically, revenues for Carnival, Cunard, Seabourn and Windstar cruises have been greater during the periods from late June through August and lower during the fall months. Holland America cruise revenues are more seasonal than the Company's other brands' cruise revenues. Revenues for Holland America cruises are highest during the summer months when Holland America ships operate in Alaska and Europe for which it obtains higher pricing. Revenues for Holland America cruises are lower during the winter months when Holland America ships sail in more competitive markets.

#### Competition

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

As described under Part I, Item 1. Business, B. Cruise Ship Segment, North American Cruise Industry, the North American cruise industry had an aggregate of 145 ships and 140,000 lower berths at the end of 1998. From the end of 1998 through the end of 2001, CLIA currently estimates that 29 new ships will be introduced into the North American market with a capacity of approximately 45,000 lower berths. These estimates of new ship introductions are based on scheduled ship deliveries and the actual number of ships could change. The lead time for design, construction and delivery of a typical large cruise ship is approximately two to three years. Additionally, these estimates of capacity do not include assumptions related to unannounced ship withdrawals due to age or changes in itineraries and, accordingly, could indicate a higher percentage growth in capacity than will actually occur. Nonetheless, management believes net capacity serving North American cruise passengers will increase over the next several years, barring unforeseen events, and thus may increase the levels of competition within the industry.

The Company is the largest cruise company in the world based on passengers carried, revenues generated and available capacity. The primary methods of competition among cruise lines are in the areas of cruise pricing, cruise product and cruise destination. Each of the Company's cruise brands and its primary cruise competition is discussed below.

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

In 1998, the Walt Disney Co. entered the cruise market with the introduction of the first of two new cruise ships. The Disney ship competes primarily with Carnival in the Caribbean and Bahamian marketplaces.

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

The Windstar, Cunard and Seabourn ships' primary unaffiliated competitors within the cruise industry include: Crystal Cruises, Radisson Seven Seas, Renaissance Cruises and Silversea Cruises.

#### Governmental Regulations

The Company's ships are registered in the Bahamas, England, Liberia, Netherlands, Norway or Panama, as more fully described under Part I, Item 1. Business, B. Cruise Ships and Itineraries and, accordingly, are regulated by these jurisdictions. The Company's ships that call on United

States ports are subject to inspection by the United States Coast Guard for compliance with the Convention for the Safety of Life at Sea and by the United States Public Health Service for sanitary standards. The Company is also regulated by the Federal Maritime Commission ("FMC"), which, among other things, certifies the Company on the basis of its ability to meet obligations to passengers for refunds in case of nonperformance. The Company believes it is in compliance with all material regulations applicable to its ships and has all the necessary licenses to conduct its business. In connection with a significant portion of its Alaska cruise operations, Holland America relies on concession permits from the National Park Service, which are periodically renewed, to operate its cruise ships in Glacier Bay National Park. There can be no assurance that these permits will continue to be renewed or that regulations relating to the renewal of such permits, including preference rights, will remain unchanged in the future.

The International Maritime Organization (the "IMO"), which operates under the United Nations, has adopted safety standards as part of the "Safety of Life at Sea" ("SOLAS") Convention, generally applicable to all passenger ships carrying 36 or more passengers. Generally, SOLAS establishes vessel design, structural features, materials, construction and life saving equipment requirements to improve passenger safety. The current SOLAS requirements are phased in through the year 2010.

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

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

Management believes that virtually all of the Company's income (with the exception of the United States source income from the transportation, hotel and tour business of Holland America Westours) is exempt from United States federal income taxes. If the Company was found not to meet certain tests under the Internal Revenue Code or if the Internal Revenue Code were to be changed in a manner adverse to the Company, much of the Company's income would become subject to taxation by the U.S. at higher than normal corporate tax rates. For an additional discussion of the Company's taxation, see Note 2 to the Company's Consolidated Financial Statements in Exhibit 13 incorporated by reference into this Annual Report on Form 10-K.

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

#### Financial Information

For financial information about the Company's cruise ship segment with respect to each of the three years in the period ended November 30, 1998, see Note 10 "Segment Information" to the Company's Consolidated Financial Statements in Exhibit 13 incorporated by reference into this Annual Report on Form 10-K.

#### C. Tour Segment

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

#### Holland America Westours

Holland America Westours is an indirect wholly owned subsidiary of HAL, a wholly owned subsidiary of the Company. The group of companies which together comprise the tour operations perform three independent yet

interrelated functions. During 1998, as part of an integrated travel program to destinations in Alaska, the tour service group offered 38 different tour programs varying in length from 10 to 18 days. The transportation group and hotel group support the tour service group by supplying facilities needed to conduct tours. Facilities include dayboats, motor coaches, rail cars and hotels.

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

A fleet of over 280 motor coaches using the trade name Gray Line operate in Alaska, Washington and western Canada. These motor coaches are used for extended trips, city sightseeing tours and charter hire. Holland America Westours conducts its tours both as part of a cruise/tour package and as individual sightseeing products sold under the Gray Line name. Additionally, Holland America Westours operates express Gray Line motor coach service between downtown Seattle and the Seattle-Tacoma International Airport.

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

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

#### Westmark Hotels

Holland America Westours owns and/or operates 14 hotels in Alaska and the Canadian Yukon under the name Westmark Hotels. Four of the hotels are located in Canada's Yukon Territory and offer a combined total of 585 rooms. The remaining 10 hotels, all located throughout Alaska, provide a total of 1,455 rooms, bringing the total number of hotel rooms to 2,040.

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

The hotels are summarized as follows:

NAME	LOCATION	ROOMS	OPEN DURING 1998 SEASON
<b>Alaska Hotels:</b>			
Westmark Anchorage	Anchorage	198	year-round
Westmark Inn	Anchorage	91	seasonal
Westmark Inn	Fairbanks	170	seasonal
Westmark Fairbanks	Fairbanks	244	year-round
The Baranof	Juneau	196	year-round
Westmark Cape Fox	Ketchikan	72	year-round
Westmark Shee Atika	Sitka	101	year-round
Westmark Inn Skagway	Skagway	195	seasonal
Westmark Tok	Tok	92	seasonal
Westmark Valdez	Valdez	97	year-round
		1,455	
<b>Canadian Hotels (Yukon Territory):</b>			
Westmark Inn	Beaver Creek	174	seasonal
Westmark Klondike Inn	Whitehorse	99	seasonal
Westmark Whitehorse	Whitehorse	181	year-round
Westmark Inn	Dawson	131	seasonal
		585	
		2,040	

Eleven of the hotels are wholly owned by Holland America Westours

subsidiaries. Of the remaining three hotels, the Westmark Cape Fox and Westmark Shee Atika are operated by Westmark under management or lease arrangements involving third parties and the Westmark Anchorage is 90% owned by a Holland America Westours subsidiary.

For the hotels that operate year-round, the occupancy percentage for fiscal 1998 was 57.4% (55.9% for fiscal 1997), and for the hotels that operate only during the summer months, the occupancy percentage for fiscal 1998 was 71.6% (71.4% for fiscal 1997).

#### Sales and Marketing

Holland America Westours has its own marketing staff devoted to i) travel agent support and awareness, ii) direct mail solicitation of past customers, iii) use of consumer magazine and newspaper advertising to develop prospects and enhance awareness and iv) distribution of brochures. Additionally, television and radio spots are used to market its tour and cruise packages. The Westours marketing message leverages the company's 52 years of Alaska tourism leadership and its extensive array of hotel and transportation assets to create a brand preference for Holland America Westours. To the prospective vacationer the company endeavors to convince them that "Westours is Alaska".

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

#### Concessions

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

#### Seasonality

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

#### Competition

Holland America Westours competes with independent tour operators and motor coach charter operators in Washington, Alaska and the Canadian Rockies. The primary competitors in Alaska and the Canadian Rockies are Princess Tours (with approximately 150 motor coaches and three hotels) and Alaska Sightseeing/Trav-Alaska (with approximately 30 motor coaches). The primary competitor in Washington is Gazelle (with approximately 15 motor coaches).

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

#### Government Regulations

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

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

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

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

#### Financial Information

For financial information about the Company's tour segment with respect to each of the three years in the period ended November 30, 1998, see Note 10 "Segment Information" to the Company's Consolidated Financial Statements in Exhibit 13 incorporated by reference into this Annual Report on Form 10-K.

#### D. Employees

The Company's operations have approximately 3,800 full-time and 1,800 part-time/seasonal employees engaged in shoreside operations. The Company also employs approximately 1,200 officers and 15,200 crew and staff on its ships. Due to the seasonality of its Alaska and Canadian operations, HAL and its subsidiaries increase their work force during the summer months, employing additional full-time and part-time personnel. The Company has entered into agreements with unions covering certain employees in its hotel, motorcoach and ship operations. The Company considers its employee and union relations generally to be good.

#### E. Suppliers

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

Management believes that there are currently eight shipyards in the world capable of the quality construction of large passenger cruise ships. The Company currently has contracts, including options, with two of these shipyards for the construction of ten ships to enter service over the next five years (see Part I, Item 1. Business, B. Cruise Ship Segment - Majority Owned Cruise Operations - Cruise Ship Construction). The Company's primary competitors also have contracts to construct new cruise ships (see Part I, Item 1. Business, B. Cruise Ship Segment - Majority Owned Cruise Operations - Competition). If the Company elects to build additional ships in the future, there is no assurance that any of these shipyards will have the available capacity to build additional new ships for the Company at the times desired by the Company or that the shipyards will agree to build additional ships at a cost acceptable to the Company. Additionally, there is no assurance that ships under contract for construction will be delivered.

#### F. Insurance

The Company maintains insurance covering legal liabilities related to crew, passengers and other third parties on its ships in operation through The Standard Steamship Owners Protection & Indemnity Association Limited (the "SSOPIA"), Steamship Mutual Underwriting Association Ltd. (the "SMUAL") and Assurance Foreningen Gard (the "GARD"). The amount and terms of this insurance is governed by the rules of the foregoing protection and indemnity associations.

The Company currently maintains insurance on the hull and machinery of each vessel in amounts equal to the approximate market value of each vessel. The Company maintains war risk insurance on each vessel which includes legal liability to crew and passengers, including terrorist risks for which coverage would be excluded under SSOPIA, SMUAL or GARD. The coverage for hull and machinery and war risks is provided by international markets, including underwriters at Lloyds.

The Company, as currently required by the FMC, maintains at all times three \$15 million performance bonds for all of the Company's ships, to cover passenger ticket liabilities in the event of a canceled or interrupted cruise. See Part I, Item 1. Business, B. Cruise Ship Segment - Majority Owned Cruise Operations - Governmental Regulations for a discussion of changes to the performance bond requirements proposed by the FMC. The Company also maintains other performance bonds as required by various foreign authorities who regulate certain of the Company's operations in their jurisdictions.

The Company maintains certain levels of self insurance for the above mentioned risks through the use of substantial deductibles. Such deductibles may be increased in the future. The Company does not currently carry coverage related to loss of earnings or revenues for its cruise operations other than for the QE2.

The Company also maintains various other insurance policies to protect the assets and earnings arising from the operations of Holland America Westours and other activities.

#### G. Investments in Affiliates

##### Airtours plc

In April 1996, the Company acquired a 28% interest in Airtours for approximately \$307 million. In 1998, the Company's interest in Airtours was reduced to approximately 26% as a result of the conversion of Airtours preference shares into Airtours common stock and the issuance of Airtours common stock in conjunction with two of its acquisitions. Airtours is the largest air inclusive tour operator in the world and is publicly traded on the London Stock Exchange. Airtours provides air inclusive packaged holidays to the Austrian, British, Belgian, Dutch, French, German, Irish, Polish, Scandinavian, Swiss and North American markets. Airtours provided holidays to approximately eight million people in fiscal 1998 and owns or operates over 800 retail travel shops, 26 holiday hotels, three cruise ships (an additional ship is scheduled to be delivered in 1999), 36 aircraft and develops and markets vacation ownership resorts in the Canary Islands and Orlando, Florida. The cruise ships are operated under the Sun Cruises brand. In 1997, Airtours acquired a 50% interest in Costa, as discussed below. During 1998, Airtours made several acquisitions, including a 36% interest in FTi, a German tour operator, and a 100% interest in Direct Holidays, a direct to customer retail tour operator in the United Kingdom. Airtours also acquired tour operations based in Ireland and Atlanta, Georgia. In December 1998, Airtours successfully completed an approximate \$500 million convertible debenture offering, which will provide Airtours with additional working capital to fund its operations and/or future acquisitions, as required. If this convertible debt was converted into Airtours common stock, the Company's interest in Airtours would be reduced to approximately 23%.

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

In June 1997, the Company and Airtours completed a joint offer to acquire the equity securities of Costa, an Italian cruise company. With the completion of the offer, the Company and Airtours each own 50% of Il Ponte, S.p.A. ("Il Ponte"), a holding company, which was purchased from the Costa family. As a result of the acquisition, Il Ponte owns approximately 100% of Costa. The cost of the Company's acquisition of its 50% direct interest was approximately \$141 million, of which approximately \$103 million was paid by Il Ponte and the balance was paid by the Company. The \$103 million paid by Il Ponte was funded through Il Ponte debt, which is guaranteed by the Company.

Costa is headquartered in Genoa, Italy and is Europe's largest cruise line based on number of passengers carried and available capacity. Costa is primarily targeted to the contemporary market and has sales offices in Argentina, Brazil, England, Florida, France, Italy, Spain and Switzerland, and employs over 200 personnel in the sales and sales support area, excluding reservation agents. Costa's ships' primary itineraries include Europe, the Caribbean and South America. The major market for Costa cruises is Southern Europe with the majority of Costa's cruises being sold in Italy, Spain and France.

The itineraries of Costa's ships during the summer months consist primarily of various locations in Europe. During the winter months, the vessels operate primarily in the Caribbean and South America. See Part I, Item 1. Business, B. Cruise Ship Segment for a discussion of competition and certain government regulations, which affect Costa.

Costa operates six ships which are registered in Liberia and one registered in the Bahamas which have an aggregate passenger capacity of



7,644 passengers. In January 1998, Costa signed an agreement to construct an eighth ship, the Costa Atlantica, with a passenger capacity of 2,112 for approximately 700 billion Lira (see "Cruise Ship Construction").

#### Seasonality

The Company's equity in the earnings of Airtours and Il Ponte are recorded on a two-month lag basis using the equity method of accounting. Costa's and Airtours' earnings are seasonal due to the nature of the European leisure travel industry and European cruise season. Typically, Airtours' and Costa's quarters ending June 30 and September 30 experience higher earnings, with earnings in quarter ending September 30 being their highest.

#### H. Trademarks

The Company owns numerous trademarks which it believes are widely recognized throughout the world and have considerable value.

#### Item 2. Properties

The Company's cruise ships and private island, Half Moon Cay, are described in Section B of Item 1 under the heading Cruise Ship Segment - Cruise Ships and Itineraries. The properties associated with Holland America Westours tour operations are described in Section C of Item 1 under the heading "Tour Segment".

Carnival's principal shoreside operations and the Company's corporate headquarters are located at 3655 N.W. 87th Avenue, Miami, Florida. These Company-owned facilities include approximately 456,000 square feet of office space. HAL headquarters are at 300 Elliott Avenue West in Seattle, Washington in approximately 128,000 square feet of leased office space. Cunard Line Limited headquarters are at 6100 Blue Lagoon Drive in Miami, Florida in approximately 51,000 square feet of leased office space.

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

#### Item 3. Legal Proceedings

Several actions (collectively, the "Passenger Complaints"), as previously reported, have been filed against Carnival or Holland America Westours on behalf of purported classes of persons who paid port charges to Carnival or Holland America, alleging that statements made in advertising and promotional materials concerning port charges were false and misleading. The Passenger Complaints allege violations of the various state consumer protection acts and claims of fraud, conversion, breach of fiduciary duties and unjust enrichment. Plaintiffs seek compensatory damages or, alternatively, refunds of portions of port charges paid, attorneys' fees, costs, prejudgment interest, punitive damages and injunctive and declaratory relief. The status of each pending Passenger Complaint is as follows:

In 1996, four Passenger Complaints were filed against Carnival in the Circuit Court for the Eleventh Judicial Circuit in Dade County, Florida, by Michelle Hackbarth, Larry Katz, Michelle A. Sutton, Pedro Rene Mier, and others, respectively, on behalf of purported nationwide classes. In February 1998, Carnival's motions to dismiss the plaintiffs' second amended complaints were granted in part and denied in part. In May 1998, the court consolidated all four actions. The court has lifted, solely with respect to the issue of class certification, a previously-imposed stay on discovery. Plaintiffs' motion for class certification was argued on January 13, 1999, and a decision on that motion has not yet been rendered.

Carnival had previously reached an agreement-in-principle to settle the action filed against it by Michelle Hackbarth and others under terms that would apply to a nationwide class of Carnival passengers. That agreement-in-principle was subject to the parties' entering into a definitive agreement. A definitive agreement was not executed, and the action is now proceeding.

In March 1997, a Passenger Complaint was filed against Carnival in the Chancery court in Dyer County, Tennessee, by Brent Mezzacasa and others, on behalf of a purported nationwide class. The complaint also named, as co-defendants, Norwegian Cruise Lines, Royal Caribbean Cruise Lines and Princess Cruise Lines. Simultaneous with the filing of the complaint, the court granted Plaintiffs' motion to conditionally certify the class. In October 1997, the court granted Carnival's motion to dismiss on the grounds of inconvenient forum. Plaintiffs' appeal from that order is under consideration in the Tennessee Court of Appeals.

In April 1997, a Passenger Complaint was filed against Carnival in the Court of Common Pleas, Montgomery County, Ohio, by Cathy J. Miller and others, on behalf of a purported statewide class. Carnival's motion to dismiss on inconvenient forum grounds is under consideration. In October 1997, a Passenger Complaint was filed against Carnival in Georgia state court by Elizabeth Forsling on behalf of a purported statewide class, and in February 1999, the court granted Carnival's motion to dismiss on inconvenient forum grounds.

In March 1998, a Passenger Complaint was filed against Carnival in the Circuit Court for the 20th Judicial Circuit in St. Clair County, Illinois, by John R. Birdsell and others on behalf of a purported nationwide class. The complaint also names, as co-defendants, Norwegian Cruise Lines, Royal Caribbean Cruise Lines and Princess Cruise Lines. The court overruled Carnival's objection to the court's exercise of personal jurisdiction and denied its motion to dismiss on grounds of improper forum. Carnival is now appealing the trial court's decision and plaintiffs have moved to certify a class.

In April 1996, a Passenger Complaint was filed against Holland America Westours in the Superior Court in King County, Washington, by Francine Pickett and others on behalf of a purported nationwide class. The court denied both Holland America Westours' motion to dismiss and the plaintiffs' motion for class certification. Thereafter Holland America Westours entered into a settlement agreement for this action, the only Passenger Complaint filed against it. The settlement agreement was approved by the court on September 28, 1998. Five members of the settlement class have appealed the court's approval of the settlement. The appeal is likely to take between one and two years to be resolved. Unless the appeal is successful, Holland America will issue travel vouchers with a face value of \$10-\$50 depending on specified criteria, to certain of its passengers who are U.S. residents and who sailed between April 1992 and April 1996, and will pay a portion of the plaintiffs' legal fees. The amount and timing of the travel vouchers to be redeemed and the effects of the travel voucher redemption on revenues is not reasonably determinable. Accordingly, the Company will account for the redemption of the vouchers as a reduction of future revenues. In 1998, the Company established a liability for the estimated distribution costs of the settlement notices and plaintiffs' legal costs.

Several complaints have been filed against Carnival and/or Holland America Westours (collectively the "Travel Agent Complaints") on behalf of purported classes of travel agencies who had booked a cruise with Carnival or Holland America, claiming that advertising practices regarding port charges resulted in an improper commission bypass. These actions allege violations of state consumer protection laws, claims of breach of contract, negligent misrepresentation, unjust enrichment, unlawful business practices and common law fraud, and they seek unspecified compensatory damages (or alternatively, the payment of usual and customary commissions on port charges paid by passengers in excess of certain charges levied by government authorities), an accounting, attorneys' fees and costs, punitive damages and injunctive relief. The status of each pending Travel Agent Complaint is as follows:

In August 1997, a Travel Agent Complaint was filed against Carnival in the Circuit Court for the Eleventh Judicial Circuit in Dade County, Florida, by N.G.L. Travel Associates, on behalf of a purported nationwide class of travel agencies who booked cruises with Carnival. The court dismissed the action with prejudice in January 1999, and plaintiff has appealed.

In September 1997, a Travel Agent Complaint was filed against Holland America Westours in the Superior Court of the State of Washington for King County by N.G.L. Travel Associates on behalf of a purported nationwide class of travel agencies who booked cruises with Holland America. Holland America Westours filed summary judgment motions as to all of the claims. The motions were granted as to every claim except for one alleging a breach of contract under the Sales Agreement between Holland America Westours and GEM, the travel agent consortium of which N.G.L. Travel Associates was a member. Both parties have requested the court to reconsider its rulings on the summary judgment motions; those requests are pending. The court has ruled that a class of travel agents will be certified in this matter. The exact composition of the class is uncertain at this time as the order signed by the court is inconsistent with the previous decisions made by the court on the summary judgment motions. Holland America Westours expects the situation to be clarified in the near future and may appeal the court's class certification order.

In August 1996, a Travel Agent Complaint was filed against Carnival and Holland America Westours in the Superior Court in Los Angeles, County, California, by Nelsons Travel Associates, on behalf of purported nationwide classes of travel agencies who booked cruises with Carnival and Holland

America. Upon Carnival's and Holland America Westours' motions to dismiss or stay the action on the grounds of inconvenient forum, the court stayed the action, pending resolution of the Florida and Washington actions.

In February 1998, a Travel Agent Complaint was filed against Carnival in Alabama state court by Flora Price and others on behalf of a purported statewide class of travel agencies who booked cruises with Carnival. The case was removed to the United States District Court for the Northern District of Alabama which granted Carnival's motion to dismiss or transfer on the grounds of inconvenient forum.

It is not now possible to determine the ultimate outcome of the pending Passenger and Travel Agent Complaints if such claims should proceed to trial. Management believes it has meritorious defenses to the claims. Management understands that purported class actions similar to the Passenger and Travel Agent Complaints have been filed against several other cruise lines.

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

None.

#### Executive Officers of the Registrant

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

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

NAME	AGE	POSITION
Micky Arison	49	Chairman of the Board of Directors and Chief Executive Officer
Gerald R. Cahill	47	Senior Vice President-Finance and Chief Financial Officer
Robert H. Dickinson	56	President and Chief Operating Officer of Carnival and Director
Howard S. Frank	57	Vice Chairman of the Board of Directors and Chief Operating Officer
A. Kirk Lanterman	67	Chairman of the Board of Directors and Chief Executive Officer of Holland America Line-Westours Inc. and Director
Peter T. McHugh	51	President and Chief Operating Officer of Holland America Line-Westours Inc.
Lowell Zemnick	55	Vice President and Treasurer
Meshulam Zonis	65	Senior Vice President-Operations of Carnival and Director

#### Business Experience of Officers

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

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

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

Howard S. Frank, has been Vice Chairman of the Board of Directors since October 1993, Chief Operating Officer since January 1998 and a director since 1992. From July 1989 to January 1998 he was Chief Financial

Officer and Chief Accounting Officer and from July 1989 to October 1993 he was Senior Vice President-Finance. From July 1975 through June 1989, he was a partner with Price Waterhouse LLP.

A. Kirk Lanterman, is a Certified Public Accountant and has been a director since April 1992. He has been Chairman of the Board of Directors of Holland America Line-Westours Inc. since March 1997 and has been Chief Executive Officer of Holland America Line-Westours Inc. since January 1989. From January 1983 to March 1997, he was President of Holland America Line-Westours Inc. and from January 1983 to January 1989 he was Chief Operating Officer of Holland America Line-Westours Inc.

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

Lowell Zemnick, is a Certified Public Accountant and has been a Vice President since 1980 and Treasurer since September 1990. He was the Chief Financial Officer of Carnival from 1980 to September 1990 and was the Chief Financial Officer of Carnival Corporation from May 1987 through June 1989.

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

#### Special Note Regarding Forward-Looking Statements

Certain statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this Annual Report on Form 10-K and certain oral statements by authorized officers of the Company constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions which may impact levels of disposable income of consumers and pricing and passenger yields for the Company's cruise products; consumer demand for cruises; pricing policies followed by competitors of the Company; increases in cruise industry capacity; changes in tax laws and regulations; the ability of the Company to implement its shipbuilding program and to expand its business outside the North American market where it has less experience; delivery of new vessels on schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise vessels at sea; computer program Year 2000 compliance; and changes in laws and regulations applicable to the Company.

## PART II

### Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

#### A. Market Information

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

#### B. Holders

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

#### C. Dividends

The Company declared cash dividends on all of its Common Stock in the amount of \$.055 per share in each of the first three quarters of fiscal 1997, \$.075 in the fourth quarter of fiscal 1997, \$.075 in each of the first three quarters of fiscal 1998, and \$.09 in the fourth quarter of fiscal 1998 and first quarter of fiscal 1999. Payment of future dividends on the Common Stock will depend upon, among other factors, the Company's earnings, financial condition and capital requirements. The Company may also declare special dividends to all stockholders in the event that members of the Arison family and certain related entities (the "Arison Group") are required to pay additional income taxes by reason of their ownership of the Common Stock because of an income tax audit of the

Company. On April 13, 1998, the Board of Directors of the Company approved a two-for-one split of its Common Stock. The additional shares were distributed on June 12, 1998 to shareholders of record on May 29, 1998. All share and per share data presented herein has been retroactively restated to give effect to this stock split.

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

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

#### Item 6. Selected Financial Data

The information required by Item 6, Selected Financial Data for each of the five years in the period ended November 30, 1998, is shown in Exhibit 13 and is incorporated by reference into this Annual Report on Form 10-K.

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

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

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

The information required by Item 7A, Quantitative and Qualitative Disclosures About Market Risk, is shown in Exhibit 13 and is incorporated by reference into this Annual Report on Form 10-K.

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

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated January 25, 1999, is shown in Exhibit 13 and is incorporated by reference into this Annual Report on Form 10-K.

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

None.

### PART III

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

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

### PART IV

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

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

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

##### (3) Exhibits:

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

##### (b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended November 30, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, and the State of Florida on this 24th day of February, 1999.

CARNIVAL CORPORATION

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

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

/s/ Micky Arison Micky Arison	Chairman of the Board of Directors and Chief Executive Officer	February 24, 1999
/s/ Howard S. Frank Howard S. Frank	Vice Chairman of the Board of Directors and Chief Operating Officer	February 24, 1999
/s/ Gerald R. Cahill Gerald R. Cahill	Senior Vice President-Finance and Chief Financial and Accounting Officer	February 24, 1999
/s/ Shari Arison Shari Arison	Director	February 24, 1999
/s/ Maks L. Birnbach Maks L. Birnbach	Director	February 24, 1999
/s/ Richard G. Capen, Jr. Richard G. Capen, Jr.	Director	February 24, 1999
/s/ David Crossland David Crossland	Director	February 24, 1999
/s/ Robert H. Dickinson Robert H. Dickinson	Director	February 24, 1999
/s/ James M. Dubin James M. Dubin	Director	February 24, 1999
/s/ A. Kirk Lanterman A. Kirk Lanterman	Director	February 24, 1999
/s/ Modesto A. Maidique Modesto A. Maidique	Director	February 24, 1999
/s/ William S. Ruben William S. Ruben	Director	February 24, 1999
/s/ Stuart S. Subotnick Stuart S. Subotnick	Director	February 24, 1999
/s/ Sherwood M. Weiser Sherwood M. Weiser	Director	February 24, 1999
/s/ Meshulam Zonis Meshulam Zonis	Director	February 24, 1999
/s/ Uzi Zucker Uzi Zucker	Director	February 24, 1999

## INDEX TO EXHIBITS

Page No. in  
Sequential  
Numbering  
System  
Exhibits

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

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

4.1-Agreement of the Company dated February 25, 1999 to furnish certain debt instruments to the Securities and Exchange Commission.

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

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

10.1-Retirement and Consulting Agreement dated November 18, 1998 between Alton Kirk Lanterman, Carnival Corporation and Holland America Line-Westours Inc.

10.2-Executive Long-term Compensation Agreement dated January 16, 1998 between Robert H. Dickinson and Carnival Corporation. (5)

10.3-1994 Carnival Cruise Line Key Management Incentive Plan as amended on January 5, 1998. (6)

10.4-Amended and Restated Carnival Corporation 1992 Stock Option Plan. (7)

10.5-Carnival Cruise Lines, Inc. 1993 Restricted Stock Plan adopted on January 15, 1993 and as amended January 5, 1998 and December 21, 1998.

10.6-Carnival Corporation "Fun Ship" Nonqualified Savings Plan. (8)

10.7 -Amendments to The Carnival Corporation Nonqualified Retirement Plan for Highly Compensated. (9)

10.8-Letter Agreement dated July 11, 1989, between the Company and the Ted Arison Irrevocable Trust. (10)

10.9-Amendment to Consulting Agreement Dated August 5, 1996 between the Company and Arison Investments Ltd. (11)

10.10-Carnival Cruise Lines, Inc. 1987 Stock Option Plan.(12)

10.11-Carnival Cruise Lines, Inc. 1987 Restricted Stock Plan.(13)

10.12-Carnival Cruise Lines, Inc. Retirement Plan.(14)

10.13-Carnival Cruise Lines, Inc. Non-Qualified Retirement Plan.(15)

10.14-1993 Outside Directors' Stock Option Plan.(16)

10.15-HAL Antillen N.V. and subsidiaries Key Management Incentive Plan.

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

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

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

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



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

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

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

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

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

10.25-Maks L. Birnbach Director's Agreement.(26)

10.26-William S. Ruben Director's Agreement.(27)

10.27-Stuart Subotnick Director's Agreement.(28)

10.28-Sherwood M. Weiser Director's Agreement.(29)

10.29-Uzi Zucker Director's Agreement. (30)

10.30-David Crossland Director's Agreement.(31)

10.31-James M. Dubin Director's Agreement.(32)

10.32-Modesto M. Maidique Director's Agreement.(33)

10.33-Richard G. Capen Director's Agreement.(34)

10.34-Shari Arison Dorsman Director's Agreement.(35)

10.35-Amendment of Stock Purchase Agreement and Security and Pledge Agreement, dated June 15, 1998, between Carnival Corporation, Sherwood Weiser and others.

10.36-Executive Long-term Compensation Agreement dated January 11, 1999, between the Company and Micky Arison.

10.37-Executive Long-term Compensation Agreement dated January 11, 1999, between the Company and Howard S. Frank.

10.38-Note Extension and Satisfaction Agreement, dated February 17, 1999, between Carnival Corporation, Sherwood Weiser and others.

12.0-Ratio of Earnings to Fixed Charges.

13.0-Portions of 1998 Annual Report incorporated by reference into 1998 Annual Report on Form 10-K.

21-Subsidiaries of the Company.

23.0-Consent of PricewaterhouseCoopers LLP.

27.0-Financial Data Schedule (for SEC use only).

Sequential  
Numbering  
System  
Exhibits

(1) Incorporated by reference to Exhibit No. 3 to the registrant's registration statement on Form S-3 (File No. 333-68999), filed with the Securities and Exchange Commission.

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

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

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

(5) Incorporated by reference to Exhibit No. 10.2 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1997 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(6) Incorporated by reference to Exhibit No. 10.3 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1997 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(7) Incorporated by reference to Exhibit No. 10.4 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1997 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(8) Incorporated by reference to Exhibit No. 10.6 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1997 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(9) Incorporated by reference to Exhibit No. 10.7 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1997 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

November 30, 1996 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

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

February 24, 1999

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

RE: Carnival Corporation  
Commission File No. 1-9610

Gentlemen:

Pursuant to Item 601 (b) (4) (iii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, Carnival Corporation (the "Company") hereby agrees to furnish copies of certain long-term debt instruments to the Securities and Exchange Commission upon the request of the Commission, and, in accordance with such regulation, such instruments are not being filed as part of the Annual Report on Form 10-K of the Company for its fiscal year ended November 30, 1998.

Very truly yours,

CARNIVAL CORPORATION

/s/ Arnaldo Perez

Arnaldo Perez  
General Counsel

RETIREMENT AND CONSULTING AGREEMENT

AGREEMENT made this 18th day of November, 1998 between CARNIVAL CORPORATION, having its principal place of business at 3655 N.W. 87th Avenue, Miami, Florida 33178, and its wholly owned subsidiary, Holland America Line-Westours Inc., having its principal place of business at 300 Elliott Avenue West, Seattle, Washington 98119 (collectively, the "Companies") and Alton Kirk Lanterman, ("Lanterman"), residing at 714 W. Galer Street, Seattle, Washington, 98119.

RECITALS

- A. Lanterman has served as Chairman or President and Chief Executive Officer of Holland America Line-Westours Inc. ("HAL") since January 1989, and has performed exemplary service during said years.
- B. The Companies desire to compensate Lanterman for such exemplary service by way of retirement pay.
- C. The Companies desire to retain Lanterman's consulting services following such retirement on the terms set forth in this Agreement.

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

1. Compensation For Past Services and Consulting Services

1.1 For a period of fifteen (15) years following the date of retirement by Lanterman from active services with the Companies (the "Retirement Date"), the Companies shall pay to Lanterman, in monthly installments of \$88,625, an annual compensation of \$1,063,500.

1.2 In the event of Lanterman's death prior to the Retirement Date, or prior to the fifteenth anniversary of the Retirement Date, the unpaid balance of this total compensation (\$15,952,500) shall be paid in full to Lanterman's estate within 30 days of his death. The unpaid balance shall be its then present value calculated by utilization of an interest rate of 8.5% per year.

2. Consulting Services

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

3. Independent Contractor

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

4. Confidentiality

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

5. Enforceable

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

6. Applicable Law

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

7. Entire Agreement

This Agreement contains the entire agreement of the parties relating to the subject matter hereof. A similar agreement of November 1997 shall become null and void upon the execution of this Agreement. Any notice to be given under this Agreement shall be sufficient if it is in writing and is sent by certified or registered mail to Lanterman or to the Companies to the attention of the President, or otherwise as directed by the Companies, from time to time, at the addresses as they appear in the opening paragraph of the Agreement.

8. Waiver

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

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

CARNIVAL CORPORATION

By: /s/ Howard S. Frank  
Its: Vice Chairman and COO

HOLLAND AMERICA LINE-  
WESTOURS INC.

By: /s/ Larry D. Calkins  
Its: Vice President -  
Finance

/s/ Alton Kirk Lanterman  
Signature

Alton Kirk Lanterman  
Print Full Name

CARNIVAL CRUISE LINES, INC.  
1993 RESTRICTED STOCK PLAN

(adopted by the Board of Directors on January 15, 1993,  
amended on January 5, 1998 and December 21, 1998)

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

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

3. Common Stock Reserved for the Plan. The shares subject to Stock Awards under the Plan shall consist of 2,000,000 authorized but unissued shares of Common Stock or previously issued shares reacquired and held by the Company, and such amount of shares shall be and is hereby reserved for issuance pursuant to this Plan.

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

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

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

(a) Restrictions on Forfeitable Common Stock. Each of the Common Stock granted pursuant to a Stock Award shall be subject to the following restrictions until the Participant acquires a nonforfeitable right to the shares: such shares may not be sold, exchanged, transferred, pledged, hypothecated, or otherwise disposed of by the Participant until Participant's right to such shares becomes nonforfeitable. Notwithstanding the foregoing, nothing herein shall preclude a Participant from:

- (i) making a gift of any shares of Common Stock to a spouse, child, step-child, grandchild, parent, sibling, or legal dependent of the Participant; or
- (ii) transferring shares of Common Stock to a corporation or partnership owned, directly or indirectly by the Participant or any of the persons listed in (i); or
- (iii) making a gift of any shares of Common Stock to a trust of which the beneficiary or beneficiaries of the corpus and income are the Participant or any of the persons listed in (i);

provided that the Common Stock so given shall remain subject to the restrictions, obligations and conditions described in this section 5.

(b) Time When Common Stock Is Nonforfeitable. Participants shall acquire a fully nonforfeitable right to the Common Stock awarded under the Plan upon the earlier of (i) the date of the Participant's actual retirement at or after age 65, (ii) the date of the Participant's death or disability, or (iii) on such date as otherwise determined by the Compensation



Committee. In addition, the Participant shall acquire nonforfeitable rights to the Common Stock awarded under the Plan in accordance with the vesting (i.e., acquisition of nonforfeitable rights) schedule as set by the Compensation Committee at the time of the Stock Award, provided that full vesting under such schedule shall take place no sooner than five years after date of Stock Award and no later than ten years after such date.

(c) Forfeiture Due to Termination of Employment.

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

(d) Definition of Disability, Years of Service, and Retirement. The term "disability" as used in this section means "total and permanent disability". The terms "total and permanent disability," "years of service," and "retirement" shall be determined in accordance with applicable Company personnel policies.

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

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

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

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

KEY MANAGEMENT INCENTIVE PLAN TERMS  
HAL ANTILLEN N.V. AND SUBSIDIARIES

## OBJECTIVE

By providing a means whereby Plan participants can share in the net income of the Holland America Line group of companies (HAL), the Key Management Incentive Plan (the "Plan") is designed to focus managerial attention on the objective of maximizing the profitability of Holland America Line.

## PLAN ADMINISTRATION

The Plan Administrator is the Chairman and Chief Executive Officer of Holland America Line-Westours Inc. (HALW). The Plan Administrator can delegate administrative functions regarding the Plan to one or more HALW Vice Presidents. The Plan Administrator has sole and final authority and discretion in resolving any questions regarding the administration or terms of the Plan not addressed in this document as well as in resolving any ambiguities that may exist in this document.

## PLAN YEAR AND NET INCOME

As used in this document, the term "Plan Year" refers to HAL's fiscal year (December 1 - November 30) and the term "Net Income" refers to a Plan Year's consolidated net income for HAL Antillen N.V. and its direct and indirect subsidiaries (whose results are consolidated with those of HAL Antillen N.V. for financial reporting purposes), as reported in the Plan Year's annual audited consolidated financial statements for HAL Antillen N.V.

## PARTICIPATION

The Plan Administrator shall determine which employees will be Plan participants and the specific number of Shares in the Plan that each participant will have. In making these determinations, the Plan Administrator shall consider level of responsibility, the degree the position can impact the Plan's objectives, individual experience, seniority, prior participation levels, compensation paid outside HAL for similar work and such other factors as the Plan Administrator deems appropriate. Employees are not entitled to challenge determinations by the Plan Administrator on grounds of uniformity, consistency or similar bases. There is no limit to the number of participants or the aggregate number of Shares. Decisions regarding participation and number of Shares are made separately as to each Plan Year.

The Plan Administrator may allow new hires or employees assuming new positions to join the Plan during the Plan Year. Each participant will be advised of his/her Shares during the first 90 days of each Plan Year or, if later, within 90 days of becoming a participant. The Plan Administrator may increase or decrease a participant's Shares during a Plan Year due to changes in position responsibilities. The number of Shares as of the last day of the Plan Year is determinative for purposes of calculating payments under the Plan. Participation in the Plan is suspended during any Company approved leave of absence.

## CANCELLATION OF SHARES

Except in the case of eligible retirement, death or disability requiring termination of employment, Shares are automatically cancelled immediately upon termination of employment. For these purposes, the reason for termination of employment is irrelevant. Consequently, it will make no difference if employment is terminated by the employer or the participant. The cancellation of Shares automatically terminates any right of a participant to receive any amounts under the Plan as to the Plan Year during which cancellation occurs. In other words, any participant whose employment terminates prior to the end of the Plan Year will not receive any amount under the Plan as to that Plan Year unless the termination was due to eligible retirement, death or disability requiring termination of employment. Termination of employment will not effect the amount to which a person would be entitled as to any Plan Year prior to termination. An "eligible retirement" applies to persons who, at the time of retirement, are at least

65 years of age and have been employed by the HAL group of companies for at least the immediately preceding 15 years.

#### METHOD OF CALCULATING SHARE VALUES AND PAYMENT

The dollar value of a Share will be a fixed value (determined as provided below) as to those participants that had fixed Share values during the fiscal year ending November 30, 1997. The dollar value of a Share for all other participants shall be variable:

a. Fixed Shares: Participants with a fixed Share value will receive \$50.00/Share for each \$1,000,000 of Net Income during the Plan Year (pro rated for increments of less than \$1,000,000). The fixed Share value is subject to adjustment by the Plan Administrator at any time prior to the commencement of the Plan Year to which such adjustment relates.

b. Variable Shares: Prior to the beginning of each Plan Year, the Plan Administrator, with the approval of the HALW Board of Directors, will establish a Plan Percentage for that Plan Year except that until changed by the HALW Board of Directors, the Plan Percentage shall be 3.4%. The dollar value of each variable Share will equal an amount computed by:

- (i) taking an amount equal to the Plan Percentage of the Net Income and deducting from that the total amount paid to participants with fixed Shares; and
- (ii) dividing that amount by the total number of variable Shares as of the last day of the Plan Year.

Notwithstanding the foregoing, the dollar value of a Share for any Plan participant who participates in the Plan for less than 12 months (i.e., due to suspension in Plan participation, because he/she only becomes a participant after December 1st of the Plan Year, because of an eligible retirement, because he/she dies or because he/she is required to terminate employment due to disability) shall be proportionately reduced to reflect the actual duration of Plan participation (in full months). For pro ration purposes, only those months in which the participant had at least 15 days of active employment will be included. For example, if a participant was on a Company approved leave of absence for 3 months (or only became a Plan participant on February 20th or died on September 8th), the value of each Share of that participant will be 75% (9/12ths) of the value of a Share for a full-year participant. The aggregate reduction in payments shall be allocated pro rata among all participants.

Payment of the Share value will be made on a date determined by the Plan Administrator but in any event within 75 days after the conclusion of the Plan Year. At the discretion of the Plan Administrator, advance partial payments may be made based on anticipated Net Income. All payments are subject to applicable withholding taxes. Cash awards are subject to partial payment in Carnival Stock on the terms described below.

#### SENIOR MANAGEMENT COMMON STOCK AWARD

A predetermined portion of the Plan payment otherwise due will be made to specified participants in the form of Carnival Corporation Class A shares of common stock ("Carnival Stock") based on the following table:

Share Level	Amount of Incentive Award in Carnival Stock
20 or more	25%
10 - 19.99	20%
Less than 10	-0-

Notwithstanding the foregoing, no portion of any payment to the Plan Administrator, in his/her capacity as a participant, shall be made in Carnival Stock. The actual number of shares of Carnival Stock to be received by each participant referred to in

the foregoing table shall be determined by dividing the amount of the participant's Plan payment to be received in Carnival Stock (as above provided) by the average closing price for Carnival Stock for the last ten (10) trading days of the Plan Year, as quoted on the national stock exchange on which the Carnival Stock is traded. Fractional shares of Carnival Stock will not be issued.

The value of Carnival Stock received by Plan participants will be reported to governmental taxing authorities, and taxes shall be withheld in respect of such Carnival Stock, in accordance with the requirements of applicable law. Carnival Stock issued will be subject to a restriction on sale commencing from date of issuance and continuing until, but not including, the first trading day in the second January following the end of the Plan Year in respect of which the Carnival Stock was issued (e.g., Carnival Stock issued in respect of the Plan Year ending November 30, 1998 would be subject to a restriction on sale that would not end until the first trading day in January, 2000). Holders will be eligible to receive dividends during the restriction period.

#### DURATION OF PLAN

The Plan will be effective until terminated by the HAL Antillen N.V. Board of Directors. Termination will be effective beginning with the second full Plan Year following action by the Board of Directors.

#### PURCHASE FOR INVESTMENT

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

#### AMENDMENT OF PLAN

Any amendment to the Plan shall comply with all applicable laws and applicable stock exchange listing requirements.

#### GOVERNMENTAL AND OTHER REGULATIONS

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

AMENDMENT OF  
STOCK PURCHASE AGREEMENT  
AND  
SECURITY AND PLEDGE AGREEMENT

This Amendment of Stock Purchase Agreement and Security and Pledge Agreement (this "Amendment") is dated as of the 15th day of June, 1998 by and among (i) Carnival Corporation ("CCL") and (ii) Sherwood M. Weiser ("Weiser"), Donald E. Lefton ("Lefton"), Thomas F. Hewitt ("Hewitt"), Peter Sibley ("Sibley"), W. Peter Temling ("Temling") and Robert B. Sturges ("Sturges") (Weiser, Lefton, Hewitt, Sibley, Temling and Sturges are sometime collectively referred to herein as the "Buyers" and individually as a "Buyer").

R E C I T A L S:

A. CCL and the Buyers entered into that certain Stock Purchase Agreement dated as of November 30, 1994 (the "Purchase Agreement") pursuant to which the Buyers acquired an aggregate of 2,610,000 (as adjusted for 2-for-1 stock split) shares of CHC International, Inc. ("CHC") Common Stock.

B. The purchase price for such shares of CHC Common Stock was paid by each Buyer's delivery to CCL of (a) such Buyer's promissory note in the amount set forth in the Agreement (collectively, the "Original Notes") and (b) a Security and Pledge Agreement dated as of November 30, 1994, pursuant to which each Buyer granted to CCL a security interest in and to the CHC Common Stock it acquired pursuant to the Agreement (each, a "Pledge Agreement").

C. The entire principal balance and all interest accrued under the Original Notes remains outstanding on the date hereof.

D. The Buyers desire to exchange the shares of CHC Common Stock for shares of Wyndham International, Inc. ("Wyndham") Series A Redeemable Convertible Preferred Stock and Series B Redeemable Convertible Preferred Stock pursuant to that certain Agreement and Plan of Merger by and among Patriot American Hospitality Operating Company (n/k/a Wyndham International, Inc.), Patriot American Hospitality, Inc. and CHC dated as of September 30, 1997 and other documents contemplated thereby (collectively, the "Merger Documents").

E. Certain shares of CHC Common Stock are currently pledged as collateral for the Original Notes. The Buyers desire to substitute such collateral with shares of (i) CSMC-Management Services Inc. (which name may be later changed to CCR International, Inc.) Common Stock (the "CSMC Shares") and (ii) Wyndham Series A Redeemable Convertible Preferred Stock and Series B Redeemable Convertible Preferred Stock, in the amounts set forth on Exhibit A hereto (the "WYNDHAM Shares", which together with the CSMC Shares shall be referred to herein as the "WYNDHAM/CSMC Shares").

F. CCL has agreed to accept the Wyndham/CSMC Shares as substitute collateral as for the loans evidenced by the Original Notes further provided herein.

G. The principal balance of the loans evidenced by the Original Notes, will be renewed and evidenced by Renewal Promissory Notes dated the date hereof from each of the Buyers (the "Renewal Notes").

In consideration of these recitals and the covenants contained in this Amendment, the parties agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

2. Recitals. The parties hereto acknowledge and agree that the foregoing recitals are true and correct and constitute a part of this Amendment.

3. Amendments of the Purchase Agreement.

(a) Section 4.1 of the Purchase Agreement shall be deleted and replaced in its entirety with the following:

"4.1 Sale and Purchase. Subject to Article V, at any time between May 30, 1996 and June 30, 1999, upon written notice from Weiser (the "Put Notice"), CCL shall purchase from Buyers, on the date and in the manner set forth in this Article IV, all (but not less than all) of the CSMC Management Services, Inc. Common Stock, par value \$.01 per share, (the "CSMC Shares") and the Wyndham International, Inc. Series A Redeemable Convertible Preferred Stock, par value \$.01 per share, and Series B Redeemable Convertible Preferred Stock, par value \$.01 per share, (the "WYNDHAM Shares", which collectively with the CSMC Shares shall be referred to as the "WYNDHAM/CSMC Shares"), described on Exhibit A to the Amendment of Stock Purchase Agreement and Security and Pledge Agreement dated June 15, 1998 then held by Buyers, at the Purchase Price paid by Buyers hereunder, together with an amount necessary so that the aggregate purchase price to be paid by CCL pursuant to this Article IV returns to each Buyer his original investment of \$6.25 per share of CHC International, Inc. Common Stock (as adjusted for the 2-for-1 stock split) purchased from CCL on the date of CCL's sale of the Purchased Shares hereunder (the "Closing Date") and also provides such Buyer with a rate of return thereon of 6.10% per annum, in each case from the Closing Date until the date the Wyndham/CSMC Shares are acquired by CCL pursuant to this Article IV. Each of the Buyers agrees that Weiser shall have the sole right to deliver the Put Notice. For the sake of clarity, the parties acknowledge that this Section 4.1 has been amended in order to permit the Buyers to exchange the Purchased Shares. In order to put CCL in the same position as it was prior to such sale, the 'put' provided for under this Section 4.1 shall apply to the Wyndham/CSMC Shares, which were acquired by the Buyers at the time of and in connection with the exchange of the Purchased Shares."

(b) All references contained in the Sections 4.2 and 4.4 of the Purchase Agreement to "Purchased Shares" are hereby deleted and replaced in their entirety with "WYNDHAM/CSMC Shares".

(c) All references contained in Article V of the Purchase Agreement to "fourth anniversary" are hereby deleted and replaced in their entirety with "June 30, 1999".

4. Amendments of Each Pledge Agreement.

(a) Subsection (a) of Section 1 of each Pledge Agreement is hereby deleted and replaced in its entirety with the following:

"(a) the number of shares of Common Stock, par value \$.005 per share, of CSMC Management Services Inc., and the number of shares of Series A Redeemable Convertible Preferred Stock, par value \$.01 per share, and Series B Redeemable Convertible Preferred Stock, par value \$.01 per share, of Wyndham International, Inc. set forth opposite such Debtor's name on Exhibit A to the Amendment of Stock Purchase Agreement and Security and Pledge Agreement dated as of June 15, 1998 (the "Amendment")(collectively the "WYNDHAM/CSMC Shares");";

(b) Section 2 of each Pledge Agreement is hereby deleted and replaced in its entirety with the following:

"2. Stock Purchase Agreement. This Agreement was executed and delivered pursuant to the terms, conditions and requirements of the Stock Purchase Agreement dated as of November 30, 1994, as amended (the "Purchase Agreement") pursuant to which Secured Party sold certain shares of common stock of CHC

International, Inc. to Debtor. As of the date of the Amendment, Debtor exchanged of all of such shares of CHC International, Inc. for the Wyndham/CSMC Shares and substituted such shares as Collateral hereunder. The security interests herein granted ("Security Interests") shall secure full payment and performance of: (a) that certain Promissory Note dated November 30, 1994 made by Debtor and payable to Secured Party (the "Original Note"), which obligation has been renewed pursuant to that certain Renewal Promissory Note dated June 15, 1998 made by Debtor and payable to Secured Party (the "Note"); and (b) the due and punctual observance and performance of each and every agreement, covenant and condition on Debtor's part to be observed or performed under this Agreement and the Note (all of which debts, duties, liabilities and obligations hereinbefore described and covered by this Agreement and the Note are hereinafter referred to as the "Obligation")."

5. Representations and Warranties. Each Buyer hereby represents and warrants to CCL and covenants for the benefit of CCL as follows:

(a) Each Buyer is the sole legal and equitable owner of the Wyndham/CSMC Shares described on Exhibit A hereto free from any adverse claim, lien, security interest, encumbrance or other rights, title or interest of any person, except for (i) the security interest created by the Pledge Agreement, as amendment hereby; (ii) as described in Section 5(d) hereof; and (iii) claims arising under the Merger Documents.

(b) Except for the Wyndham Shares described in Section 5(d) below, each Buyer has delivered to CCL all stock certificates evidencing the Wyndham/CSMC Shares pledged and assigned as contemplated under this Amendment, together with duly executed stock powers in blank.

(c) The amount outstanding under the Renewal Note is intended by the Buyers to be and remain fully secured by the Pledge Agreement and each Buyer hereby expressly reaffirms the representations and warranties set forth in the Pledge Agreement.

(d) Immediately upon the release of the Wyndham Shares withheld from delivery by Wyndham pursuant to Section 8 of that certain Stockholder Indemnification Agreement by and among Wyndham and each of the Buyers and the other stockholders of CHC, each Buyer agrees to deliver to CCL all stock certificates actually released by Wyndham, which shares evidenced thereby have been pledged and assigned as contemplated under this Amendment, together with duly executed stock powers in blank.

6. Agreement. All parties agree that, except as provided in this Amendment, all other terms and conditions of the Purchase Agreement and Pledge Agreement remain in full force and effect.

7. Counterparts. This Amendment may be executed in any number of counterparts and by the separate parties to this Amendment in separate counterparts, all of which shall be deemed to be an original and one and the same instrument.

8. Effective Date. Notwithstanding the date of this Amendment, this Amendment shall not become effective until, and shall become effective simultaneously with, the closing of the transaction contemplated by the Merger Documents.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be made, executed and delivered as of the day and year first above written.

CARNIVAL CORPORATION

By:/s/ Gerald R. Cahill  
Print Name: Gerald R. Cahill  
Title: Senior Vice President and CFO

/s/ Sherwood M. Weiser  
SHERWOOD M. WEISER

/s/ Donald E. Lefton  
DONALD E. LEFTON

/s/ Thomas F. Hewitt  
THOMAS F. HEWITT

/s/ Peter Sibley  
PETER SIBLEY

/s/ W. Peter Temling  
W. PETER TEMLING

/s/ Robert B. Sturges  
ROBERT B. STURGES

EXHIBIT A

WYNDHAM/CSMC SHARES

Name of Buyer	CSMC Management Shares	Wyndham Series A Shares	Wyndham Series B Shares
Weiser	859,248	138,088	138,088
Lefton	859,248	138,088	138,088
Sibley	318,394	51,169	51,169
Hewitt	318,394	51,169	51,169
Sturges	127,358	20,467	20,467
Temling	127,358	20,467	20,467
TOTAL	2,610,000	419,448	419,448



## EXECUTIVE LONG-TERM COMPENSATION AGREEMENT

THIS EXECUTIVE LONG-TERM COMPENSATION AGREEMENT is entered into this 11th day of January, 1999, to be effective as of the 1st day of January, 1998, by and between CARNIVAL CORPORATION ("Carnival") with its principal place of business located at 3655 N.W. 87th Avenue, Miami, Florida 33178, and MICKY ARISON (the "Individual").

## R E C I T A L S

WHEREAS, the Individual is currently employed as the Chairman and Chief Executive Officer of Carnival;

WHEREAS, Carnival wishes to provide long-term incentive and reward to the Individual for the continuation of his full-time employment with Carnival, in addition to the Individual's annual compensation consisting of a base salary and annual bonus; and

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

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

1. Carnival shall continue to employ the Individual as Chairman and Chief Executive Officer and the Individual shall continue to serve Carnival in such executive capacity until such employment is terminated by either party.

2. Subject to the provisions of this Agreement, Carnival shall pay the Individual as long-term compensation, beginning January 1, 1998 and continuing during the term of his employment with Carnival, the stock compensation benefit described as follows ("Stock Compensation Benefit"):

(A) Pursuant to the terms of Carnival's 1992 Stock Option Plan, the Individual shall receive in January of each year during the term of his employment (commencing effective January of 1998) an option to purchase 120,000 <1> shares of Carnival Corporation Common Stock (the "Stock Option Benefit"). For purposes of this Agreement, the exercise price of the options shall be the average of the high and low sales price of Common Stock on the New York Stock Exchange Corporate Tape on the date of the quarterly Board of Directors meeting held in January of each year (the "Grant Date"). Said options shall vest ratably over a five (5) year period as more particularly set forth in a Nonqualified Stock Option Agreement to be entered into annually substantially in the form attached hereto as Exhibit A.

(B) Pursuant to the terms of Carnival's 1993 Restricted Stock Plan, the Individual shall receive annually on the Grant Date 60,000 <2> restricted shares of Carnival Corporation Common Stock (the "Restricted Stock Benefit"). Except as otherwise provided in Section 3 hereof, these shares shall vest on the fifth anniversary of the date of such annual grant.

<1> The number of shares has been adjusted to reflect the 2-for-1 stock split effective June 12, 1998.

<2> The number of shares has been adjusted to reflect the 2-for-1 stock split effective June 12, 1998.

3. Notwithstanding anything herein to the contrary, no payment of any Stock Compensation Benefit shall be made, and all unvested options and restricted stock issued hereunder and all

rights under the Agreement shall be forfeited, if any of the following events shall occur:

- (A) The Individual's employment with Carnival is terminated for cause. For purposes of this Agreement, "for cause" shall be defined as any action or inaction by the Individual which constitutes fraud, embezzlement, misappropriation, dishonesty, breach of trust, a felony or moral turpitude, as determined by its Board of Directors;
- (B) The Individual voluntarily terminates his employment with Carnival prior to attaining sixty (60) years of age unless such voluntary termination is directly related to the Individual being diagnosed with a terminal medical condition;
- (C) The Individual shall engage in competition, as more particularly described in Section 6 hereof, either (i) during the term of his employment with Carnival; (ii) following the Individual's voluntary termination of his employment with Carnival; or (iii) following Carnival's termination of the Individual's employment with Carnival either for cause, as defined in (A) above, or other than for cause; or
- (D) The Individual violates the nondisclosure provisions set forth in Section 7 hereof.

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

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

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

4. Intentionally Deleted.

5. Each annual grant of the Stock Compensation Benefit is contingent on the Individual's satisfactory performance of his duties as determined by Carnival's Board of Directors or appropriate committee of the Board.

6. The services of the Individual are unique, extraordinary and essential to the business of Carnival, particularly in view of the Individual's access to Carnival's confidential information and trade secrets. Accordingly, in consideration of the Stock Compensation Benefits payable hereunder, the Individual agrees that he will not, without the prior written approval of the Board of Directors, at anytime during the term of his employment with Carnival and (except as

provided below) for five (5) years following the date on which the Individual's employment with Carnival terminates, directly or indirectly, within the United States or its territories, engage in any business activity directly or indirectly competitive with the business of Carnival, or its subsidiaries or divisions, or serve as an officer, director, owner, consultant, or employee of any organization then in competition with Carnival or any of its subsidiaries or divisions. In addition, the Individual agrees that during such five (5) year period following his employment with Carnival, he will not solicit, either directly or indirectly, any employee of Carnival, its subsidiaries or division, who was such at the time of the Individual's separation from employment hereunder. In the event that the provisions of this Section 6 should ever be adjudicated to exceed the time, geographic or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic or other limitations permitted by applicable law.

Notwithstanding the foregoing, the provisions of this Section 6 shall be null and void if, prior to attaining the age of sixty (60), the Individual voluntarily terminates his employment with Carnival within 14 days of his receipt of notice that Carnival's Board of Directors or appropriate committee of the Board, has determined that the Individual's annual grant of the Restricted Stock Benefit will be reduced by more than 25% in any one year.

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

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

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

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

plan or other arrangement of Carnival for the benefit of its employees.

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

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

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

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

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

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

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

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

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

CARNIVAL CORPORATION

By: /s/ Howard S. Frank  
Howard S. Frank  
Title: Vice Chairman and Chief  
Operating Officer

/s/ Micky Arison  
Micky Arison

EXHIBIT A

CARNIVAL CORPORATION  
1992 STOCK OPTION PLAN

NONQUALIFIED STOCK OPTION AGREEMENT

Carnival Corporation, f/k/a Carnival Cruise Lines, Inc. (the "Company"), having heretofore adopted the Carnival Corporation 1992 Stock Option Plan (the "Plan") and entered into that certain Executive Long-Term Compensation Agreement effective as of January 1, 1998 between the Company and Micky Arison (the "Compensation Agreement"), hereby irrevocably grants to MICKY ARISON (the "Optionee"), effective \_\_\_\_\_ (the "Grant Date"), the right and option (the "Option") to purchase One Hundred Twenty Thousand (120,000) shares of Common Stock on the following terms and conditions:

1. Each defined term used in this Agreement and not otherwise defined herein shall have the meaning assigned to it in the Plan.

2. This Option shall not be exercisable, in whole or in part, except as follows:

- a) Exercisable as to Twenty Four Thousand (24,000) shares of Common Stock on or after the first anniversary of the Grant Date;
- b) Exercisable as to an additional Twenty Four Thousand (24,000) shares of Common Stock on or after the second anniversary of the Grant Date;
- c) Exercisable as to an additional Twenty Four Thousand (24,000) shares of Common Stock on or after the third anniversary of the Grant Date;
- d) Exercisable as to an additional Twenty Four Thousand (24,000) shares of Common Stock on or after the fourth anniversary of the Grant Date;
- e) Exercisable as to an additional Twenty Four Thousand (24,000) shares of Common Stock on or after the fifth anniversary of the Grant Date.

3. Notwithstanding the provisions of paragraph 2, if Optionee's employment by the Company or any Subsidiary shall terminate by reason of his death or Disability, this Option shall become immediately exercisable in full in respect of the aggregate number of shares of Common Stock covered hereby.

4. Unless otherwise provided in the Compensation Agreement, the unexercised portion of this Option shall automatically and without notice terminate and become null and void at the time of the earliest of the following to occur:

- a) the expiration of ten (10) years from the Grant Date;
- b) the expiration of one (1) year from the date the Optionee's employment with the Company or any of its Subsidiaries shall terminate by reason of Disability; provided, however, that if the Optionee shall die during such one-year period, the provisions of subparagraph (c) below shall apply;
- c) the expiration of one (1) year from the date of the Optionee's death, if such death occurs either during employment by the Company or any of its Subsidiaries or during the one-year period described in subparagraph (b) above;
- d) the date the Company terminates the Optionee's employment with the Company or any of its Subsidiaries "for cause" (as defined in the Compensation Agreement);

- e) the date on which the Optionee voluntarily terminates his employment with the Company or any of its Subsidiaries prior to attaining sixty (60) years of age, unless such voluntary termination is directly related to the Optionee being diagnosed with a terminal medical condition; and
- f) the violation by the Optionee of noncompete and/or nondisclosure provisions set forth in Sections 6 and 7 of the Compensation Agreement.

5. The purchase price for each of the shares of Common Stock purchased pursuant to this Option shall be \_\_\_\_\_ and \_\_\_\_/100 Dollars (\$\_\_\_\_\_). This Option is not intended to be an "incentive stock option" within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended.

6. Unless Optionee utilizes a cashless exercise program, if available and authorized by the Company from time to time, this Option shall be deemed exercised when the Optionee (a) delivers written notice to the Company at its principal business office, directed to the attention of its Secretary, of the decision to exercise, specifying the number of shares with respect to which this Option is exercised and the price per share designated in this Option, and (b) concurrently tenders to the Company full payment for the shares of Common Stock to be purchased pursuant to such exercise. Full payment for shares of Common Stock purchased by the Optionee shall be made at the time of any exercise, in whole or in part, of this Option, and certificates for such shares shall be delivered to the Optionee as soon thereafter as is reasonably possible. No shares of Common Stock shall be transferred to the Optionee until full payment therefor has been made, and the Optionee shall have none of the rights of a shareholder with respect to any shares of Common Stock subject to this Option until a certificate for such shares shall have been issued and delivered to the Optionee. Such payment shall be made in cash or by check or money order payable to the Company, in each case payable in U.S. Currency. (In the Committee's discretion, such payment may be made by delivery of shares of Common Stock having a fair market value [determined as of the date this Option is so exercised in whole or in part] that, when added to the value of any cash, check, promissory note or money order satisfying the foregoing requirements, will equal the aggregate purchase price.)

7. This Option and the rights evidenced hereby are not transferable in any manner other than by will or by the laws of descent and distribution and during the Optionee's lifetime shall be exercisable only by the Optionee (or the Optionee's court-appointed legal representative).

8. The Company's obligation to deliver shares of Common Stock upon the exercise of this Option shall be subject to all applicable federal, state and local withholding requirements, including the payment by the Optionee of any applicable federal, state and local withholding tax. The Company may withhold delivery of shares of Common Stock until the Optionee pays to the Company the amount of tax it is required to withhold under any applicable law. If the Optionee fails to remit to the Company such tax, the Company may sell such portion of the shares of Common Stock as are sufficient to satisfy the Company's obligation to withhold such tax.

9. The Company's obligation to deliver shares of Common Stock in respect of this Option shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agency as may be required.

10. The Optionee, by his acceptance hereof, represents and warrants to the Company that his purchase of shares of Common Stock upon the exercise of this Option shall be for investment and not with a view to, or for sale in connection with, the distribution of any part thereof; provided, however, that this representation and warranty shall be inoperative if, in the opinion of counsel to the Company, a proposed sale or distribution of such shares is pursuant to an applicable effective registration statement under the Securities Act of 1933, as amended, and any applicable state "blue sky" or other securities laws or is exempt from registration thereunder. The Company will endorse an appropriate legend referring to the

foregoing restriction upon the certificate or certificates representing any shares of Common Stock issued or transferred to the Optionee upon the exercise of this Option.

11. This Agreement shall be subject to all the terms and provisions of the Plan and the Compensation Agreement, which are incorporated by reference herein and are made a part hereof, including without limitation the provisions of paragraph 13 of the Plan generally relating to adjustments to the number of shares of Common Stock subject to this Option and to the Option purchase price on certain changes in capitalization and the effects of certain reorganizations and other transactions. In the event there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern. By entering into this Agreement, the Optionee agrees and acknowledges his receipt of a copy of the Plan.

12. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the Company has caused these presents to be signed by its duly authorized officer as of the \_\_\_\_ day of January, \_\_\_\_.

CARNIVAL CORPORATION

By: \_\_\_\_\_  
Howard S. Frank  
Title: Vice Chairman and Chief  
Operating Officer

ACCEPTED AND AGREED THIS \_\_\_\_  
DAY OF JANUARY, \_\_\_\_.

\_\_\_\_\_  
Micky Arison  
Optionee

EXHIBIT B

ALTERNATIVE VESTING SCHEDULE I

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

EXHIBIT C

ALTERNATIVE VESTING SCHEDULE II

1. Vested as to 0% of the Restricted Stock Benefit if termination occurs between the grant date and the first anniversary of the grant date thereof;
2. Vested as to 20% of the Restricted Stock Benefit if termination occurs between the first and second anniversaries of the grant date thereof;

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



## EXECUTIVE LONG-TERM COMPENSATION AGREEMENT

THIS EXECUTIVE LONG-TERM COMPENSATION AGREEMENT is entered into this 11th day of January, 1999, to be effective as of the 1st day of January, 1998, by and between CARNIVAL CORPORATION ("Carnival") with its principal place of business located at 3655 N.W. 87th Avenue, Miami, Florida 33178, and HOWARD S. FRANK (the "Individual").

## R E C I T A L S

WHEREAS, the Individual is currently employed as the Vice Chairman and Chief Operating Officer of Carnival;

WHEREAS, Carnival wishes to provide long-term incentive and reward to the Individual for the continuation of his full-time employment with Carnival, in addition to the Individual's annual compensation consisting of a base salary and annual bonus; and

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

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

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

2. Subject to the provisions of this Agreement, Carnival shall pay the Individual as long-term compensation, beginning January 1, 1998 and continuing during the term of his employment with Carnival, the stock compensation benefit described as follows ("Stock Compensation Benefit"):

(A) Pursuant to the terms of Carnival's 1992 Stock Option Plan, the Individual shall receive in January of each year during the term of his employment (commencing effective January of 1998) an option to purchase 100,000 <1> shares of Carnival Corporation Common Stock (the "Stock Option Benefit"). For purposes of this Agreement, the exercise price of the options shall be the average of the high and low sales price of Common Stock on the New York Stock Exchange Corporate Tape on the date of the quarterly Board of Directors meeting held in January of each year (the "Grant Date"). Said options shall vest ratably over a five (5) year period as more particularly set forth in a Nonqualified Stock Option Agreement to be entered into annually substantially in the form attached hereto as Exhibit A.

(B) Pursuant to the terms of Carnival's 1993 Restricted Stock Plan, the Individual shall receive annually on the Grant Date 50,000 <2> restricted shares of Carnival Corporation Common Stock (the "Restricted Stock Benefit"). Except as otherwise provided in Section 3 hereof, these shares shall vest on the fifth anniversary of the date of such annual grant.

<1> The number of shares has been adjusted to reflect the 2-for-1 stock split effective June 12, 1998.

<2> The number of shares has been adjusted to reflect the 2-for-1 stock split effective June 12, 1998.

3. Notwithstanding anything herein to the contrary, no payment of any Stock Compensation Benefit shall be made, and all unvested options and restricted stock issued hereunder and all

rights under the Agreement shall be forfeited, if any of the following events shall occur:

- (A) The Individual's employment with Carnival is terminated for cause. For purposes of this Agreement, "for cause" shall be defined as any action or inaction by the Individual which constitutes fraud, embezzlement, misappropriation, dishonesty, breach of trust, a felony or moral turpitude, as determined by its Board of Directors;
- (B) The Individual voluntarily terminates his employment with Carnival prior to attaining sixty-two (62) years of age unless such voluntary termination is directly related to the Individual being diagnosed with a terminal medical condition;
- (C) The Individual shall engage in competition, as more particularly described in Section 6 hereof, either (i) during the term of his employment with Carnival; (ii) following the Individual's voluntary termination of his employment with Carnival; or (iii) following Carnival's termination of the Individual's employment with Carnival either for cause, as defined in (A) above, or other than for cause; or
- (D) The Individual violates the nondisclosure provisions set forth in Section 7 hereof.

In the event the Individual voluntarily terminates his employment either (a) following attaining the age of sixty-two (62) or (b) prior to attaining the age of sixty-two (62) as a direct result of the Individual being diagnosed with a terminal medical condition, then all unvested options and restricted stock previously granted hereunder will not be forfeited by the Individual and will continue to vest as scheduled, unless and until the Individual engages in competition in violation of Section 6 hereof or violates the nondisclosure provisions set forth in Section 7 hereof.

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

In the event the Individual voluntarily terminates his employment with Carnival within 14 days of his receipt of notice that Carnival's Chairman and Chief Executive Officer, with approval and ratification of the Board of Directors or appropriate committee of the Board, has determined that the Individual's annual grant of the Restricted Stock Benefit will be reduced by more than 25% in any one year, then (i) all unvested options issued hereunder shall be forfeited; (ii) each annual grant of the Restricted Stock Benefit shall be subject to the alternative vesting schedule set forth on Exhibit C ("Alternative Vesting Schedule II"); and (iii) all unvested restricted stock issued hereunder, after application of Alternative Vesting Schedule II, and all rights under this Agreement shall be forfeited. Notwithstanding the foregoing, this paragraph of Section 3 shall be null and void once the Individual attains the age of sixty-two (62).

4. Intentionally Deleted.

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

6. The services of the Individual are unique, extraordinary and essential to the business of Carnival, particularly in view of the Individual's access to Carnival's confidential information and trade secrets. Accordingly, in consideration of the Stock Compensation Benefits payable

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

Notwithstanding the foregoing, the provisions of this Section 6 shall be null and void if, prior to attaining the age of sixty-two (62), the Individual voluntarily terminates his employment with Carnival within 14 days of his receipt of notice that Carnival's Chairman, with approval and ratification of the Board of Directors or appropriate committee of the Board, has determined that the Individual's annual grant of the Restricted Stock Benefit will be reduced by more than 25% in any one year.

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

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

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

10. The Stock Compensation Benefit payable under this

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

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

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

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

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

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

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

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

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

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

CARNIVAL CORPORATION

By: /s/ Micky Arison  
Micky Arison  
Title: Chairman and Chief  
Executive Officer

/s/ Howard S. Frank  
Howard S. Frank

EXHIBIT A

CARNIVAL CORPORATION  
1992 STOCK OPTION PLAN

NONQUALIFIED STOCK OPTION AGREEMENT

Carnival Corporation, f/k/a Carnival Cruise Lines, Inc. (the "Company"), having heretofore adopted the Carnival Corporation 1992 Stock Option Plan (the "Plan") and entered into that certain Executive Long-Term Compensation Agreement effective as of January 1, 1998 between the Company and Howard S. Frank (the "Compensation Agreement"), hereby irrevocably grants to HOWARD S. FRANK (the "Optionee"), effective \_\_\_\_\_ (the "Grant Date"), the right and option (the "Option") to purchase One Hundred Thousand (100,000) shares of Common Stock on the following terms and conditions:

1. Each defined term used in this Agreement and not otherwise defined herein shall have the meaning assigned to it in the Plan.

2. This Option shall not be exercisable, in whole or in part, except as follows:

- a) Exercisable as to Twenty Thousand (20,000) shares of Common Stock on or after the first anniversary of the Grant Date;
- b) Exercisable as to an additional Twenty Thousand (20,000) shares of Common Stock on or after the second anniversary of the Grant Date;
- c) Exercisable as to an additional Twenty Thousand (20,000) shares of Common Stock on or after the third anniversary of the Grant Date;
- d) Exercisable as to an additional Twenty Thousand (20,000) shares of Common Stock on or after the fourth anniversary of the Grant Date;
- e) Exercisable as to an additional Twenty Thousand (20,000) shares of Common Stock on or after the fifth anniversary of the Grant Date.

3. Notwithstanding the provisions of paragraph 2, if Optionee's employment by the Company or any Subsidiary shall terminate by reason of his death or Disability, this Option shall become immediately exercisable in full in respect of the aggregate number of shares of Common Stock covered hereby.

4. Unless otherwise provided in the Compensation Agreement, the unexercised portion of this Option shall automatically and without notice terminate and become null and void at the time of the earliest of the following to occur:

- a) the expiration of ten (10) years from the Grant Date;
- b) the expiration of one (1) year from the date the Optionee's employment with the Company or any of its Subsidiaries shall terminate by reason of Disability; provided, however, that if the Optionee shall die during such one-year period, the provisions of subparagraph (c) below shall apply;
- c) the expiration of one (1) year from the date of the Optionee's death, if such death occurs either during employment by the Company or any of its Subsidiaries or during the one-year period described in subparagraph (b) above;
- d) the date the Company terminates the Optionee's employment with the Company or any of its Subsidiaries "for cause" (as defined in the Compensation Agreement);

- e) the date on which the Optionee voluntarily terminates his employment with the Company or any of its Subsidiaries prior to attaining sixty two (62) years of age, unless such voluntary termination is directly related to the Optionee being diagnosed with a terminal medical condition; and
- f) the violation by the Optionee of noncompete and/or nondisclosure provisions set forth in Sections 6 and 7 of the Compensation Agreement.

5. The purchase price for each of the shares of Common Stock purchased pursuant to this Option shall be \_\_\_\_\_ and \_\_\_\_/100 Dollars (\$\_\_\_\_\_). This Option is not intended to be an "incentive stock option" within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended.

6. Unless Optionee utilizes a cashless exercise program, if available and authorized by the Company from time to time, this Option shall be deemed exercised when the Optionee (a) delivers written notice to the Company at its principal business office, directed to the attention of its Secretary, of the decision to exercise, specifying the number of shares with respect to which this Option is exercised and the price per share designated in this Option, and (b) concurrently tenders to the Company full payment for the shares of Common Stock to be purchased pursuant to such exercise. Full payment for shares of Common Stock purchased by the Optionee shall be made at the time of any exercise, in whole or in part, of this Option, and certificates for such shares shall be delivered to the Optionee as soon thereafter as is reasonably possible. No shares of Common Stock shall be transferred to the Optionee until full payment therefor has been made, and the Optionee shall have none of the rights of a shareholder with respect to any shares of Common Stock subject to this Option until a certificate for such shares shall have been issued and delivered to the Optionee. Such payment shall be made in cash or by check or money order payable to the Company, in each case payable in U.S. Currency. (In the Committee's discretion, such payment may be made by delivery of shares of Common Stock having a fair market value [determined as of the date this Option is so exercised in whole or in part] that, when added to the value of any cash, check, promissory note or money order satisfying the foregoing requirements, will equal the aggregate purchase price.)

7. This Option and the rights evidenced hereby are not transferable in any manner other than by will or by the laws of descent and distribution and during the Optionee's lifetime shall be exercisable only by the Optionee (or the Optionee's court-appointed legal representative).

8. The Company's obligation to deliver shares of Common Stock upon the exercise of this Option shall be subject to all applicable federal, state and local withholding requirements, including the payment by the Optionee of any applicable federal, state and local withholding tax. The Company may withhold delivery of shares of Common Stock until the Optionee pays to the Company the amount of tax it is required to withhold under any applicable law. If the Optionee fails to remit to the Company such tax, the Company may sell such portion of the shares of Common Stock as are sufficient to satisfy the Company's obligation to withhold such tax.

9. The Company's obligation to deliver shares of Common Stock in respect of this Option shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agency as may be required.

10. The Optionee, by his acceptance hereof, represents and warrants to the Company that his purchase of shares of Common Stock upon the exercise of this Option shall be for investment and not with a view to, or for sale in connection with, the distribution of any part thereof; provided, however, that this representation and warranty shall be inoperative if, in the opinion of counsel to the Company, a proposed sale or distribution of such shares is pursuant to an applicable effective registration statement under the Securities Act of 1933, as amended, and any applicable state "blue sky" or other securities laws or is exempt from registration thereunder. The Company will endorse an appropriate legend referring to the

foregoing restriction upon the certificate or certificates representing any shares of Common Stock issued or transferred to the Optionee upon the exercise of this Option.

11. This Agreement shall be subject to all the terms and provisions of the Plan and the Compensation Agreement, which are incorporated by reference herein and are made a part hereof, including without limitation the provisions of paragraph 13 of the Plan generally relating to adjustments to the number of shares of Common Stock subject to this Option and to the Option purchase price on certain changes in capitalization and the effects of certain reorganizations and other transactions. In the event there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern. By entering into this Agreement, the Optionee agrees and acknowledges his receipt of a copy of the Plan.

12. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the Company has caused these presents to be signed by its duly authorized officer as of the \_\_\_\_\_ day of January, \_\_\_\_\_.

CARNIVAL CORPORATION

By: \_\_\_\_\_  
Micky Arison  
Title: Chairman and Chief Executive Officer

ACCEPTED AND AGREED THIS \_\_\_\_\_  
DAY OF JANUARY, \_\_\_\_\_.

\_\_\_\_\_  
Howard S. Frank  
Optionee

EXHIBIT B

ALTERNATIVE VESTING SCHEDULE I

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

EXHIBIT C

ALTERNATIVE VESTING SCHEDULE II

1. Vested as to 0% of the Restricted Stock Benefit if termination occurs between the grant date and the first anniversary of the grant date thereof;
2. Vested as to 20% of the Restricted Stock Benefit if termination occurs between the first and second anniversaries of the grant date thereof;

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



## NOTE EXTENSION AND SATISFACTION AGREEMENT

This Note Extension and Satisfaction Agreement, dated as of February 17, 1999 (this "Agreement"), is entered into by and among the shareholders of CRC Holdings, Inc. ("CRC") identified on Schedule A attached hereto (each a "Shareholder" and, collectively, the "Shareholders") and Carnival Corporation, a Panama corporation ("CCL").

WHEREAS, each Shareholder owns, beneficially and of record, the number of shares of common stock, par value \$.005 per share ("CRC Common Stock"), of CRC set forth opposite such Shareholder's name on Schedule A (collectively, the "Shares"), which Shares are currently pledged to CCL to secure in part certain obligations of the Shareholders owing to CCL, as evidenced by promissory notes (collectively, the "CCL Notes") made by the Shareholders in favor of CCL (Schedule B attached hereto sets forth, for each Shareholder as of the date hereof, the outstanding principal amount of and accrued and unpaid interest on such Shareholder's CCL Note before and after giving effect to the transactions (the "Related Transactions") contemplated by the Stock Purchase Agreement, dated as of the date hereof, among CCL and the Shareholders);

WHEREAS, the CCL Notes were executed and delivered by the Shareholders in connection with the transactions contemplated by the Stock Purchase Agreement, dated as of November 30, 1994, as amended (the "Stock Purchase Agreement"), among CCL and the Shareholders;

WHEREAS, CRC and Jackpot Enterprises, Inc. ("Jackpot") have entered into that certain Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), pursuant to which, among other things, following the spinoff (the "Spinoff") of certain assets and liabilities of CRC as described in the Merger Agreement, CRC will be merged (the "Merger") with and into Jackpot;

WHEREAS, as consideration for the Merger, Jackpot has agreed (i) to issue and deliver to holders of CRC Common Stock at the effective time of the Merger (the "Effective Time") (other than CCL and the Shareholders in respect of the Shares) and certain holders of options to purchase CRC Common Stock the number of shares of common stock, \$.01 par value per share, of Jackpot (the "Share Merger Consideration") determined in accordance with the Merger Agreement, (ii) to issue a promissory note to CCL in exchange for shares of CRC Common Stock held beneficially and of record by CCL at the Effective Time in the principal amount determined in accordance with the Merger Agreement (the "Jackpot Note I") and (iii) to issue substantially identical promissory notes to the Shareholders in exchange for the Shares in the principal amount determined in accordance with the Merger Agreement (the "Jackpot Note II" and, together with the Share Merger Consideration and the Jackpot Note I, the "Merger Consideration"), all as set forth in the Merger Agreement;

WHEREAS, subject to the conditions herein set forth and concurrently with the consummation of the Merger, the Shareholders desire to repay in full amounts remaining outstanding under the CCL Notes by (i) assigning to CCL all of the Shareholders' right, title and interest in and to the Jackpot Note II and (ii) transferring to CCL the Spinco Interest (as defined herein) received by the Shareholders pursuant to the Spinoff; and

WHEREAS, in order to facilitate the repayment of the CCL Notes as contemplated herein, CCL has agreed to (i) extend the maturity of the CCL Notes to provide adequate time for the Merger to be consummated and (ii) provide for the release of the Shares from the lien of the Security and Pledge Agreements, dated as of November 30, 1994, as amended (collectively, the "Pledge Agreements"), between each Shareholder and CCL, pursuant to which the Shareholders pledged, among other things, the Shares as collateral security for the CCL Notes.

NOW THEREFORE, in consideration of the foregoing and

the mutual representations, warranties and agreements contained herein, the parties hereto agree as follows:

1. Extension of Maturity. In order to facilitate the repayment in full of the CCL Notes as contemplated herein, CCL hereby agrees effective as of the date hereof, that (a) the maturity of the CCL Notes shall be extended to the earlier of (i) the closing date of the Merger and (ii) December 31, 1999, or such later date specified in an amendment to Section 6.01(b)(i) of the Merger Agreement and (b) interest in respect of the CCL Notes shall cease to accrue (it being understood and agreed that (x) upon any termination of this Agreement under Section 8 below interest will accrue retroactive to the date hereof on the terms set forth in the CCL Notes with respect to the portion of the principal amount of the CCL Notes as shall remain unsatisfied on the date of such termination and (y) in the event the Related Transactions shall not have been consummated as described under Section 7(b)(iii), interest will accrue retroactive to the date hereof on the terms set forth in the CCL Notes with respect to the portion of the principal amount of the CCL Notes as shall remain unsatisfied following the Closing hereunder).

2. Repayment of the CCL Notes; Release of Shareholder Agreements.

(a) Upon delivery to CCL at the Closing as provided in Section 4 below of (i) the Jackpot Note II (which shall be assigned by the Shareholders to CCL hereunder with the consent of Jackpot as contemplated by and immediately upon the closing under the Merger Agreement) and (ii) certificates evidencing 2,610,000 membership units or other equivalent equity interests (the "Spinco Interest") of the limited liability entity to be formed to effectuate the Spinoff ("Spinco") (representing 21.5189% of the aggregate equity interests of Spinco on a fully diluted basis at the time of the Spinoff), in the case of each of clauses (i) and (ii) free and clear of any liens, claims, options, defects in title, proxies, voting agreements, shareholder agreements, charges or encumbrances of any nature or kind ("Encumbrances"), the CCL Notes shall be deemed repaid and satisfied in full (assuming the Related Transactions have been consummated).

(b) Effective immediately upon full satisfaction of the CCL Notes as provided in clause (a) above, CCL, in respect of the Shareholders, and the Shareholders, in respect of CCL, hereby irrevocably and unconditionally release and forever discharge each other, and each of their respective agents, attorneys, affiliates, heirs and legal representatives and, in the case of the release of CCL, the officers, directors and shareholders of CCL and its subsidiaries, and the respective successors and assigns of any of the foregoing, from any and all claims, demands, debts, liabilities, obligations, causes of actions or claims for relief of any kind or nature, whether known or unknown, which they may have or which may hereafter be asserted or accrue against any of them resulting from or in any way relating to any of the Stock Purchase Agreement, the CCL Notes, the Pledge Agreements and any other related instruments or agreements (collectively, the "Shareholder Agreements").

3. Closing. Subject to the conditions herein set forth, the closing (the "Closing") shall take place at the offices of CRC Holdings, Inc., 3250 Mary Street, Miami, Florida 33133, at 9:00 a.m., on the closing date of the Merger, or at such other place and time as may be mutually agreed by the parties. The actual time and date of the Closing is herein referred to as the "Closing Date."

4. Deliveries at the Closing. At the Closing: (a) CCL will deliver to the Shareholders the Shares, free and clear of any liens in favor of CCL, including, but not limited to, the liens created pursuant to the Pledge Agreements and the other Shareholder Agreements; and (b) the Shareholders will deliver or cause to be delivered to CCL free and clear of any Encumbrances (i) the Jackpot Note II, (ii) certificates representing the Spinco Interest and (iii) any other documents, certificates or agreements that in the reasonable judgment of CCL are necessary to make effective the transactions contemplated by this Agreement and vest in CCL good, valid and marketable title to the Jackpot Note II and the Spinco Interest, free and clear of any Encumbrances. Effective immediately upon such delivery, each Shareholder (severally and not jointly, and without

representation or warranty except as provided herein) hereby assigns and transfers to CCL all of such Shareholder's right, title and interest in and to the Jackpot Note II.

5. Shareholders' Representations and Warranties. Each Shareholder severally (but not jointly) represents and warrants to CCL as follows:

(a) Such Shareholder has the full power, authority and legal right to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) This Agreement has been duly and validly executed and delivered by such Shareholder and constitutes a valid and binding agreement of such Shareholder, enforceable against such Shareholder in accordance with its terms, subject to applicable principles of equity, bankruptcy, reorganization, insolvency or other laws affecting the enforcement of creditors' rights generally.

(c) Upon the occurrence of the Spinoff, such Shareholder will have good, valid and marketable title to its portion of the Spinco Interest, free and clear of any Encumbrances, other than under the Shareholder Agreements, and upon transfer to CCL by such Shareholder of its portion of the Spinco Interest and the Jackpot Note II and satisfaction of the CCL Notes as provided hereunder, CCL will acquire record and good, valid and marketable title to such portion of the Spinco Interest and the Jackpot Note II, free and clear of all Encumbrances.

6. CCL Representations and Warranties. CCL represents and warrants to the Shareholders as follows:

(a) CCL is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. CCL has the full power, authority and legal right to execute, deliver and carry out the terms and provisions of this Agreement, to consummate the transactions contemplated hereby and to perform, comply with or satisfy all of the agreements, obligations and conditions required to be complied with or satisfied by CCL under this Agreement, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(b) This Agreement has been duly and validly authorized, executed and delivered by CCL and constitutes a valid and binding agreement of CCL, enforceable against CCL in accordance with its terms, subject to applicable principles of equity, bankruptcy, reorganization, insolvency or other laws affecting the enforcement of creditors' rights generally.

7. Conditions to the Obligations of the Shareholders and CCL.

(a) The obligations of the Shareholders hereunder are subject to the compliance by CCL with the deliveries specified in Section 4 of this Agreement and the satisfaction or, if permitted by applicable law, waiver of the following condition:

(i) the representations and warranties of CCL shall be true and correct at and as of the Closing Date as though such representations and warranties were made at and as of such date.

(b) The obligations of CCL hereunder are subject to the compliance by the Shareholders with the deliveries specified in Section 4 of this Agreement and the satisfaction or, if permitted by applicable law, waiver of the following conditions:

(i) the representations and warranties of the Shareholders shall be true and correct at and as of the Closing Date as though such representations and warranties were made at and as of such date;

(ii) all of the conditions to the Merger shall have been satisfied or waived by the appropriate parties and the Spinoff shall have occurred; and

(iii) the Related Transactions shall have been consummated; provided, that in the event the Related Transactions shall not have been consummated the parties will endeavor in good faith to negotiate an appropriate modification to this Agreement to provide for a partial repayment of the CCL Notes.

8. Termination. The transactions contemplated herein may be terminated or abandoned at any time prior to the Closing:

(a) by mutual consent of CCL and the Shareholders holding a majority of the Shares;

(b) by any party if the Merger shall not have occurred on or before December 31, 1999, or such later date specified in an amendment to Section 6.01(b)(i) of the Merger Agreement for termination thereof; and

(c) automatically, upon termination of the Merger Agreement.

CCL and the Shareholders acknowledge and agree that notwithstanding any termination of this Agreement, the extension of the maturity of the CCL Notes to December 31, 1999 shall survive such termination.

9. Miscellaneous.

(a) All representations, warranties and covenants shall survive the Closing.

(b) This Agreement may be executed in any number of counterparts, each of which shall, when executed, be deemed to be an original and all of which shall be deemed to be one and the same instrument.

(c) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Florida, without reference to the conflict of laws principles thereof.

IN WITNESS WHEREOF, each Shareholder and CCL has executed or caused this Agreement to be executed on the date first above written.

/s/ Sherwood M. Weiser  
Sherwood M. Weiser

/s/ Donald E. Lefton  
Donald E. Lefton

/s/ Thomas Hewitt  
Thomas Hewitt

/s/ Peter Sibley  
Peter Sibley

/s/ W. Peter Temling  
W. Peter Temling

/s/ Robert Sturges  
Robert Sturges

CARNIVAL CORPORATION

By: /s/ Gerald R. Cahill  
Name: Gerald R. Cahill

Schedule A

Name of Shareholder	Number of Shares
Sherwood Weiser	859,248
Donald Lefton	859,248
Thomas Hewitt	318,394
Peter Sibley	318,394
Robert Sturges	127,358
Peter Temling	127,358

Schedule B

Name of Shareholder	Principal and Accrued Interest	
	Before Related Transactions	After Related Transactions
Sherwood Weiser	\$6,641,505	\$4,966,497
Donald Lefton	6,641,505	4,966,497
Thomas Hewitt	2,461,007	1,840,334
Peter Sibley	2,461,007	1,840,334
Robert Sturges	984,406	736,136
Peter Temling	984,406	736,136
Total	\$20,173,837	\$15,085,934

## EXHIBIT 12

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

	YEARS ENDED NOVEMBER 30,				
	1998	1997	1996	1995	1994
Income from continuing operations	\$835,885	\$666,050	\$566,302	\$451,091	\$381,765
Income tax expense	3,815	6,233	9,045	9,374	10,053
Income from continuing operations before income taxes	839,700	672,283	575,347	460,465	391,818
Adjustment to earnings:					
Minority interest	11,102				
Income from affiliates in excess of dividends received	(63,059)	(46,569)	(43,224)	0	0
Earnings as adjusted	787,743	625,714	532,123	460,465	391,818
Fixed Charges:					
Interest expense, net	57,772	55,898	64,092	63,080	51,378
Interest portion of rent expense (1)	3,480	3,528	3,093	2,529	2,575
Fixed charges associated with discontinued operations					928
Capitalized interest	35,130	16,846	25,799	18,762	21,888
Total fixed charges	96,382	76,272	92,984	84,371	76,769
Fixed charges not affecting earnings:					
Capitalized interest	(35,130)	(16,846)	(25,799)	(18,762)	(21,888)
Earnings before fixed charges	\$848,995	\$685,140	\$599,308	\$526,074	\$446,699
Ratio of earnings to fixed charges	8.8 x	9.0 x	6.4 x	6.2x	5.8 x

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

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

ASSETS	NOVEMBER 30,	
	1998	1997
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 137,273	\$ 139,989
Short-term investments	5,956	9,738
Accounts receivable, net	60,837	57,090
Consumable inventories, at average cost	75,449	54,970
Prepaid expenses and other	90,764	74,238
Total current assets	370,279	336,025
<b>PROPERTY AND EQUIPMENT, Net</b>	<b>5,768,114</b>	<b>4,327,413</b>
<b>OTHER ASSETS</b>		
Investments in and advances to affiliates	546,693	479,329
Goodwill, less accumulated amortization of \$72,255 and \$62,256	437,464	212,607
Other assets	56,773	71,401
	<b>\$7,179,323</b>	<b>\$5,426,775</b>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 67,626	\$ 59,620
Accounts payable	168,546	106,783
Accrued liabilities	206,968	154,253
Customer deposits	638,383	420,908
Dividends payable	53,590	44,578
Total current liabilities	1,135,113	786,142
<b>LONG-TERM DEBT</b>	<b>1,563,014</b>	<b>1,015,294</b>
<b>DEFERRED INCOME AND OTHER LONG-TERM LIABILITIES</b>	<b>63,036</b>	<b>20,241</b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 2 and 9)</b>		
<b>MINORITY INTEREST</b>	<b>132,684</b>	
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock; \$.01 par value; 960,000 shares authorized; 595,448 and 594,408 shares issued and outstanding	5,955	5,944
Paid-in-capital	880,488	863,125
Retained earnings	3,379,628	2,731,213
Other	19,405	4,816
Total shareholders' equity	4,285,476	3,605,098
	<b>\$7,179,323</b>	<b>\$5,426,775</b>

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

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

	YEARS ENDED NOVEMBER 30,		
	1998	1997	1996
<b>REVENUES</b>	<b>\$3,009,306</b>	<b>\$2,447,468</b>	<b>\$2,212,572</b>
<b>COSTS AND EXPENSES</b>			
Operating expenses	1,619,377	1,322,669	1,241,269
Selling and administrative	369,469	296,533	274,855
Depreciation and amortization	200,668	167,287	144,987
	2,189,514	1,786,489	1,661,111
<b>OPERATING INCOME BEFORE INCOME FROM AFFILIATED OPERATIONS</b>	<b>819,792</b>	<b>660,979</b>	<b>551,461</b>
<b>INCOME FROM AFFILIATED OPERATIONS, NET</b>	<b>76,732</b>	<b>53,091</b>	<b>45,967</b>

OPERATING INCOME	896,524	714,070	597,428
NONOPERATING INCOME (EXPENSE)			
Interest income	10,257	8,675	18,597
Interest expense, net of capitalized interest	(57,772)	(55,898)	(64,092)
Other income, net	1,793	5,436	23,414
Income tax expense	(3,815)	(6,233)	(9,045)
Minority interest	(11,102)		
	(60,639)	(48,020)	(31,126)
NET INCOME	\$ 835,885	\$ 666,050	\$ 566,302
EARNINGS PER SHARE:			
Basic	\$1.40	\$1.12	\$.98
Diluted	\$1.40	\$1.12	\$.96

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



CARNIVAL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	YEARS ENDED NOVEMBER 30,		
	1998	1997	1996
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 835,885	\$666,050	\$566,302
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	200,668	167,287	144,987
Income from affiliates in excess of dividends received	(63,059)	(46,569)	(43,224)
Minority interest	11,102		
Other	(8,428)	2,540	19,639
Changes in operating assets and liabilities, excluding businesses acquired and consolidated:			
Decrease (increase) in:			
Receivables	137	(21,229)	(4,432)
Consumable inventories	(3,913)	(1,689)	(4,461)
Prepaid expenses and other	(15,369)	903	(4,919)
Increase (decrease) in:			
Accounts payable	18,758	22,035	(5,489)
Accrued liabilities	42,401	20,042	13,028
Customer deposits	73,658	68,210	60,092
Net cash provided from operating activities	1,091,840	877,580	741,523
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment, net	(1,150,413)	(497,657)	(901,905)
Proceeds from sale of assets	47,028	17,041	94,291
Proceeds from litigation settlements applied to cost of ships			43,050
Acquisition of consolidated subsidiaries, net	(242,868)		
Purchase of equity interests in affiliates		(38,378)	(163,112)
Other (additions to) reductions in investments in and advances to affiliates, net	(380)	39,540	(23,903)
Decrease in short-term investments, net	4,052	2,748	37,710
Other, net	21,528	21,805	94,644
Net cash used for investing activities	(1,321,053)	(454,901)	(819,225)
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	1,404,395	155,366	971,361
Principal payments of long-term debt	(1,006,586)	(424,391)	(735,246)
Dividends paid	(178,458)	(130,456)	(103,877)
Proceeds from issuance of Common Stock	11,399	5,162	3,728
Other	(4,253)		
Net cash provided from (used for) financing activities	226,497	(394,319)	135,966
Net (decrease) increase in cash and cash equivalents	(2,716)	28,360	58,264
Cash and cash equivalents at beginning of year	139,989	111,629	53,365
Cash and cash equivalents at end of year	\$ 137,273	\$139,989	\$111,629

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

CARNIVAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

Description of Business

Carnival Corporation, a Panamanian corporation, and its wholly and majority owned subsidiaries (referred to collectively as the "Company") operate five cruise lines under the brand names Carnival Cruise Lines ("Carnival"), Cunard Line ("Cunard"), Holland America Line ("Holland America"), Seabourn Cruise Line ("Seabourn") and Windstar Cruises ("Windstar") and a tour business, Holland America Westours. Carnival operates thirteen cruise ships cruising primarily in the Caribbean, Mexican Riviera and Alaska. Holland America operates eight cruise ships cruising primarily in Alaska, the Caribbean and Europe and Windstar operates four luxury, sail-powered vessels which call on more exotic locations inaccessible to larger ships, primarily in the Caribbean, Europe and Central America. Cunard and Seabourn operate five and three luxury cruise vessels, respectively, to worldwide destinations (see Note 13). Holland America Line-Westours Inc. markets sightseeing tours both separately and as a part of Holland America cruise/tour packages. Holland America Westours operates 14 hotels in Alaska and the Canadian Yukon, two luxury dayboats offering tours to the glaciers of Alaska and the Yukon River, over 280 motor coaches used for sightseeing and charters in the states of Washington and Alaska and in the Canadian Rockies and 13 private domed rail cars which are run on the Alaskan Railroad between Anchorage and Fairbanks.

The Company has a 50% direct equity interest in Il Ponte S.p.A. ("Il Ponte"), the parent company of Costa Crociere, S.p.A. ("Costa"), an Italian cruise company. Additionally, the Company has a 26% interest in Airtours plc ("Airtours"), a large publicly traded air-inclusive integrated leisure travel company headquartered in England, and a 23% interest in a casino development and management company, CRC Holdings, Inc. ("CRC"). Costa operates seven cruise ships in Europe, the Caribbean and South America and its cruises are marketed primarily to Europeans. Airtours provided holidays for approximately eight million people in 1998 primarily from the United Kingdom, Scandinavia and North America and owns or operates over 800 retail travel shops, 36 aircraft, three cruise ships (an additional ship is scheduled to be delivered in 1999), 26 holiday hotels and develops and markets vacation ownership resorts. Airtours also owns the other 50% of Il Ponte not owned by the Company. CRC's casino activities are located in the United States and Canada.

Preparation of Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include investments with original maturities of three months or less and are stated at cost which approximates market value. At November 30, 1998 and 1997, cash and cash equivalents include \$94 million and \$105 million of investments, respectively, primarily comprised of commercial paper.

Short-term investments are comprised of marketable debt which are categorized as available for sale and, accordingly, are stated at their fair values. Unrealized gains and losses are included as a component of other shareholders' equity until realized.

Property and Equipment

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

	YEARS
Vessels	11-30
Buildings and improvements	10-40
Equipment	2-20
Leasehold improvements	shorter of the lease term or related asset life

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

The Company reviews its long-lived assets, identifiable intangibles and goodwill and reserves for their impairment, based generally upon estimated future undiscounted cash flows, whenever events or changes in circumstances indicate the carrying amount of these assets may not be fully recoverable.

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

#### Investments in and Advances to Affiliates

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

The Company's percentage share of the affiliated companies' net income (loss), net of amortization of goodwill, as well as any related interest income or royalty fee income from those affiliates, is recorded as "Income from Affiliated Operations, Net" in the accompanying statements of operations. The Company's investments in and advances to affiliates are reported as "Investments in and Advances to Affiliates" in the accompanying balance sheets. In the event of the issuance of stock by an affiliate, the Company generally recognizes a gain or loss (see Note 4). At November 30, 1998 and 1997, the costs in excess of the net assets acquired of affiliates ("goodwill") was \$241 and \$266 million, respectively, and it is being amortized using the straight-line method over periods ranging from 30 to 40 years.

#### Goodwill

Goodwill of \$275 million resulting from the acquisition of HAL Antillen, N.V. ("HAL"), the parent company of Holland America, Windstar and Holland America Westours, and \$235 million resulting from the acquisition of Cunard and consolidation of Seabourn is being amortized using the straight-line method over 40 years.

#### Foreign Currency Contracts

All of the Company's significant contracts to buy foreign currency are forward contracts entered into to hedge foreign currency fluctuations of firm commitments related to the construction of cruise ships. These off-balance sheet contracts are not held for trading purposes. Changes in the market value and any discounts or premiums on these forward foreign currency contracts are recorded at maturity, which coincides with the dates when the related foreign currency payments are to be made, with any resulting gain or loss included in the cost of the vessel.

#### Revenue and Expense Recognition

Customer cruise deposits represent unearned revenues and are initially recorded as customer deposit liabilities on the balance sheet when received. Customer deposits are subsequently recognized as cruise revenue, together with revenue from shipboard activities and all associated direct costs of a voyage, generally upon completion of voyages with durations of ten days or less and on a pro rata basis for voyages in excess of ten days. Certain revenues and expenses from pro rata voyages are estimated. Revenues and expenses from tour and related services are recognized at the time the services are performed or expenses are incurred.

#### Advertising Costs

Substantially all of the Company's advertising costs are charged to expense as incurred, except costs which result in tangible assets, such as brochures, which are recorded as prepaid expenses and charged to expense as consumed. Advertising expense totaled \$142 million in 1998, \$112 million in 1997 and \$109 million in 1996. At November 30, 1998 and 1997, \$18.8 million and \$17.2 million, respectively, of advertising related costs, principally brochures, were included in prepaid expenses and other in the accompanying balance sheets.

#### Foreign Currency Transactions

Substantially all of the Company's operating and financing transactions are settled in U.S. dollars. Gains or losses resulting from these types of transactions which are denominated in other currencies and remeasurements of assets and liabilities denominated in other currencies are recognized in income currently.

#### Income Taxes

Under the Internal Revenue Code, corporations incorporated outside the United States ("U.S.") are exempt from U.S. corporate income tax on U.S. source income from international passenger cruise operations if (i) their countries of incorporation exempt shipping operations of U.S. persons from income tax (the "Incorporation Test") and (ii) they meet one of three tests with respect to their stockholders: a "CFC Test" (which is satisfied if the company is a controlled foreign corporation), an "Ultimate Owner Test" (which is satisfied if the majority of the company's stock is ultimately owned by residents of certain foreign countries) or a "Publicly Traded Test" (described below). The Company's cruise ship operations meet the Incorporation Test since they are incorporated in countries which exempt U.S. persons involved in shipping operations from their income tax. The Company does not currently meet either the CFC Test or the Ultimate Owner Test. However, management believes that the Company has met the Publicly Traded Test since July 16, 1997. During fiscal 1996 and through July 15, 1997 of fiscal 1997, management believes that the Company met the CFC Test. Accordingly, management believes that the Company's income from cruise operations has been and is exempt from U.S. income tax. However, there is no authority that addresses the treatment of a corporation that meets the CFC Test and the Publicly Traded Test for only part of its taxable year, as the Company did in fiscal 1997.

A corporation meets the Publicly Traded Test if the stock of the corporation (or its direct or indirect corporate parent) is "primarily and regularly traded on an established securities market" in the U.S. Although no U.S. Department of Treasury ("Treasury") regulations have been promulgated which explain when stock is primarily and regularly traded for purposes of this exemption, Treasury regulations have been promulgated which interpret a similar phrase under another section. Under that section's regulations, stock is considered primarily and regularly traded if (i) 80% (by vote and value) of the stock of the corporation is listed on an established securities market in the U.S. where more shares are traded than in any other country, (ii) trades of the stock are effected on that market, other than in small quantities, on at least 60 days during the taxable year, (iii) the aggregate number of shares so traded is equal to 10% or more of the average number of shares outstanding during the taxable year, and (iv) the company is not "closely held." Management believes that the Company meets these requirements.

The Company has only one class of stock outstanding, the Common Stock, which is listed on the New York Stock Exchange ("NYSE"), where more shares trade than in any other country. Trades of the Common Stock have been effected in more than acceptable quantities on every business day since the Company's initial public offering, and the annual volume of these trades has significantly exceeded 10% of the average number of shares outstanding. Moreover, management believes that any stock traded on the NYSE is considered as traded on a qualifying exchange and, to the best of management's knowledge, the Company is not closely held because no person other than members of the Arison family and certain related entities (the "Arison Group") owns more than 5% of the Company's stock and the Arison Group holds less than 50% of the outstanding shares.

Accordingly, management believes that virtually all of the Company's income (with the exception of its U.S. source income from the transportation, hotel and tour businesses of Holland America Westours) is exempt from U.S. federal income taxes. If the Company was found not to meet the Publicly Traded Test (and also did not meet the CFC Test or the Ultimate Owner Test) or if the Internal Revenue Code were to be changed in a manner adverse to the Company, much of the Company's income would become subject to taxation by the U.S. at higher than normal corporate tax rates.

#### Earnings Per Share

In 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" which requires the dual presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net income, as adjusted, by the weighted average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during each period. In accordance with the provisions of SFAS No. 128, and as a result of the 1998 stock split, the Company has retroactively restated prior years' earnings per share (see Notes 6 and 12).

#### Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method and discloses certain fair market value pro forma information with respect to its stock-based compensation activities (see Note 11).

#### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	November 30,	
	1998	1997
	(in thousands)	
Vessels	\$5,754,218	\$4,536,382
Vessels under construction	526,529	182,929
	6,280,747	4,719,311
Land, buildings and improvements	217,597	194,013
Transportation and other equipment	322,069	268,520
Total property and equipment	6,820,413	5,181,844
Less accumulated depreciation and amortization	(1,052,299)	(854,431)
	\$5,768,114	\$4,327,413

Interest costs associated with the construction of property and equipment, consisting primarily of vessels, are capitalized during the construction period and amounted to \$35.1 million in 1998, \$16.8 million in 1997 and \$25.8 million in 1996.

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

In June 1997, the Company and Airtours completed a joint offer to acquire the equity securities of Costa, an Italian cruise company. The Company and Airtours each own 50% of Il Ponte, a holding company which currently owns approximately 100% of Costa. The cost of the Company's acquisition of its 50% direct interest was approximately \$141 million, of which approximately \$103 million was paid by Il Ponte and the balance was paid by the Company. The \$103 million paid by Il Ponte was funded through

Il Ponte debt, which is guaranteed by the Company and is outstanding at November 30, 1998. The Company is recording its interest in Il Ponte's consolidated results of operations on a two-month lag basis using the equity method. It is not practicable to estimate the fair value of Il Ponte as it is not a publicly traded entity.

In April 1996, the Company acquired a 28% interest in Airtours for approximately \$307 million. Approximately \$163 million was paid in cash and the balance in 10,602,372 shares of the Company's Common Stock. At November 30, 1998, the market value of the Company's investment in Airtours, based on the closing price of Airtours' stock on the London Stock Exchange, was approximately \$835 million as compared with the carrying value of the Company's investment in Airtours of \$432 million. The Company is recording its interest in Airtours' consolidated results of operations on a two-month lag basis using the equity method. In 1998, the Company's interest in Airtours has been reduced to approximately 26% as a result of the conversion of Airtours preference shares into Airtours common stock and the issuance of Airtours common stock in conjunction with two of its acquisitions, as discussed below.

In July and September 1998, Airtours issued approximately 18.5 million and 2.2 million shares of its common stock at \$7.02 per share and \$6.00 per share, respectively, in connection with acquisitions. The issuance of these shares reduced the Company's ownership of Airtours from approximately 27% to 26%. As a result of these transactions, the Company recognized a net gain, after a provision for deferred income taxes, of \$14.8 million, which is included in other nonoperating income in the accompanying statements of operations.

At November 30, 1997, the Company owned a 23% interest in CHC International, Inc. ("CHC"), a hotel and casino management and development company. In June 1998, CHC consummated its merger with Patriot American Hospitality, Inc. ("Patriot"), whereby Patriot acquired CHC's hotel management division and CHC's shareholders received shares of redeemable preferred stock convertible into Patriot common stock ("Patriot Stock"). Immediately prior to this merger, CHC's gaming division was spun off into CRC, in which the Company continues to own a 23% interest. As a result of the merger with Patriot, the Company recognized a gain of \$8.4 million, which is included in other nonoperating income in the accompanying statements of operations. The Company accounts for this investment using the equity method.

Additionally, the Company holds \$16.3 million of secured 6% notes receivable (the "TCC Notes") from the 1994 sale of a 25% interest in CHC to other shareholders of CHC (the "TCC Principals"). One of the TCC Principals is a member of the Company's board of directors. The TCC Notes, as amended, contain a put option which the TCC Principals can exercise, requiring the Company to repurchase all of these CRC shares representing approximately 24% of CRC and 838,896 shares of Patriot Stock (received by the TCC Principals as a result of the above merger) in exchange for the full principal and interest due under the TCC Notes. At November 30, 1998, the carrying value of the Company's CRC investment, including the TCC Notes and a \$1.5 million interest bearing note receivable from CRC, is approximately \$21.7 million as compared to an estimated fair value of approximately \$29 million. The estimated fair value of this investment was determined based on expected future discounted cash flows, public market prices and other available information.

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

Dividends received from affiliates were \$13.7 million, \$11.4 million and \$2.7 million in fiscal 1998, 1997 and 1996, respectively.

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

Current assets	\$1,722,616	\$1,297,311
Long-term assets	\$2,115,373	\$1,792,080
Current liabilities	\$1,560,228	\$1,359,822
Long-term liabilities	\$1,325,220	\$1,250,973
Shareholders' equity	\$ 952,541	\$ 478,596

Income Statement Data:

	Fiscal Years Ended		
	1998	1997	1996
Revenues	\$5,282,230	\$3,965,223	\$2,877,892
Gross margin	\$1,128,305	\$ 702,162	\$ 444,009
Net income	\$ 264,936	\$ 174,354	\$ 106,605

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following:

	November 30,	
	1998	1997
	(in thousands)	
Commercial paper	\$ 368,710	\$ 288,614
Unsecured 5.75% Notes Due March 15, 1998		200,000
Unsecured 5.65% Notes Due October 15, 2000	199,833	
Unsecured 6.15% Notes Due April 15, 2008	199,512	
Unsecured 6.65% Debentures Due January 15, 2028	199,249	
Mortgages and other loans payable bearing interest at rates ranging from 5.1% to 9.1%, secured by vessels, maturing through 2009	174,198	79,830
Unsecured 6.15% Notes Due October 1, 2003	124,967	124,960
Unsecured 7.20% Debentures Due October 1, 2023	124,881	124,876
Unsecured 7.7% Notes Due July 15, 2004	99,936	99,924
Unsecured 7.05% Notes Due May 15, 2005	99,871	99,851
Other loans payable	39,483	56,859
	1,630,640	1,074,914
Less portion due within one year	(67,626)	(59,620)
	\$1,563,014	\$1,015,294

At November 30, 1998, the outstanding commercial paper bears interest at approximately 5% and was due in December 1998. At November 30, 1997, the interest rate on the outstanding commercial paper was approximately 5.6%. Since the commercial paper is backed by the long-term revolving credit facilities described below, balances outstanding under the commercial paper programs have been classified as long-term in the accompanying balance sheets.

The Company's commercial paper programs are supported by a \$1 billion unsecured revolving credit facility due December 2001 and a \$200 million multi-currency revolving credit facility due January 2002. Both revolving credit facilities bear interest at LIBOR plus 14 basis points ("BPS") and provide for a facility fee of six BPS on each facility. Any funds outstanding under the commercial paper programs reduce the aggregate amount available under these facilities. At November 30, 1998, the Company had \$831.3 million available for borrowing under these facilities. These facilities contain covenants that require the Company, among other things, to maintain minimum debt service coverage and limit debt to capital ratios. At November 30, 1998, the Company was in compliance with all of its debt covenants.

The Unsecured 5.75% Notes Due March 15, 1998, which were outstanding at November 30, 1997, were repaid through the issuance of long-term debt and, accordingly, were classified as long-term in the accompanying balance sheet.

At November 30, 1998, property and equipment with a net book value of \$595 million was pledged as collateral against the mortgage indebtedness.

At November 30, 1998, the scheduled annual maturities of the Company's long-term debt are summarized as follows (in thousands):

Fiscal	
1999	\$ 67,626
2000	220,231

2001	24,830
2002	388,548
2003	144,825
Thereafter	784,580
	\$1,630,640

NOTE 6 - SHAREHOLDERS' EQUITY

An analysis of the changes in shareholders' equity for each of the three years in the period ended November 30, 1998 is as follows:

	COMMON STOCK \$.01 PAR VALUE		PAID-IN- CAPITAL	RETAINED EARNINGS	OTHER	TOTAL
	CLASS A	CLASS B				
	(in thousands)					
Balances at November 30, 1995	\$2,298	\$550	\$594,811	\$1,752,140	\$(4,926)	\$2,344,873
Net income				566,302		566,302
Cash dividends				(110,661)		(110,661)
Changes in securities valuation allowance					(199)	(199)
Foreign currency translation adjustment					4,126	4,126
Issuance of stock upon conversion of convertible notes	44		76,250			76,294
Issuance of stock in connection with investment in Airtours	53		144,118			144,171
Issuance of stock under stock plans	2		4,431			4,433
Vested portion of stock under restricted stock plan					1,545	1,545
Balances at November 30, 1996	2,397	550	819,610	2,207,781	546	3,030,884
Net income				666,050		666,050
Cash dividends				(142,618)		(142,618)
Changes in securities valuation allowance					355	355
Foreign currency translation adjustment					3,592	3,592
Issuance of stock upon conversion of convertible notes	23		39,755			39,778
Conversion of Class B Common Stock into Class A Common Stock	550	(550)				
Issuance of stock under stock plans	2		6,732		(947)	5,787
Vested portion of stock under restricted stock plan					1,270	1,270
Balances at November 30, 1997, as previously reported	2,972		866,097	2,731,213	4,816	3,605,098
Two-for-one stock split effective June 12, 1998	2,972		(2,972)			
Balances at November 30, 1997, as adjusted	5,944		863,125	2,731,213	4,816	3,605,098
Net income				835,885		835,885
Cash dividends				(187,470)		(187,470)
Changes in securities valuation allowance					270	270
Foreign currency translation adjustment					17,447	17,447
Issuance of stock under stock plans	11		17,363		(4,651)	12,723
Vested portion of stock under restricted stock plan					1,523	1,523
Balances at November 30, 1998	\$5,955		\$880,488	\$3,379,628	\$19,405	\$4,285,476

On April 13, 1998, the Board of Directors approved a two-for-one split of the Company's Common Stock. The additional shares were distributed on June 12, 1998 to shareholders of record on May 29, 1998. All share and per share data presented herein has been retroactively restated to give effect to this stock split.



On July 15, 1997, the Micky Arison 1994 "B" Trust (the "B Trust"), a U.S. trust whose primary beneficiary is Micky Arison, the Company's Chairman of the Board, exercised its right to convert all of the 109,914,284 shares of Class B Common Stock held by it into an equal number of shares of Class A Common Stock. Prior to July 1, 1997, the B Trust had been restricted from converting such shares under a shareholders agreement with the Company. Prior to the conversion of the Class B Common Stock, the B Trust was the controlling shareholder of the Company.

On April 13, 1998, the Company's shareholders approved amendments to the Company's Articles of Incorporation which (1) eliminated the Class B Common Stock and designated a single class of Common Stock, (2) increased the number of authorized shares of Common Stock to 960 million, and (3) authorized the Board of Directors, at its discretion, to issue up to 40 million shares of Preferred Stock. The Preferred Stock is issuable in series which may vary as to certain rights and preferences and has a \$.01 par value. At November 30, 1998, no Preferred Stock had been issued.

At November 30, 1998 there were approximately 16.9 million shares of Common Stock reserved for issuance pursuant to the Company's stock option, employee stock purchase, management incentive, dividend reinvestment and restricted stock plans.

During 1998, the Company declared quarterly cash dividends aggregating \$.315 per share. In October 1998, the Board of Directors increased the quarterly dividends from \$.075 per share to \$.09 per share.

At November 30, 1998, retained earnings included undistributed earnings of affiliates (accounted for using the equity method) of approximately \$138 million. At November 30, 1998 and 1997, other shareholders' equity included cumulative foreign currency translation adjustments which increased shareholders' equity by \$25.2 million and \$7.7 million, respectively.

#### NOTE 7 - FINANCIAL INSTRUMENTS

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

##### Certain Short-Term Financial Instruments

The carrying amounts of cash, cash equivalents, accrued liabilities and dividends payable approximate their fair values due to the short-term maturities of these instruments.

##### Other Assets

At November 30, 1998, long-term other assets include Patriot Stock (see Note 4), other marketable securities held in a "Rabbi Trust" for certain of the Company's non-qualified benefit plans and long-term receivables. These assets have a carrying value of \$48.7 million and have a fair value of approximately \$40 million. Fair value is estimated based on quoted market prices or expected future discounted cash flows.

##### Long-term Debt

At November 30, 1998 and 1997, the fair value of the Company's long-term debt, including the current portion, was approximately \$1.647 billion and \$1.089 billion, respectively, which was approximately \$16 million and \$14 million more than the carrying value, respectively. The fair value of the long-term debt is more than the carrying value due to the Company's issuance of fixed rate debt obligations at interest rates above market rates at the measurement dates. The fair value of the Company's long-term debt is estimated based on the quoted market price for the same or similar issues or on the applicable year end rates offered to the Company for debt of similar terms and maturity.

##### Foreign Currency Contracts

The Company enters into forward foreign currency contracts to reduce its exposures relating to rate changes in foreign currency. These contracts are subject to gain or loss from changes in foreign currency rates, however, any realized gain or loss will be offset by gains or losses on the underlying hedged foreign currency transactions. Certain exposures to credit losses related to counterparty nonperformance exist,

however, the Company does not anticipate nonperformance by the counterparties as they are large, well-established financial institutions. The fair values of the Company's forward hedging instruments discussed below are estimated based on prices quoted by financial institutions for these or similar instruments, adjusted for maturity differences.

Several of the Company's contracts for the construction of cruise vessels are denominated in Italian Lira. The Company entered into forward foreign currency contracts with notional amounts of \$745 million and \$834 million at November 30, 1998 and 1997, respectively, to fix the price of these vessels into U.S. dollars (see Note 9). At November 30, 1998 and 1997, these forward contracts had an estimated fair value of approximately \$815 million and \$876 million, resulting in gains of \$70 million and \$41 million, respectively.

#### NOTE 8 - RELATED PARTY TRANSACTIONS

The Company's Chairman of the Board was the indirect majority shareholder of Carnival Air Lines, Inc. ("Carnival Air"), an airline which conducted charter services and scheduled carrier services. In September 1997, Carnival Air was merged with and became a wholly owned subsidiary of Pan Am Corporation ("Pan Am"). As a result of the merger, the Company's Chairman of the Board became an indirect shareholder of approximately 42% of Pan Am. During 1998, Pan Am filed for bankruptcy and the Company agreed, as part of Pan Am's plan of reorganization and in exchange for a release of claims, to waive its \$1.6 million unsecured claim for accrued and unpaid licensing fees. Accordingly, the Company wrote off its receivable from Pan Am in 1998.

The Company's Chairman of the Board is the indirect sole shareholder of the sole general partner of the partnership ("Partnership") which owns the Miami Heat, a professional basketball team. During 1998, the Company entered into a two-year sponsorship agreement with the Partnership under which the Company agreed to pay an aggregate of approximately \$.7 million in exchange for various advertising and other services.

A director of the Company is employed by an investment banking firm which was paid approximately \$2.7 million in underwriting fees for assisting the Company in connection with its issuances of long-term debt during fiscal 1998. Additionally, the Company paid this firm approximately \$2.1 million in underwriting fees in connection with its public offering of Common Stock in December 1998 (see Note 16).

A director of the Company is a partner in a law firm which acted as the Company's primary outside counsel and provided services to the Company in connection with various litigation, corporate and other matters. The Company paid the law firm \$.9 million, \$1.1 million and \$1.0 million in fiscal 1998, 1997 and 1996, respectively.

The owner of a travel agency located in Seattle, Washington is the wife of an executive officer and director of the Company. The travel agency sells cruises and other products and receives a commission based on the amount of sales. During fiscal 1998, 1997 and 1996, the travel agency generated revenues for the Company of approximately \$11 million, \$8 million and \$7 million, respectively, and received commissions from the Company related to such revenues of approximately \$1.7 million, \$1.2 million and \$1.2 million, respectively.

Pursuant to agreements between the Company, its founder and certain irrevocable trusts, the beneficiaries of which are the children of the Company's founder and certain others, the Company has granted certain registration rights with respect to a substantial portion of their shares of Common Stock. The Company has agreed to prepare and file with the Securities and Exchange Commission a registration statement and pay all expenses relating to such registration, except for these parties' legal fees and disbursements, selling costs, underwriting discounts and applicable filing fees.

#### NOTE 9 - COMMITMENTS AND CONTINGENCIES

##### Capital Expenditures

A description of ships under contract for construction at November 30, 1998 is as follows (in millions, except passenger capacity data):

Expected

Estimated Remaining

Vessel	Service Date (1)	Shipyard	Passenger Capacity(2)	Total Cost(3)	Cost to Be Paid
<b>Carnival:</b>					
Carnival Triumph	7/99	Fincantieri(4)	2,758	\$ 410	\$ 299
Carnival Victory	8/00	Fincantieri	2,758	440	434
Newbuild	4/01	Masa-Yards	2,100	375	357
Carnival Conquest	12/02	Fincantieri	2,758	450	429
Carnival Glory	8/03	Fincantieri	2,758	450	429
Total Carnival			13,132	2,125	1,948
<b>Holland America:</b>					
Volendam	8/99	Fincantieri(4)	1,440	300	240
Zaandam	3/00	Fincantieri(4)	1,440	300	256
Newbuild	11/00	Fincantieri	1,380	300	55
Total Holland America			4,260	900	551
Total			17,392	\$3,025	\$2,499

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

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

(3) Estimated total cost is the total cost of the completed vessel and includes the contract price with the shipyard, design and engineering fees, estimated capitalized interest, various owner supplied items and construction oversight costs.

(4) These construction contracts are denominated in Italian Lira and have been fixed into U.S. dollars through the utilization of forward foreign currency contracts (see Note 7).

In connection with the vessels under construction, the Company has paid \$526 million through November 30, 1998 and anticipates paying approximately \$680 million during fiscal 1999 and approximately \$1.8 billion thereafter.

#### Litigation

Several actions (collectively the "Passenger Complaints") have been filed against Carnival or Holland America Westours on behalf of purported classes of persons who paid port charges to Carnival or Holland America, alleging that statements made in advertising and promotional materials concerning port charges were false and misleading. The Passenger Complaints allege violations of the various state consumer protection acts and claims of fraud, conversion, breach of fiduciary duties and unjust enrichment. Plaintiffs seek compensatory damages or, alternatively, refunds of portions of port charges paid, attorneys' fees, costs, prejudgment interest, punitive damages and injunctive and declaratory relief. These actions are in various stages of progress and are proceeding.

Holland America Westours recently entered into a settlement agreement for the one Passenger Complaint filed against it. The settlement agreement was approved by the court on September 28, 1998. Five members of the settlement class have appealed the court's approval of the settlement. The appeal is likely to take between one and two years to be resolved. Unless the appeal is successful, Holland America will issue travel vouchers with a face value of \$10-\$50 depending on specified criteria, to certain of its passengers who are U.S. residents and who sailed between April 1992 and April 1996, and will pay a portion of the plaintiffs' legal fees. The amount and timing of the travel vouchers to be redeemed and the effects of the travel voucher redemption on revenues is not reasonably determinable. Accordingly, the Company has not established a liability for the travel voucher portion of the settlements and will account for the redemption of the vouchers as a reduction of future revenues. In 1998 the Company established a liability for the estimated distribution costs of the settlement notices and plaintiffs' legal costs.

Several complaints were filed against Carnival and/or Holland America Westours (collectively the "Travel Agent Complaints") on behalf of purported classes of travel agencies who had booked a cruise with Carnival or Holland America, claiming that advertising practices regarding port charges resulted in an improper commission bypass. These actions, filed in California, Alabama, Washington and Florida, allege violations of state consumer protection laws, claims of breach of contract, negligent misrepresentation, unjust enrichment, unlawful business practices and common law fraud, and they seek unspecified compensatory damages (or alternatively, the payment of usual and customary commissions on port charges paid by passengers in excess of

certain charges levied by government authorities), an accounting, attorneys' fees and costs, punitive damages and injunctive relief. These actions are in various stages of progress and are proceeding.

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

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

#### Ship Lease Transaction

During August 1998, the Company entered into a lease out and lease back transaction with respect to one of its vessels. The Company has effectively guaranteed certain obligations or provided letters of credit to participants in the transaction which, at November 30, 1998, total approximately \$300 million. Only in the remote event of nonperformance by certain major financial institutions, which have long-term credit ratings of AAA, would the Company be required to make any payments under these guarantees. After 18 years, the Company has the right to exercise a purchase option that would terminate this transaction. As a result of this transaction, the Company received approximately \$22 million (net) which is recorded as deferred income on the balance sheet and is being amortized to nonoperating income over 18 years.

#### Operating Leases

Rent expense for all operating leases, primarily office and warehouse space, for fiscal 1998, 1997 and 1996 was approximately \$10.4 million, \$10.6 million and \$9.3 million, respectively. At November 30, 1998, minimum annual rentals for all operating leases, with initial or remaining terms in excess of one year, were as follows (in thousands):

Fiscal	
1999	\$ 8,280
2000	8,421
2001	6,538
2002	5,281
2003	4,278
Thereafter	26,158
	\$58,956

#### Guaranty

At November 30, 1998, the Company has guaranteed approximately \$103 million of the debt of Il Ponte that was incurred in connection with the Company's acquisition of an interest in Costa (see Note 4).

#### Other

At November 30, 1998, the Company has a commitment through 2013, cancellable under certain remote circumstances, to pay a minimum amount for its annual usage of certain port facilities as follows (in thousands):

Fiscal	
1999	\$ 6,863
2000	8,853
2001	9,402
2002	9,315
2003	11,548
Thereafter	137,465
	\$183,446

#### NOTE 10 - SEGMENT INFORMATION

The Company's cruise segment currently operates twenty-nine passenger cruise ships and four luxury sailing vessels. Cruise revenues are comprised of sales of passenger tickets, including, in some cases, air transportation to and from the cruise ship, and revenues from on-board activities and other related services. The tour business represents the operations of Holland America Westours. The corporate segment is primarily comprised of cash and cash equivalents, goodwill, and investments, including the Company's investments in and advances to

affiliates and the related earnings from these affiliates. Intersegment revenues primarily represent charges for the cruise portion of a tour when a cruise is sold as a part of a tour package. Export sales represent revenues identified with the Company's domestic operations, which were generated from outside the U.S. Segment and export sales information for each of the three years in the period ended November 30, 1998 is as follows:

	1998	1997 (in thousands)	1996
REVENUES			
Cruise	\$2,797,856	\$2,257,567	\$2,003,458
Tour	274,491	242,646	263,356
Intersegment revenues	(63,041)	(52,745)	(54,242)
	\$3,009,306	\$2,447,468	\$2,212,572
GROSS OPERATING PROFIT			
Cruise	\$1,338,833	\$1,072,758	\$ 913,880
Tour	51,096	52,041	57,423
	\$1,389,929	\$1,124,799	\$ 971,303
DEPRECIATION AND AMORTIZATION			
Cruise	\$ 189,345	\$ 157,454	\$ 135,694
Tour	9,491	8,862	8,317
Corporate	1,832	971	976
	\$ 200,668	\$ 167,287	\$ 144,987
OPERATING INCOME			
Cruise	\$ 822,242	\$ 656,009	\$ 535,814
Tour	9,248	13,262	21,252
Corporate	65,034	44,799	40,362
	\$ 896,524	\$ 714,070	\$ 597,428
IDENTIFIABLE ASSETS			
Cruise	\$6,149,625	\$4,744,140	\$4,514,675
Tour	174,140	163,941	150,851
Corporate	855,558	518,694	436,362
	\$7,179,323	\$5,426,775	\$5,101,888
CAPITAL EXPENDITURES			
Cruise	\$1,113,191	\$ 414,963	\$ 841,871
Tour	28,480	42,507	14,964
Corporate	8,742	40,187	1,810
	\$1,150,413	\$ 497,657	\$ 858,645
EXPORT SALES	\$ 342,017	\$ 213,405	\$ 198,046

#### NOTE 11 - BENEFIT PLANS

##### Stock Option Plans

The Company has stock option plans for certain employees and directors. The plans are administered by a committee of three directors of the Company (the "Committee") which 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 option exercise price is generally established by the Committee at 100% of the fair market value of the Common Stock on the date the option is granted. Substantially all options granted during 1998, 1997 and 1996 were granted at an exercise price per share equal to the fair market value of the Company's Common Stock on the date of grant. Employee options generally vest evenly over five years and have a ten year term and director's options vest immediately and have a five year term. Options may be extended for such periods as may be determined by the Committee but only for so long as the optionee remains an employee or director of the Company. At November 30, 1998, options for 5,387,056 shares were available for future grants. A summary of the status of options in the stock option plans is as follows:

	Weighted Average Exercise Price Per Share			Number of Options Years Ended November 30,		
	1998	1997	1996	1998	1997	1996
Outstanding Options-						
Beginning of Year	\$11.88	\$10.38	\$10.18	5,502,580	4,871,880	4,949,472
Options Granted	\$27.34	\$19.55	\$12.31	1,157,344	858,000	180,000
Options Exercised	\$10.53	\$ 8.83	\$ 7.96	(652,350)	(222,500)	(247,992)
Options Canceled	\$22.86	\$ 8.00	\$ 7.05	(20,000)	(4,800)	(9,600)

Outstanding Options- End of Year	\$14.95	\$11.88	\$10.38	5,987,574	5,502,580	4,871,880
Options Exercisable - End of Year	\$10.91	\$10.34	\$9.84	3,405,630	3,117,380	2,240,680

Information with respect to stock options outstanding and stock options exercisable at November 30, 1998 is as follows:

Exercise Price Range	Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$1.94 -\$2.25	37,480	-- (1)	\$2.06	37,480	\$2.06
\$6.94 -\$10.22	682,900	3.8	\$7.41	673,300	\$7.38
\$10.59-\$15.00	3,313,550	6.3	\$11.29	2,491,950	\$11.26
\$16.28-\$21.91	857,644	8.1	\$19.39	202,900	\$19.95
\$24.94-\$26.41	976,000	9.1	\$26.40	--	--
\$34.91-\$41.34	120,000	9.6	\$38.00	--	--
Total	5,987,574	6.8	\$14.95	3,405,630	\$10.91

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

During fiscal 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123, and pursuant to its provisions elected to continue using the intrinsic-value method of accounting for stock-based awards. Accordingly, the Company has not recognized compensation expense for its noncompensatory stock option awards. The following table reflects the Company's pro forma net income and earnings per share for fiscal 1998, 1997 and 1996 had the Company elected to adopt the fair value approach (which charges earnings for the estimated fair value of stock options) of SFAS No. 123:

	1998	1997	1996
	(in thousands, except per share data)		
Net Income:			
As reported	\$835,885	\$666,050	\$566,302
Pro forma	\$831,153	\$664,324	\$565,952
Earnings per share:			
As reported:			
Basic	\$1.40	\$1.12	\$.98
Diluted	\$1.40	\$1.12	\$.96
Pro forma:			
Basic	\$1.40	\$1.12	\$.98
Diluted	\$1.39	\$1.12	\$.96

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

The weighted average fair values of the Company's options granted during fiscal 1998, 1997 and 1996 were \$7.61, \$5.79 and \$4.49 per share, respectively, at the dates of grant. The fair values of options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions for fiscal 1998, 1997 and 1996, respectively; expected dividend yields of 1.62%, 1.78% and 1.78%; expected volatility of 20.5%, 22.7% and 28.6%; risk free interest rates of 5.3%, 6.2% and 5.8%; and expected option life of six years for all periods.

#### Restricted Stock Plans

The Company has restricted stock plans under which certain key employees are granted restricted shares of the Company's Common Stock. Shares are awarded in the name of each of the participants, who have all the rights of other Common Stock shareholders, subject to certain restriction and forfeiture provisions. During fiscal 1998 and 1997, 150,000 and 46,574 shares of Common Stock valued at \$4.4 million and \$.9 million, respectively, were issued. There were no restricted shares issued during fiscal 1996. Unearned compensation is recorded in other

stockholders' equity at the date of award based on the quoted market price of the shares on the date of grant. Unearned compensation is amortized to expense over the vesting period. As of November 30, 1998 and 1997 there were 321,038 shares (\$5.3 million) and 237,438 shares (\$2.2 million) issued under the plans which remain to be vested (expensed), respectively.

#### Management Incentive Plans

Most shoreside managerial employees of Carnival and HAL participate in management incentive plans. Certain of the participating employees receive a portion of their incentive compensation award in Common Stock of the Company, instead of the entire amount being paid in cash. During fiscal 1998, 1997 and 1996, 61,214, 85,430 and 85,376 shares of Common Stock with a quoted market value of \$1.6 million, \$1.3 million and \$1.1 million, respectively, were issued under these plans.

#### Defined Benefit Pension Plans

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

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

Pension costs for the defined benefit pension plans were \$1.9 million, \$2.5 million and \$2.2 million for fiscal 1998, 1997 and 1996, respectively. The curtailment of the benefits described above resulted in a minimal gain in 1998.

#### Defined Contribution Plans

The Company has various defined contribution plans, including the two defined contribution plans established January 1, 1998 as described above, available to substantially all U.S. and Canadian employees and certain United Kingdom employees. The Company contributes to these plans based on employee contributions, salary levels and length of service. Total expense relating to these plans in fiscal 1998, 1997 and 1996 was \$5.3 million, \$2.5 million and \$2.4 million, respectively.

#### Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan, which is authorized to issue up to 4,000,000 shares of Common Stock to substantially all employees of Carnival Corporation and its wholly owned subsidiaries. The purchase price is derived from a formula based on 85% of the fair market value of the Common Stock during the six-month purchase period, as defined. During 1998, 1997 and 1996, the Company sold 175,971, 173,776 and 115,856 shares, respectively, at a weighted average share price of \$24.45, \$14.52 and \$11.08, respectively, under this plan.

#### NOTE 12 - EARNINGS PER SHARE

Earnings per share amounts have been computed as follows (in thousands, except per share data):

	Years Ended November 30,		
	1998	1997	1996
<b>BASIC:</b>			
Net income	\$835,885	\$666,050	\$566,302
Average common shares outstanding	595,037	594,076	579,008
Earnings per share	\$1.40	\$1.12	\$ .98
<b>DILUTED:</b>			
Net income	\$835,885	\$666,050	\$566,302
Effect on net income of assumed issuance of affiliate securities		(356)	(3,452)

Interest expense related to convertible notes		38	4,661
Income available assuming dilution	\$835,885	\$665,732	\$567,511
Average common shares outstanding	595,037	594,076	579,008
Effect of dilutive securities:			
Additional shares issuable upon:			
Assumed conversion of convertible notes		128	11,080
Various stock plans	3,411	2,344	1,352
Average shares outstanding assuming dilution	598,448	596,548	591,440
Earnings per share	\$1.40	\$1.12	\$.96

#### NOTE 13 - ACQUISITION

On May 28, 1998, the Company and a group of investors acquired the operating assets of Cunard, a cruise company operating five luxury cruise ships, for \$500 million, adjusted for a working capital deficiency and debt assumed. The Company is accounting for the acquisition using the purchase accounting method. Simultaneous with the acquisition, Seabourn Cruise Line Limited ("Seabourn"), a luxury cruise line in which the Company owned a 50% interest, was combined with Cunard. The Company owns approximately 68% of the combined entity, which is named Cunard Line Limited. Commencing on May 28, 1998, the financial results of Cunard Line Limited have been included in the Company's consolidated financial statements. Prior to May 28, 1998, the Company's 50% interest in Seabourn was accounted for using the equity method (see Notes 2 and 4).

Had the above transactions occurred on December 1, 1996, the Company's unaudited consolidated revenues for fiscal 1998 and 1997 would have been approximately \$3.23 billion and \$2.92 billion, respectively. The impact on the Company's fiscal 1998 and 1997 unaudited net income and earnings per share would have been immaterial.

The Company may purchase at any time the 32% minority interest in Cunard Line Limited for a maximum of approximately 5.4 million shares (subject to adjustment, as defined) of the Company's Common Stock. If the Company does not purchase the minority interest, the minority shareholders, under certain circumstances, can require the Company on May 28, 2001 to purchase their shares for a maximum of approximately 5.4 million shares (subject to adjustment, as defined) of the Company's Common Stock. Since its issuance, this option to purchase the minority interest has been antidilutive for earnings per share purposes.

The preliminary impact on the Company's assets and liabilities related to the acquisition of Cunard and consolidation of Seabourn was as follows (in millions):

Fair value of Cunard assets	\$553
Seabourn assets consolidated	191
Debt assumed	(157)
Other liabilities assumed	(199)
Minority interest	(122)
Cash paid for acquisition	266
Other adjustments	(14)
	252
Cash of acquired companies	(9)
Net cash paid as reflected in the 1998 Statement of Cash Flows	\$243

#### NOTE 14 - RECENT PRONOUNCEMENTS

In April 1998, Statement of Position 98-5 - "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") was issued. SOP 98-5 requires that all start-up or pre-operating costs be expensed as incurred. In 1998, the Company adopted SOP 98-5 and, accordingly, expensed \$8.7 million of previously deferred start-up costs. The \$8.7 million represents the cumulative effect from the Company changing this policy, which amount is included in other nonoperating expenses in the accompanying statements of operations.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") was issued. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. SFAS 133 is effective for all fiscal



quarters of all fiscal years beginning after June 15, 1999 (December 1, 1999 for the Company). The Company has not yet determined the impact that the adoption of SFAS 133 will have, but does not currently expect the adoption to have a material impact on its results of operations or cash flows.

NOTE 15 - SUPPLEMENTAL CASH FLOW INFORMATION

	YEARS ENDED NOVEMBER 30,		
	1998	1997	1996
	(in thousands)		
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 54,572	\$ 56,967	\$ 68,337
Income taxes	\$ 5,144	\$ 5,755	\$ 8,752
Noncash investing and financing activities:			
Common Stock issued under various stock plans	\$ 5,975	\$ 2,247	\$ 1,102
Common Stock issued upon conversion of convertible notes (see Note 6)		\$ 39,085	\$ 76,294
Common Stock issued for acquisition of an interest in Airtours (see Note 4)			\$144,171
Conversion of Class B Common Stock into Class A Common Stock		\$ 550	
Sale of Rotterdam V		\$ 31,208	

NOTE 16 - SUBSEQUENT EVENT

In December 1998, the Company sold 17 million shares of its Common Stock in a public offering. Net proceeds to the Company from the offering totaled approximately \$725 million.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of  
Carnival Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Carnival Corporation and its subsidiaries at November 30, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

Miami, Florida  
January 25, 1999

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

RESULTS OF OPERATIONS

The Company earns its cruise revenues primarily from (i) the sale of passenger tickets, which includes accommodations, meals and most shipboard activities, (ii) the sale of air transportation to and from the cruise ship and (iii) the sale of goods and services on board its cruise ships, such as casino gaming, bar sales, gift shop sales and other related services. The Company also derives revenues from the tour and related operations of Holland America Westours.

For selected segment and export sales information related to the Company's revenues, gross operating profit, operating income and other financial information, see Note 10 in the accompanying financial statements. Operations data expressed as a percentage of total revenues and selected statistical information for the periods indicated is as follows:

	YEARS ENDED NOVEMBER 30,		
	1998	1997	1996
REVENUES	100%	100%	100%
COSTS AND EXPENSES:			
Operating expenses	54	54	56
Selling and administrative	12	12	12
Depreciation and amortization	7	7	7
OPERATING INCOME BEFORE INCOME FROM AFFILIATED OPERATIONS	27	27	25
INCOME FROM AFFILIATED OPERATIONS, NET	3	2	2
OPERATING INCOME	30	29	27
NONOPERATING EXPENSE	(2)	(2)	(1)
NET INCOME	28%	27%	26%
SELECTED STATISTICAL INFORMATION (in thousands):			
Passengers carried	2,045	1,945	1,764
Passenger cruise days (1)	13,009	11,908	10,583
Occupancy percentage	106.3%	108.3%	107.6%

(1) A passenger cruise day is one passenger sailing for a period of one day. For example, one passenger sailing on a one week cruise is seven passenger cruise days.

GENERAL

The growth in the Company's revenues during the last three fiscal years has primarily been a function of the expansion of its fleet capacity and, additionally in 1998, its ability to obtain significantly higher net yields than in previous years.

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

The Company's cruise and tour operations experience varying degrees of seasonality. The Company's revenue from the sale of passenger tickets for its cruise operations is moderately seasonal. Historically, demand for cruises has been greater during the summer months. The Company's tour revenues are extremely seasonal with a majority of tour revenues generated during the late spring and summer months in conjunction with the Alaska cruise season.

The year over year percentage increase in average passenger capacity

for the Company's cruise brands, excluding the impact of the acquisition and consolidation of Cunard and Seabourn, is expected to be 13.7% during fiscal 1999 as compared to fiscal 1998. This increase is primarily a result of the introduction into service of Carnival's Elation in March 1998 and Paradise in late November 1998, the expected introduction into service of the Carnival Triumph in July 1999 and Holland America's Volendam in August 1999 and the introduction into service of Windstar's Wind Surf in May 1998. Including the impact of Cunard and Seabourn, average passenger capacity is expected to increase 18.5% in fiscal 1999 as compared to fiscal 1998. The acquisition and consolidation of Cunard and Seabourn is not expected to materially affect the Company's consolidated net income in 1999.

The year over year percentage increase in average passenger capacity, excluding the impact of Cunard and Seabourn, resulting from the delivery of vessels currently under contract for construction for the fiscal years 2000 and 2001 is expected to approximate 12.9% and 11.9%, respectively. Including the impact of Cunard and Seabourn, the year over year increase in average passenger capacity for fiscal 2000 and 2001 is expected to approximate 11.7% and 10.9%, respectively.

In June 1997, the Company and Airtours, a publicly traded leisure travel company in which the Company holds a 26% interest, each acquired a 50% interest in Il Ponte, the parent company of Costa, an Italian cruise company. The Company records its interest in Airtours and Il Ponte using the equity method of accounting and records its portion of Airtours' and Il Ponte's consolidated operating results on a two-month lag basis. Demand for Airtours' and Costa's products is seasonal due to the nature of the European leisure travel industry and European cruise season. Typically, Airtours' and Costa's quarters ending June 30 and September 30 experience higher demand, with demand in the quarter ending September 30 being the highest.

#### Fiscal 1998 Compared To Fiscal 1997

##### Revenues

The increase in total revenues of \$561.8 million, or 23.0%, was due primarily to an increase in cruise revenues of \$540.3 million, or 23.9%. Approximately \$281.9 million of the cruise revenue increase is due to the acquisition and consolidation of Cunard and Seabourn and \$258.4 million is due to increased cruise revenues from Carnival, Holland America and Windstar. The increase from Carnival, Holland America and Windstar resulted from an increase of approximately 7.0% in total revenue per passenger cruise day and a 4.8% increase in passenger capacity, offset slightly by a .6% decrease in occupancy rates. Total revenue per passenger cruise day increased primarily due to strong demand for the Company's cruise brands and the introduction of Holland America's new Rotterdam VI in November 1997, which has obtained higher pricing. Passenger capacity increased due to the addition of new vessels discussed previously partially offset by the Ecstasy being out of service for two months during 1998 (see Nonoperating Income (Expense)). Tour revenues increased \$31.8 million, or 13.1% to \$274.5 million in 1998 from \$242.6 million in 1997 due primarily to an increase in the number of tours sold.

##### Cost and Expenses

Operating expenses increased \$296.7 million, or 22.4%. Cruise operating costs increased by \$274.2 million, or 23.1% in 1998. Approximately \$177.5 million of the cruise operating costs increase is due to the acquisition and consolidation of Cunard and Seabourn. Excluding Cunard and Seabourn, cruise operating costs as a percentage of cruise revenues were 50.9% and 52.5% in 1998 and 1997, respectively. Cruise operating costs, excluding Cunard and Seabourn, increased primarily as a result of increases in passenger capacity and airfare costs, partially offset by lower fuel costs. Airfare costs increased due to a higher rate per air passenger as well as a higher percentage of passengers electing the Company's air program. Tour operating expenses increased \$32.8 million, or 17.2% primarily due to the increase in tour volume and higher expenses incurred primarily as a result of increased tour content.

Selling and administrative expenses increased \$72.9 million, or 24.6%, of which \$46.8 million, or 15.8%, was due to the acquisition and consolidation of Cunard and Seabourn. Excluding Cunard and Seabourn, selling and administrative expenses as a percentage of revenues were 11.8% and 12.1% in 1998 and 1997, respectively. Selling and administrative expenses, excluding Cunard and Seabourn, increased primarily as a result of increases in advertising and payroll and related costs.

Depreciation and amortization increased by \$33.4 million, or 20.0%, to \$200.7 million in 1998 from \$167.3 million in 1997 primarily due to the additional depreciation associated with the increase in the size of the fleet and the acquisition and consolidation of Cunard and Seabourn.

#### Affiliated Operations

During 1998, the Company recorded \$76.7 million of income from affiliated operations as compared with \$53.1 million of income in 1997. The Company's portion of Airtours' income increased \$3.7 million to \$39.4 million in 1998. The Company recorded income of \$39.9 million and \$15.5 million during 1998 and 1997, respectively, related to its interest in Il Ponte. The Company did not record earnings from its investment in Il Ponte in the first nine months of 1997 since Il Ponte was acquired in June 1997 and its consolidated operating results are recorded on a two-month lag basis. The affiliated operations for 1998 includes Seabourn through May 28, 1998 after which its results are included in the Company's consolidated results.

#### Nonoperating Income (Expense)

Gross interest expense (excluding capitalized interest) increased \$20.2 million in 1998 primarily as a result of higher average debt balances, arising from the acquisition and consolidation of Cunard and Seabourn as well as investments in new vessel projects. Capitalized interest increased \$18.3 million due primarily to higher levels of investments in ship construction projects during fiscal 1998 as compared with fiscal 1997.

Included in other income in 1998 were gains of \$8.4 and \$14.8 million resulting from the closing of the sale of CHC's hotel management division and Airtours' issuances of its common stock, respectively. In the event that Airtours issues additional common stock in the future, the Company may recognize gains or losses related to these future issuances. Additionally, other expense includes \$8.7 million of previously deferred start-up costs, which were expensed in 1998 and represent the cumulative effect from the Company changing its policy in connection with its early adoption of SOP 98-5 (see Notes 4 and 14 in the accompanying financial statements).

In July 1998, a fire occurred on the mooring deck on Carnival Cruise Lines' Ecstasy. There were no serious injuries to passengers or crew, however, there was damage to the ship's aft section. The time necessary to complete repairs to the Ecstasy resulted in the ship being out of service for approximately two months during 1998. The Ecstasy fire resulted in a reduction in earnings of approximately \$19.3 million in 1998. This reduction was comprised of lost revenue, net of related variable expenses, of \$12.0 million, and costs associated with repairs to the ship, passenger handling and various other costs, net of estimated insurance recoveries, of \$7.3 million. The costs of \$7.3 million were included in other expenses.

Minority interest was \$11.1 million which represents the minority shareholders' interest in Cunard Line Limited's net income since its acquisition and consolidation by the Company on May 28, 1998.

#### Fiscal 1997 Compared To Fiscal 1996

##### Revenues

The increase in total revenues of \$234.9 million, or 10.6%, was due primarily to an increase in cruise revenues of \$254.1 million, or 12.7%, from 1996 to 1997, which was partially offset by a decrease in tour revenues. The increase in cruise revenues was primarily the result of an 11.7% increase in passenger capacity for the period resulting from the addition of Carnival's cruise ships Inspiration and Carnival Destiny in March and November 1996, respectively, and Holland America's cruise ships Veendam and Rotterdam VI in May 1996 and November 1997. The passenger capacity increase resulting from the introduction of new vessels was partially reduced by the removal from service from Carnival's fleet of the Festivale in April 1996 and Holland America's Rotterdam V in September 1997.

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

Revenues from the Company's tour operations decreased \$20.7 million, or 7.9%, to \$242.6 million in 1997 from \$263.4 million in 1996. The

decrease was primarily the result of a decrease in the tour and transportation revenues due to a reduction in the number of tour passengers.

#### Costs and Expenses

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

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

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

#### Affiliated Operations

Approximately \$35.7 million of income from affiliated operations in 1997 was attributable to the Company's 28% interest in Airtours. The Company acquired its equity interest in Airtours in April 1996 and recorded its share of Airtours' earnings on a two-month lag basis. During 1996, the Company's share of earnings for Airtours was recorded for Airtours' six months ended September 30, 1996, which also amounted to \$35.7 million. Airtours' operations are seasonal and historically have resulted in losses for the first half of its fiscal year. Had the Company recorded its equity in Airtours' earnings for Airtours' entire fiscal year ended September 30, 1996, the Company's share of Airtours' earnings would have been \$22.2 million instead of the \$35.7 million recorded by the Company in 1996.

In June 1997 the Company acquired an approximate 50% interest in Il Ponte. The Company recorded its share of Il Ponte's earnings on a two-month lag basis. During 1997, the Company's share of earnings from Il Ponte, amounting to \$15.5 million, was recorded for Il Ponte's three months ended September 30, 1997.

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

#### Nonoperating Income (Expense)

Interest income decreased \$9.9 million in 1997 primarily due to a decrease in cash equivalent balances and notes receivable. During 1996, the Company was holding 13% senior secured notes (which were redeemed in April 1996) of Norwegian Cruise Line, Ltd. and, to a lesser degree, increased cash balances. Gross interest expense (excluding capitalized interest) decreased \$17.1 million in 1997 as a result of reduced debt balances. Capitalized interest decreased \$9.0 million due primarily to lower levels of investments in ship construction projects during fiscal 1997 as compared with fiscal 1996.

Other income in fiscal 1997 of \$5.4 million represents the net effect of the recognition of the remaining deferred gain from the sale of Carnival's Festivale, less a loss from the sale of Holland America's Rotterdam V, and certain other miscellaneous gains and losses. Other income amounted to \$23.4 million in 1996 primarily as a result of a \$32.0 million gain from settlement of bankruptcy claims against the Wartsila shipyard less a loss of \$15.8 million on the sale of notes receivable generated from the sale of Carnival's Crystal Palace Hotel and Casino.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Sources of Cash

The Company's business provided \$1.1 billion of net cash from operations during fiscal 1998, an increase of 24.4% compared to fiscal 1997. The increase was primarily due to higher net income.

In January 1998, the Company completed an offering of \$200 million of 6.65% Debentures Due January 15, 2028. Additionally, in April 1998, the Company completed an offering of \$200 million of 5.65% Notes Due October 15, 2000 and \$200 million of 6.15% Notes Due April 15, 2008. During fiscal 1998, the Company had net borrowings of \$80.1 million under

its commercial paper programs.

#### Uses of Cash

During fiscal 1998, the Company made net expenditures of approximately \$1.15 billion on capital projects, of which \$1.04 billion was spent in connection with its ongoing shipbuilding program. The shipbuilding expenditures included the final payments on Carnival's Elation and Paradise, which were delivered to the Company in late February and October, respectively, the acquisition of Windstar's Wind Surf, which went into service in May 1998 and the payment of approximately \$232 million for the Holland America Newbuild scheduled to enter service in November 2000. The nonshipbuilding capital expenditures consisted primarily of improvements to a private island in the Caribbean (Holland America began to use the island during the first quarter of 1998 as a destination for certain of its itineraries), transportation equipment, vessel refurbishments, tour assets and other equipment.

The Company paid \$266 million related to the acquisition of Cunard (see Note 13 in the accompanying financial statements).

The Company made scheduled principal payments totaling approximately \$63.4 million under various individual vessel mortgage loans during fiscal 1998. In March 1998, the Company paid at maturity \$200 million due on the 5.75% Notes Due March 15, 1998. Additionally, the Company paid cash dividends of \$178.5 million in fiscal 1998.

#### Future Commitments

The Company has contracts for the delivery of eight new vessels over the next five years. The Company will pay approximately \$680 million during fiscal 1999 relating to the construction and delivery of these new ships and approximately \$1.8 billion thereafter.

In addition to these ship construction contracts, the Company has options to construct two additional vessels for Carnival for expected service in 2002, if the options are exercised. The Company is also in negotiations with several shipbuilding yards for a new class of vessel for Holland America and is in the initial planning phase of a new ocean liner for Cunard. No assurance can be given that the two options for Carnival will be exercised, the negotiations for the Holland America vessel will be successful or that the new Cunard shipbuilding project will be continued.

At November 30, 1998, the Company had \$1.63 billion of long-term debt of which \$67.6 million is due in fiscal 1999. See Notes 5 and 9 in the accompanying financial statements for more information regarding the Company's debts and commitments.

#### Funding Sources

In December 1998, the Company issued 17 million shares of its Common Stock and received net proceeds of approximately \$725 million. The Company issued this stock concurrent with the addition of the Company's Common Stock to the S&P 500 Composite Index. A portion of the proceeds from the offering was used to repay \$153 million of the Company's outstanding commercial paper and the remainder was invested in short-term investments. These remaining funds are available to the Company for general corporate purposes, which may include repayment of indebtedness, financing of capital commitments under its shipbuilding program and possible future acquisitions to expand its business.

At December 31, 1998, the Company had approximately \$650 million in cash, cash equivalents and short-term investments. These funds along with cash from operations are expected to be the Company's principal source of capital to fund its debt service requirements and ship construction costs. Additionally, the Company may also fund a portion of these cash requirements from borrowings under its revolving credit facilities or commercial paper programs. At December 31, 1998, the Company had approximately \$1.1 billion available for borrowing under its revolving credit facilities.

To the extent that the Company is required to or chooses to fund future cash requirements from sources other than as discussed above, management believes that it will be able to secure such financing from banks or through the offering of short-term debt and/or equity securities in the public or private markets.

## Year 2000

The Year 2000 computer issue is primarily the result of computer programs using a two digit format, as opposed to four digits, to indicate the year. Such programs will be unable to interpret dates beyond the year 1999, which could cause a system failure or other computer errors and a disruption in the operation of such systems.

### State of Readiness

The Company has established internally staffed project teams to address Year 2000 issues. Each team has implemented a plan that focuses on Year 2000 compliance efforts for information technology ("IT") and non-IT systems for their respective companies. The systems include (1) information systems software and hardware (e.g. reservations, accounting and associated systems, personal computers and software and various end-user developed applications) and (2) building facilities and shipboard equipment (e.g. shipboard navigation, control, safety, power generation and distribution systems, operating systems and shipbuilding and communication systems).

The Company's Year 2000 plan addresses the Year 2000 issues in multiple phases, including: (1) inventory of the Company's systems, equipment and suppliers that may be vulnerable to Year 2000 issues; (2) assessment of inventoried items to determine risks associated with their failure to be Year 2000 compliant; (3) testing of systems and/or components to determine if Year 2000 compliant, both prior and/or subsequent to remediation; (4) remediation and implementation of systems; and (5) contingency planning to assess reasonably likely worst case scenarios.

Inventories have been substantially completed for all Company shoreside software applications, hardware and operating systems. A risk assessment was then prepared based on feedback from the Company's respective business units. Most of the Company's critical internally developed software systems have been successfully remediated and tested. All of the Company's reservations systems have been remediated, tested and are in production. Remediation and integration testing of other critical shoreside software and hardware applications, including purchased software, are estimated to be completed by July 1999. However, ongoing certification testing of remediated systems that corroborates prior test results and corroborates integration of remediated items with related hardware and operating systems will occur throughout 1999.

Inventories have been substantially completed for all building facilities and shipboard equipment systems. A risk assessment has been substantially completed and is expected to be finalized by March 1999. In certain cases, the Company has retained third party consultants to analyze the shipboard hardware and embedded system inventories and assist the Company in testing, remediation and implementation of these applications. This process is expected to be completed by the end of the third calendar quarter of 1999. Internally developed shipboard information systems have been remediated and are expected to be tested and fully implemented on ships by mid 1999.

The Company is tracking the Year 2000 compliance status of its material vendors and suppliers via the Company's own internal vendor compliance effort. Year 2000 correspondence was sent to critical vendors and suppliers, with continued follow up for those who failed to respond. All vendor responses are currently being evaluated to assess any possible risk to or effect on the Company's operations. Prior to mid 1999, the Company expects to implement additional procedures for assessing the Year 2000 compliance status of its most critical vendors and will modify its contingency plans accordingly.

### Risks of Company's Year 2000 Issues

The Company is in the process of preparing its contingency plans which will include the identification of its most reasonably likely worst case scenarios. Currently, the most reasonably likely sources of risk to the Company include (1) the disruption of transportation channels relevant to the Company's operations, including ports and transportation vendors (airlines) as a result of a general failure of support systems and necessary infrastructure; (2) the disruption of travel agency and other sales distribution systems; and (3) the inability of principal product suppliers to be Year 2000 ready, which could result in delays in deliveries from such suppliers.

Based on its current assessment efforts, the Company does not believe that Year 2000 issues will have a material adverse effect on its financial condition or results of operations. However, the Company's Year



2000 issues and any potential business interruptions, costs, damages or losses related thereto, are dependent, to a significant degree, upon the Year 2000 compliance of third parties, both domestic and international, such as government agencies, vendors and suppliers. Consequently, the Company is unable to determine at this time whether Year 2000 failures will materially affect the Company. The Company believes that its compliance efforts have and will reduce the impact on the Company of any such failures.

#### Contingency Plans

The Company is in the process of preparing its contingency plans to identify and determine how to handle its most reasonably likely worst case scenarios. Preliminary contingency plans are currently being drafted. Comprehensive contingency plans are estimated to be complete by mid 1999.

#### Costs

The Company does not expect that the costs associated with its Year 2000 efforts will be material. The Company estimates aggregate expenditures of approximately \$16 million to address Year 2000 issues. These aggregate expenditures include \$9 million of costs that are being charged to expense and \$7 million of costs, related to the accelerated replacement of non-compliant systems due to Year 2000 issues, which will be capitalized. The total amount expended through November 30, 1998 was approximately \$8 million, of which \$4 million has been charged to expense and \$4 million has been capitalized. These costs do not include costs incurred by the Company as a result of the failure of any third parties, including suppliers, to become Year 2000 compliant or costs to implement any contingency plans.

#### Market Risks

The Company is principally exposed to market risks from fluctuations in interest rates, foreign currency exchange rates and equity prices. The Company seeks to minimize these risks through its regular operating and financing activities, its long-term investment strategy and, when considered appropriate, through the use of derivative financial instruments. The Company's policy is to not use financial instruments for trading or other speculative purposes.

In order to limit its exposure to interest rate fluctuations, the Company has entered into fixed rate debt instruments for the majority of its long-term debt. The Company's primary foreign currency exchange risk relates to its outstanding obligations under its foreign currency denominated shipbuilding contracts. The Company manages this risk through the use of foreign currency forward contracts (see Notes 2 and 7 in the accompanying financial statements).

Additionally, the Company's investments in foreign affiliates subjects it to foreign currency exchange rate and equity price risks. Management considers its investments in foreign affiliates to be denominated in relatively stable currencies and of a long-term nature and, accordingly, does not typically manage its related foreign currency exchange rate and equity price risks through the use of financial instruments.

Other market risk exposures to the Company relate to food and fuel commodity prices and the selling of certain of its cruises and incurring certain cruise-related expenses in foreign currencies. The Company does not typically manage these risks through the use of financial instruments. However, the Company does not expect changes in food and fuel commodity prices and foreign currency denominated cruise revenue and expenses to materially affect its operating results.

#### Exposure to Interest Rates

At November 30, 1998, the Company's long-term debt had a carrying value of \$1.631 billion. The fair value of this debt at November 30, 1998 was \$1.647 billion. Based upon a hypothetical 10% decrease or increase in the period end market interest rate, the fair value of this liability would increase or decrease by approximately \$46 million.

This hypothetical amount is determined by considering the impact of the hypothetical interest rates on the Company's existing debt. This analysis does not consider the effects of the changes in the level of overall economic activity that could exist in such environments. Furthermore, since substantially all of the Company's fixed rate debt cannot be prepaid, it is most likely management would be unable to take any significant steps to mitigate its exposure in the event of a

significant decrease in market interest rates.

#### Exposure to Exchange Rates

As a result of the Company having outstanding obligations under ship construction contracts denominated in a foreign currency, it is affected by fluctuations in the value of the U.S. dollar as compared to certain European currencies. Foreign currency forward contracts are used to hedge against this risk. Accordingly, increases and decreases in the fair value of these foreign currency forward contracts are offset by changes in the U.S. dollar value of the net underlying foreign currency denominated ship construction obligations.

At November 30, 1998, the Company's foreign currency forward contracts which hedge its shipbuilding activities had notional amounts and maturity dates of \$539 million in 1999 and \$206 million in 2000. The fair value of these contracts was \$815 million at November 30, 1998. Based upon a 10% strengthening or weakening of the U.S. dollar compared to the Euro, the estimated fair value of these contracts would decrease or increase by \$82 million which would be offset by a decrease or increase of \$82 million in the U.S. dollar value of the related foreign currency ship construction obligations.

The cost of shipbuilding orders which the Company may place in the future may be affected by foreign currency exchange rate fluctuations. Should the U.S. dollar weaken relative to the Euro, future orders for new ship construction in certain European shipyards may be at higher prices.

SELECTED FINANCIAL DATA

The selected financial data presented below for the fiscal years 1994 through 1998 and as of the end of each such fiscal year are derived from the financial statements of the Company and should be read in conjunction with such financial statements and the related notes.

	YEARS ENDED NOVEMBER 30,				
	1998	1997	1996	1995	1994
	(in thousands, except per share data)				
<b>INCOME STATEMENT DATA:</b>					
Revenues	\$3,009,306	\$2,447,468	\$2,212,572	\$1,998,150	\$1,806,016
Operating income before income from affiliated operations	\$ 819,792	\$ 660,979	\$ 551,461	\$ 490,038	\$ 443,674
Operating income	\$ 896,524	\$ 714,070	\$ 597,428	\$ 490,038	\$ 443,674
Net income	\$ 835,885	\$ 666,050	\$ 566,302	\$ 451,091	\$ 381,765
<b>Earnings per share (1):</b>					
Basic	\$1.40	\$1.12	\$ .98	\$ .79	\$ .68
Diluted	\$1.40	\$1.12	\$ .96	\$ .79	\$ .67
<b>Dividends declared per share (1)</b>					
	\$ .315	\$ .240	\$ .190	\$ .158	\$ .142
Passenger cruise days	13,009	11,908	10,583	9,201	8,102
Occupancy percentage (2)	106.3%	108.3%	107.6%	105.0%	104.0%

	AS OF NOVEMBER 30,				
	1998	1997	1996	1995	1994
	(in thousands)				
<b>BALANCE SHEET DATA:</b>					
Total assets	\$7,179,323	\$5,426,775	\$5,101,888	\$4,105,487	\$3,669,823
Long-term debt and convertible notes	\$1,563,014	\$1,015,294	\$1,316,632	\$1,150,031	\$1,161,904
Total shareholders' equity	\$4,285,476	\$3,605,098	\$3,030,884	\$2,344,873	\$1,928,934

(1) All per share amounts have been adjusted to reflect two-for-one stock splits effective November 30, 1994 and June 12, 1998.

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

## MARKET PRICE FOR COMMON STOCK

The following table sets forth for the periods indicated the high and low Common Stock sales prices, as adjusted for the June 12, 1998 two-for-one stock split, on the New York Stock Exchange:

	HIGH	LOW
Fiscal Year ended November 30, 1998:		
First Quarter	\$29.500	\$24.938
Second Quarter	\$38.250	\$29.531
Third Quarter	\$42.625	\$28.438
Fourth Quarter	\$35.438	\$19.000
Fiscal Year ended November 30, 1997:		
First Quarter	\$18.375	\$14.875
Second Quarter	\$19.750	\$17.063
Third Quarter	\$22.625	\$18.813
Fourth Quarter	\$27.125	\$21.844

As of January 18, 1999, there were approximately 4,540 holders of record of the Company's Common Stock. While no tax treaty currently exists between the Republic of Panama and the United States, under current law, the Company believes that distributions to its shareholders are not subject to taxation under the laws of the Republic of Panama.

SELECTED QUARTERLY FINANCIAL DATA (unaudited)

Quarterly financial results for fiscal 1998 are as follows:

	QUARTERS ENDED			
	FEBRUARY 28, (in thousands, except per share data)	MAY 31, (in thousands, except per share data)	AUGUST 31, (in thousands, except per share data)	NOVEMBER 30, (in thousands, except per share data)
Revenues	\$557,838	\$661,358	\$1,061,539	\$728,571
Gross profit	\$250,243	\$299,002	\$ 521,196	\$319,488
Operating income before income from affiliated operations	\$128,401	\$167,794	\$ 365,007	\$158,590
Operating income	\$117,720	\$165,441	\$ 378,849	\$234,514
Net income	\$109,914	\$160,596	\$ 344,752	\$220,623
Earnings per share (1):				
Basic	\$ .18	\$ .27	\$ .58	\$ .37
Diluted	\$ .18	\$ .27	\$ .58	\$ .37
Dividends declared per share (1)	\$ .075	\$ .075	\$ .075	\$ .09

Quarterly financial results for fiscal 1997 are as follows:

	QUARTERS ENDED			
	FEBRUARY 28, (in thousands, except per share data)	MAY 31, (in thousands, except per share data)	AUGUST 31, (in thousands, except per share data)	NOVEMBER 30, (in thousands, except per share data)
Revenues	\$521,082	\$596,614	\$805,421	\$524,351
Gross profit	\$224,144	\$258,930	\$417,301	\$224,424
Operating income before income from affiliated operations	\$103,944	\$140,253	\$308,590	\$108,192
Operating income	\$ 94,962	\$137,541	\$318,961	\$162,606
Net income	\$ 85,360	\$127,447	\$297,893	\$155,350
Earnings per share (1):				
Basic	\$ .14	\$ .21	\$ .50	\$ .26
Diluted	\$ .14	\$ .21	\$ .50	\$ .26
Dividends declared per share (1)	\$ .055	\$ .055	\$ .055	\$ .075

(1) Adjusted for the June 12, 1998 two-for-one stock split.

FORWARD-LOOKING STATEMENTS

Certain statements in the Shareholders' Letter and under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Annual Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions which may impact levels of disposable income of consumers and pricing and passenger yields for the Company's cruise products; consumer demand for cruises; pricing policies followed by competitors of the Company; increases in cruise industry capacity; changes in tax laws and regulations; the ability of the Company to implement its shipbuilding program and to expand its business outside the North American market where it has less experience; delivery of new vessels on schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise vessels at sea; computer program Year 2000 compliance; and changes in laws and regulations applicable to the Company.

## LIST OF SUBSIDIARIES AND AFFILIATES OF CARNIVAL CORPORATION

	Name of Subsidiary	Jurisdiction of Incorporation or Organization
(15)	Airtours plc (26% interest)	United Kingdom
(9)	Alaska Overland, Inc.	Alaska
(5)	Alaska Travel Center, Inc.	Washington
(8)	Anchorage Hotel Associates, Inc. (90% interest)	Alaska
	Carnival Investments Limited	Bahamas
	Carnival (UK) plc	United Kingdom
	Celebration Cruises Inc.	Liberia
(11)	Costa Crociere S.p.A.	Italy
	CRC Holdings, Inc. (23.18% interest)	Florida
	Crowne Plaza Holdings, Inc.	Florida
(10)	Cunard Line Limited (68.3% interest)	Bahamas
(13)	Cunard White Star Limited	Bermuda
(5)	Evergreen Trails, Inc.	Washington
	Futura Cruises Inc.	Panama
	Gemward Limited	Ireland
	Golden Falcon International S.A.	Panama
	HAL Antillen N.V.	Netherlands Antilles
(1)	HAL Beheer B.V.	Netherlands
(1)	HAL Buitenland B.V.	Netherlands
(1)	HAL Cruises Limited	Bahamas
(1)	HAL Properties Limited	Bahamas
(1)	HAL Services B.V.	Holland
(1)	HAL Shipping Limited	British Virgin Islands
(3)	Holland America Line Inc.	Delaware
(1)	Holland America Line N.V.	Netherlands Antilles
(4)	Holland America Line-Westours Inc.	Washington
(3)(14)	Il Ponte S.p.A. (50.0% interest)	Italy
	Jubilee Cruises Inc.	Liberia
(5)	Leisure Corporation	Alaska
(12)	SeaVacations Limited	United Kingdom
	SeaVacations UK Limited	United Kingdom
(6)	Trailways Tours, Inc.	Washington
	Trident Insurance Company Limited	Bermuda
	Utopia Cruises Inc.	Panama
(1)	West Coast Cruise Limited	British Virgin Islands
(5)(7)	Westmark Hotels of Canada Limited	Canada
(5)	Westmark Hotels, Inc.	Alaska
(8)	Westmark Kodiak Inc.	Alaska
(8)	Westmark Third Avenue Inc.	Alaska
(5)	Westours Motor Coaches, Inc.	Alaska
(5)	White Pass & Yukon Motorcoaches Inc.	Alaska
(2)	Wind Spirit Limited	Bahamas
(2)	Wind Star Limited	Bahamas
(1)	Wind Surf Limited	Bahamas
(1)	Windstar Sail Cruises Limited	Bahamas
(1)	Worldwide Shore Services Inc.	Washington

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- (1) Subsidiary of HAL Antillen N.V.
  - (2) Subsidiary of Windstar Sail Cruises Limited
  - (3) Subsidiary of HAL Buitenland B.V.
  - (4) Subsidiary of Holland America Line Inc.
  - (5) Subsidiary of Holland America Line-Westours Inc.
  - (6) Subsidiary of Evergreen Trails, Inc.
  - (7) Holland America Line-Westours Inc. owns all of the common stock and noncumulative redeemable preferred stock, while Westmark Hotels, Inc. owns all of the redeemable preferred Class B stock and the redeemable preferred Class C stock
  - (8) Subsidiary of Westmark Hotels, Inc.
  - (9) Subsidiary of Westours Motor Coaches, Inc.
  - (10) Subsidiary of Carnival Investments Limited
  - (11) Subsidiary of Il Ponte S.p.A.
  - (12) Subsidiary of SeaVacations UK Limited
  - (13) Subsidiary of Cunard Line Limited
  - (14) Owned 50% by Airtours plc
  - (15) Airtours plc is an affiliate of Carnival (UK) plc

Consent of Independent Certified Public Accountants

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Forms S-3 (No. 33-63563, No. 333-43269 and No. 333-68999) and Registration Statements on Forms S-8 (No. 33-45287, No. 33-45288, No. 33-51195, No. 33-53099 and No. 333-43885) of Carnival Corporation of our report dated January 25, 1999 appearing on page 34 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K.

/S/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP  
February 24, 1999

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YEAR	
NOV-30-1998	
NOV-30-1998	137,273
	5,956
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	75,449
370,279	
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7,179,323	
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0	
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835,885	
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	0
835,885	
1.40	
1.40	