[NOTIFY] 72731,737

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 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	59-1562976
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

None.
(Former name, former address and former fiscal year, if changed since last report.)

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 X   No__

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of July 9, 1998.

Common Stock, $.01 par value: 595,327,624 shares outstanding

CARNIVAL CORPORATION

I N D E X

/TABLE

PART I. FINANCIAL INFORMATION
ITEM 1: FINANCIAL STATEMENTS

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

	May 31, 1998	November 30, 1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 120,600	$ 139,989
Short-term investments	9,414	9,738
Accounts receivable, net	66,503	57,090
Consumable inventories, at average cost	76,226	54,970
Prepaid expenses and other	102,754	74,238
Total current assets	375,497	336,025
PROPERTY AND EQUIPMENT, NET	5,469,814	4,327,413
OTHER ASSETS		
Investments in and advances to affiliates	425,715	479,329
Goodwill, less accumulated amortization of $65,746 and $62,256	403,077	212,607
Other assets	37,733	71,401
	$6,711,836	$5,426,775
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 58,457	$ 59,620
Accounts payable	187,897	106,783
Accrued liabilities	169,048	154,253
Customer deposits	755,890	420,908
Dividends payable	44,619	44,578
Total current liabilities	1,215,911	786,142
LONG-TERM DEBT	1,557,016	1,015,294
OTHER LONG-TERM LIABILITIES	23,907	20,241
MINORITY INTEREST	123,079	
COMMITMENTS AND CONTINGENCIES (Note 5)		
SHAREHOLDERS' EQUITY		
Common Stock; $.01 par value; 960,000 shares authorized; 594,924 and 594,408 shares issued and outstanding	5,949	5,944
Preferred Stock; $.01 par value; 40,000 shares authorized; none issued or outstanding		
Paid-in-capital	871,676	863,125
Retained earnings	2,912,499	2,731,213
Other	1,799	4,816
Total shareholders' equity	3,791,923	3,605,098
	$6,711,836	$5,426,775

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

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

	Six Months Ended May 31, 1998	Six Months Ended May 31, 1997	Three Months Ended May 31, 1998	Three Months Ended May 31, 1997
REVENUES	$1,219,196	$1,117,696	$661,358	$596,614
COSTS AND EXPENSES				
Operating expenses	669,951	634,622	362,356	337,684
Selling and administrative	163,784	156,219	84,950	76,716
Depreciation and amortization	89,266	82,658	46,258	41,961
	923,001	873,499	493,564	456,361
OPERATING INCOME BEFORE LOSS FROM AFFILIATED OPERATIONS	296,195	244,197	167,794	140,253
LOSS FROM AFFILIATED OPERATIONS	(13,034)	(11,694)	(2,353)	(2,712)
OPERATING INCOME	283,161	232,503	165,441	137,541
NONOPERATING INCOME (EXPENSE)				
Interest income	5,885	3,382	2,148	1,565
Interest expense, net of capitalized interest	(24,735)	(31,536)	(12,176)	(14,446)
Other (expense) income	(662)	2,105	2,609	459
Income tax benefit	6,861	6,353	2,574	2,328
	(12,651)	(19,696)	(4,845)	(10,094)
NET INCOME	$ 270,510	$ 212,807	$160,596	$127,447
EARNINGS PER SHARE:				
Basic	$.45	$.36	$.27	$.21
Diluted	$.45	$.36	$.27	$.21

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

CARNIVAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended May 31, 1998	1997
OPERATING ACTIVITIES		
Net income	$ 270,510	$212,807
Adjustments		
Depreciation and amortization	89,266	82,658
Loss from affiliated operations and dividends received	23,621	17,334
Other	7,047	(834)
Changes in operating assets and liabilities, excluding effect of businesses acquired		
Increase in:		
Receivables	(4,291)	(11,441)
Consumable inventories	(4,690)	(1,621)
Prepaid expenses and other	(20,196)	(16,505)
Increase (decrease) in:		
Accounts payable	38,109	23,387
Accrued liabilities	2,321	(6,821)
Customer deposits	191,165	137,934
Net cash provided from operations	592,862	436,898
INVESTING ACTIVITIES		
Decrease in short-term investments	324	106
Additions to property and equipment, net	(702,184)	(84,132)
Repayment of advances to affiliates, net	3,606	35,986
Acquisition of Cunard, net of cash received upon acquisition and consolidation of Seabourn	(246,097)	
Decrease (increase) in other assets	34,438	(1,039)
Net cash used for investing activities	(909,913)	(49,079)
FINANCING ACTIVITIES		
Principal payments of long-term debt	(801,841)	(369,997)
Dividends paid	(89,183)	(65,090)
Proceeds from long-term debt	1,184,588	25,272
Proceeds from issuance of common stock	4,098	3,993
Net cash provided from (used for) financing activities	297,662	(405,822)
Net decrease in cash and cash equivalents	(19,389)	(18,003)
Cash and cash equivalents at beginning of period	139,989	111,629
Cash and cash equivalents at end of period	$ 120,600	$ 93,626
Supplemental disclosure of non-cash transactions		
Conversion of 4-1/2% Convertible Notes into Class A Common Stock		$ 39,085

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

CARNIVAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS FOR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statements included herein have been prepared by Carnival Corporation, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission.

The accompanying consolidated balance sheet at May 31, 1998 and the consolidated statements of operations for the six and three months ended May 31, 1998 and 1997 and consolidated statements of cash flows for the six months ended May 31, 1998 and 1997 are unaudited and, in the opinion of management, contain all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation. The operations of Carnival Corporation and its subsidiaries and affiliates are seasonal and results for interim periods are not necessarily indicative of the results for the entire year. Certain amounts in prior periods have been reclassified to conform with the current period's presentation.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

NOTE 3 - LONG-TERM DEBT

Long-term debt consists of the following:

NOTE 4 - SHAREHOLDERS' EQUITY

An analysis of the changes in shareholders' equity for the six months ended May 31, 1998 is as follows:

	COMMON STOCK	PAID-IN- CAPITAL	RETAINED EARNINGS	OTHER	TOTAL
		(in thousands)			
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			270,510		270,510
Cash dividends			(89,224)		(89,224)
Changes in securities valuation allowance				113	113
Foreign currency translation adjustment				(906)	(906)
Issuance of stock to employees under stock plans	5	8,551		(2,905)	5,651
Vested portion of common stock under restricted stock plan				681	681
Balances at May 31, 1998	$5,949	$871,676	$2,912,499	$1,799	$3,791,923

/TABLE

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Capital Expenditures

A description of ships under contract for construction at May 31, 1998 is as follows (in millions, except berth data):

Vessel	Expected Service Date(1)	Shipyard	Number of Lower Berths	Estimated Total Cost	Remaining to Be Paid
Carnival Cruise Lines					
Paradise	12/98	Masa-Yards	2,040	$ 300	$ 246
Carnival Triumph	7/99	Fincantieri(2)	2,766	410	326
Carnival Victory	8/00	Fincantieri	2,766	440	434
CCL Newbuild	12/00	Masa-Yards	2,100	375	358
Total Carnival Cruise Lines			9,672	1,525	1,364
Holland America Line					
Volendam	8/99	Fincantieri(2)	1,440	300	257
Zaandam	3/00	Fincantieri(2)	1,440	300	273
HAL Newbuild	9/00	Fincantieri(2)	1,380	300	65
Total Holland America Line			4,260	900	595
Total			13,932	$2,425	$1,959

(1) The expected service date is the date the vessel is expected to begin revenue generating activities.
(2) The construction contracts with such shipyards are denominated in Italian Lire. Contracts have been fixed into U.S. Dollars through the utilization of forward currency contracts.

In connection with the vessels under construction described in the above table, Carnival Corporation and its majority owned subsidiaries ("the Company") have paid $466 million through May 31, 1998 and anticipate paying approximately $347 million during the twelve month period ending May 31, 1999 and approximately $1.6 billion beyond May 31, 1999.

Litigation

Several actions (collectively the "Passenger Complaints") have been filed against Carnival Corporation or Holland America Westours on behalf of purported classes of persons who paid port charges to Carnival Corporation or Holland America Westours, 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.

Holland America Westours recently entered into a settlement agreement for the one Passenger Complaint filed against it. The settlement agreement was preliminarily approved by the court and is now subject to final court approval. If approved, Holland America Westours 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 pay a portion of the plaintiff's legal fees. The impact of the settlement on the Company is not reasonably estimable since both the amount of the travel vouchers to be redeemed and the effect of the travel voucher redemption on revenues is not known. Accordingly, the Company has not established a liability for the travel voucher portion of the settlement and will account for the redemption of the vouchers as a reduction of future revenues. However, the Company has previously established a liability for the estimated distribution costs of the settlement notice and plaintiff's legal cost. The Company does not believe the settlement will have a material adverse impact on the Company's financial condition or results of operations.

Three complaints were filed against Carnival Corporation and/or Holland America Westours (collectively the "Travel Agent Complaints") on behalf of purported classes of travel agencies who during the past four years booked a cruise with Carnival Corporation or Holland America Westours, claiming that advertising practices regarding port charges resulted in an improper commission bypass. These actions allege claims of breach of contract, negligent misrepresentation, unjust enrichment, unlawful business practices and common law fraud, and they seek unspecified compensatory damages (or alternatively, the payment of usual and customary commissions on port charges paid by passengers in excess of certain charges levied by government authorities), an accounting, attorneys' fees and costs, punitive damages and injunctive relief.

The pending Passenger and Travel Agent Complaints are in preliminary stages and it is not now possible to determine the ultimate outcome of the lawsuits. Management believes 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.

NOTE 6 - EARNINGS PER SHARE

The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"), and per share amounts have been computed thereunder as follows (in thousands, except per share data):

	Six Months Ended May 31,		Three Months Ended May 31,	
	1998	1997	1998	1997
BASIC:				
Net income	$270,510	$212,807	$160,596	$127,447
Average common shares outstanding	594,744	593,807	594,857	594,128
Basic per share amount	$ .45	$ .36	$ .27	$ .21
DILUTED:				
Net income	$270,510	$212,807	$160,596	$127,447
Interest expense related to 4.5% Convertible Subordinated Notes		38		
Income available assuming dilution	$270,510	$212,845	$160,596	$127,447
Average common shares outstanding	594,744	593,807	594,857	594,128
Effect of dilutive securities:				
Additional shares issuable upon assumed conversion of 4.5% Convertible Subordinated Notes		256		
Various employee stock plans	3,404	2,014	3,663	2,124
Average shares outstanding assuming dilution	598,148	596,077	598,520	596,252
Diluted per share amount	$ .45	$ .36	$ .27	$ .21

NOTE 7 - 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 working capital and debt assumed. After the adjustment for working capital and debt assumed, the Company's portion of the investment was approximately $255 million. Goodwill generated from the transaction is being amortized using the straight line method over 40 years. 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 merged with Cunard. The Company owns approximately 68% of the merged 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 of accounting.

Had the above transactions occurred on December 1, 1996, the Company's consolidated revenues would have been approximately $1,309 million and $1,440 million for the six months ended May 31, 1997 and 1998, respectively, and net income would not have materially changed.

Under certain circumstances, ending May 28, 2001, the minority shareholders of Cunard Line Limited can require the Company to issue approximately five million shares, subject to adjustment, of its Common Stock in exchange for their ownership interest of approximately 32% in Cunard Line Limited. Additionally, the Company has the option, at any time, to purchase the 32% minority interest in Cunard Line Limited for the same amount.

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	$544
Seabourn assets consolidated	191
Liabilities assumed	(357)
Minority interest	(123)
Cash paid for acquisition	255
Cash of acquired companies	(9)

Net cash paid as reflected in the Statement of Cash Flows	$246

NOTE 8 - RECENT PRONOUNCEMENTS

In April 1998, Statement of Position 98-5 - "Reporting on the Costs of Start-Up Activities" ("SOP") was issued. The SOP 98-5 requires that all start-up or pre-operating costs be expensed as incurred and is effective for fiscal years beginning after December 15, 1998. Management believes that the adoption of the SOP will not have a material impact on the financial statements.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities ("SFAS 133") was issued. SFAS 133 establishes a new model for accounting for derivatives and hedging activities and is effective for fiscal years beginning after June 15, 1999. The Company is still in the process of assessing the impact of the adoption of SFAS 133 but does not currently expect the adoption to have a material impact on the financial statements.

NOTE 9 - STOCK SPLIT

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 have been retroactively restated to give effect to this stock split.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements under this caption, "Management's Discussion and Analysis of Financial Condition and Results of Operations", constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). See "PART II. OTHER INFORMATION, ITEM 5(a) Forward-Looking Statements".

General

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, liquor sales, gift shop sales and other related services. The Company also derives revenues from the tour and related operations of HAL Antillen N.V. ("HAL"), which owns Holland America Westours and Holland America Cruise Line.

The following table presents selected segment and statistical information for the periods indicated:

	Six Months Ended May 31,		Three Months Ended May 31,	
	1998	1997	1998	1997
	(in thousands, except selected statistical information)			
REVENUES:				
Cruise	$1,182,061	$1,084,603	$631,084	$570,581
Tour	45,453	37,670	38,414	30,475
Intersegment revenues	(8,318)	(4,577)	(8,140)	(4,442)
	$1,219,196	$1,117,696	$661,358	$596,614
OPERATING EXPENSES:				
Cruise	$ 633,826	$ 601,616	$335,056	$313,899
Tour	44,443	37,583	35,440	28,227
Intersegment expenses	(8,318)	(4,577)	(8,140)	(4,442)
	$ 669,951	$ 634,622	$362,356	$337,684
OPERATING INCOME:				
Cruise	$ 319,844	$ 265,284	$177,420	$149,227
Tour	(17,213)	(16,608)	(6,692)	(5,879)
Loss from affiliates and corporate expenses	(19,470)	(16,173)	(5,287)	(5,807)
	$ 283,161	$ 232,503	$165,441	$137,541
SELECTED STATISTICAL INFORMATION:				
Passengers Carried	923,000	950,000	497,000	495,000
Passenger Cruise Days (1)	5,931,000	5,880,000	3,104,000	3,062,000
Occupancy Percentage	105.6%	107.2%	105.4%	108.0%

(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.

/TABLE

Operations data expressed as a percentage of total revenues for the periods indicated is as follows:

	Six Months Ended May 31, 1998	Six Months Ended May 31, 1997	Three Months Ended May 31, 1998	Three Months Ended May 31, 1997
REVENUES	100%	100%	100%	100%
COSTS AND EXPENSES:				
Operating expenses	55	57	55	57
Selling and administrative	14	14	13	13
Depreciation and amortization	7	7	7	7
OPERATING INCOME BEFORE LOSS FROM AFFILIATED OPERATIONS	24	22	25	23
Loss from affiliated operations	(1)	(1)	-	-
OPERATING INCOME	23	21	25	23
NONOPERATING EXPENSE	(1)	(2)	(1)	(2)
NET INCOME	22%	19%	24%	21%

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 greatest during the summer months. The Company's tour revenues are extremely seasonal with the majority of tour revenues generated during the late spring and summer months in conjunction with the Alaska cruise season.

In June 1997, the Company and Airtours plc ("Airtours"), a publicly traded (London Stock Exchange) travel company in which the Company holds an approximate 28% interest, each acquired a 50% interest in Il Ponte S.p.A. ("Costa"), the parent company of Costa Crociere S.p.A., an Italian cruise company. The Company records its interest in Airtours and Costa using the equity basis of accounting and records its portion of Airtours' and Costa's operating results on a two month lag basis. Demand for Costa's and Airtours' products is seasonal due to the nature of the European leisure travel industry and Mediterranean 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. Demand for Costa's and Airtours' products is lower in their quarters ending December 31 and March 31.

Average capacity for the Company's cruise brands, excluding the impact of the acquisition and consolidation of Cunard and Seabourn, is expected to increase 6.5% and 11.8% in the third and fourth quarters of fiscal 1998, respectively, as compared to the same periods of fiscal 1997. These increases are primarily a result of the introduction into service of Holland America's new Rotterdam in November 1997, Carnival Cruise Lines' Elation in March 1998 and Windstar Cruises' Wind Surf in May 1998. Including the impact of Cunard and Seabourn, average capacity is expected to increase 19.1% and 24.4% in the third and fourth quarter of fiscal 1998, respectively, as compared to the same periods of fiscal 1997. The acquisition and consolidation of Cunard and Seabourn is not expected to materially effect the Company's consolidated earnings in 1998.

The year over year percentage increase in average cruise capacity, excluding the impact of Cunard and Seabourn, resulting from the delivery of vessels currently under contract for construction for the fiscal years ending November 30, 1998, 1999 and 2000 is expected to approximate 5.7%, 13% and 15%, respectively. Including the impact of Cunard and Seabourn, the year over year increase in average capacity for the fiscal years ending November 30, 1998, 1999 and 2000 is expected to approximate 12.0%, 18% and 14%, respectively.

Six Months Ended May 31, 1998 Compared
To Six Months Ended May 31, 1997

Revenues

The increase in total revenues of $101.5 million, or 9.1%, was due to a 9.0% increase in cruise revenues. The increase in cruise revenues of $97.5 million was primarily the result of an 8.1% increase in total revenue per passenger cruise day and a 2.4% increase in capacity, offset slightly by a 1.5% decrease in occupancy rates. Total capacity increased due to the addition of new vessels discussed above. Total revenue per passenger cruise day increased primarily due to strong demand for the Company's cruise brands and the introduction of Holland America Line's new Rotterdam in November 1997, which has obtained higher pricing.

Costs and Expenses

Operating expenses increased $35.3 million, or 5.6%. Cruise operating costs increased by $32.2 million, or 5.4%, to $633.8 million in the first six months of 1998 from $601.6 million in the first six months of 1997, primarily due to the impact of the increase in capacity, airfare costs and commission expense. 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. The increase in commission expense was associated with the increase in passenger ticket revenues.

Selling and administrative costs increased $7.6 million, or 4.8%, primarily due to increases in payroll and related costs.

Depreciation and amortization increased by $6.6 million, or 8.0%, to $89.3 million in the first six months of 1998 from $82.7 million in the first six months of 1997 primarily due to the additional depreciation associated with the increase in capacity.

Affiliated Operations

During the first six months of 1998, the Company recorded $13.0 million of losses from affiliated operations as compared with $11.7 million of losses in the first six months of 1997. The Company's portion of Airtours' losses increased $3.0 million to $11.3 million in the first six months of 1998. The Company recorded income of $2.3 million during the first six months of 1998 related to its interest in Costa, which the Company did not own during the first half of 1997.

Nonoperating Income (Expense)

Interest income increased $2.5 million in 1998 primarily due to an increase in average cash balances and notes receivable. Gross interest expense (excluding capitalized interest) increased $1.8 million in 1998 primarily as a result of higher average debt balances. Capitalized interest increased $8.6 million due to higher levels of investments in ship construction projects during the first six months of fiscal 1998 as compared with the first six months of fiscal 1997.

Three Months Ended May 31, 1998 Compared To Three Months Ended May 31, 1997

Revenues

The increase in total revenues of $64.7 million, or 10.9%, was due to a 10.6% increase in cruise revenues. The increase in cruise revenues of $60.5 million was primarily the result of a 9.1% increase in total revenue per passenger cruise day and a 3.9% increase in capacity, partially offset by a 2.4% decrease in occupancy rates. Total capacity and revenue per passenger cruise day increased primarily due to the same reasons discussed above in the six month explanations.

Costs and Expenses

Operating expenses increased $24.7 million, or 7.3%. Cruise operating costs increased by $21.2 million, or 6.7%, to $335.1 million in the second quarter of 1998 from $313.9 million in the second quarter of 1997, primarily due to the impact of the increase in capacity, airfare costs and commission expense. 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. The increase in commission expense was associated with the increase in passenger ticket revenues.

Selling and administrative costs increased $8.2 million, or 10.7%, primarily due to an increase in advertising expense and payroll and related costs.

Depreciation and amortization increased by $4.3 million, or 10.2%, to $46.3 million in the second quarter of 1998 from $42.0 million in the second quarter of 1997 primarily due to the additional depreciation associated with the increase in capacity.

Affiliated Operations

During the second quarter of 1998, the Company recorded $2.4 million of losses from affiliated operations as compared with $2.7 million of losses in the second quarter of 1997. The Company's portion of Airtours' losses increased $.9 million to $3.2 million in the second quarter of 1998. The Company also recorded income of $3.3 million during the second quarter of 1998 related to its interest in Costa.

Nonoperating Income (Expense)

Interest income increased $.6 million in 1998 primarily due to an increase in average cash balances. Gross interest expense (excluding capitalized interest) increased $3.4 million in 1998 primarily as a result of higher average debt balances. Capitalized interest increased $5.7 million due to higher levels of investments in ship construction projects during the second quarter of fiscal 1998 as compared with the second quarter of fiscal 1997.

Other income in the second quarter of fiscal 1998 of $2.6 million primarily relates to the settlement of certain notes receivable and an estimated insurance recovery.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The Company's business provided $592.9 million of net cash from operations during the six months ended May 31, 1998, an increase of 35.7% compared to the corresponding period in 1997.

During the six months ended May 31, 1998, the Company made net expenditures of approximately $702 million on capital projects, of which $658 million was spent in connection with its ongoing shipbuilding program. The expenditures included the final payment on Carnival Cruise Lines' Elation, which was delivered to the Company in late February, and the payment of approximately $230 million for the HAL Newbuild scheduled to enter service in September 2000. In addition, $48 million was paid for the acquisition of the Wind Surf for Windstar Cruises. The nonshipbuilding capital expenditures consisted primarily of improvements to a private island in the Caribbean (HAL 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 $255 million related to the acquisition of Cunard which was funded from working capital and borrowings under the Company's commercial paper programs. This transaction, including the merger with Seabourn, also resulted in an additional increase in the Company's consolidated long term debt of approximately $158 million consisting of $48 million assumed by the Company in connection with the acquisition of Cunard and $110 million attributable to the consolidation of Seabourn. See Note 7 in the accompanying financial statements.

The Company made scheduled principal payments totaling approximately $28 million under various individual vessel mortgage loans during the six months ended May 31, 1998. During this same period, the Company made net borrowings of $18 million under its commercial paper programs. In March 1998 the Company paid at maturity $200 million due on the Unsecured 5.75% Notes Due March 15, 1998.

In January 1998 the Company completed an offering of $200 million of 6.65% Debentures Due January 15, 2028. In addition, 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. The proceeds of these offerings were used to repay $200 million Unsecured 5.75% Notes Due March 15, 1998 and fund a portion of the capital projects discussed above.

Future Commitments

The Company has contracts for the delivery of seven new vessels over the next three years. The Company will pay approximately $347 million during the twelve months ending May 31, 1999 relating to the construction and delivery of those new cruise ships and approximately $1.6 billion beyond May 31, 1999.

In addition to the ship contracts discussed above, the Company has options to construct two additional vessels for Carnival Cruise Lines for delivery in 2001 and 2002. The Company is also in negotiations with several shipbuilding yards for a new class of vessel for Holland America Line and is in the initial planning phase related to the construction of a new ship for Cunard. No assurance can be given that the two options for Carnival Cruise Lines will be exercised, the negotiations for the Holland America Line vessel will be successful or that the new Cunard shipbuilding project will be continued.

At May 31, 1998, the Company had $1.6 billion of long-term debt of which $58 million is due during the twelve months ending May 31, 1999. See Note 3 in the accompanying financial statements for more information regarding the Company's debt.

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

Funding Sources

Cash from operations is expected to be the Company's principal source of capital to fund its debt service requirements and ship construction costs. In addition, the Company may also fund a portion of these cash requirements from borrowings under its revolving credit facilities or commercial paper programs and/or through the issuance of long-term debt in the public or private markets. As of May 31, 1998, the Company had $923 million available for borrowing under its revolving credit facilities.

To the extent that the Company should require or choose to fund future capital commitments from sources other than operating cash or from borrowings under its revolving credit facilities and/or commercial paper programs, the Company believes that it will be able to secure such financing from banks or through the offering of short-term debt and/or equity securities in the public or private markets. Also, the Company has filed Registration Statements on Form S-3 (the "Shelf Registration") relating to shelf offerings of debt or equity securities. As of May 31, 1998, the remaining aggregate principal amount of debt or equity securities available under the Shelf Registration is $400 million.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Several actions collectively referred to as the "Passenger Complaints" were previously reported in the Company's Annual Report on Form 10-K for the year ended November 30, 1997 (the "1997 Form 10-K") and Quarterly Report on Form 10-Q for the quarter ended February 28, 1998 (the "First Quarter Form 10-Q). The following are the material subsequent developments in such cases.

In the action filed against the Company in Ohio by Cathy J. Miller, the Company has filed a motion to dismiss on the grounds of inconvenient forum and the plaintiffs' response is due July 27, 1998. In the action filed against the Company in Illinois by John R. Birdsell, the Company has specially appeared solely to register its objection to the court's exercise of personal jurisdiction over the Company.

In the action filed against Holland America Westours in Washington by Francine Pickett, the settlement agreement has received preliminary court approval. Notice of the settlement is being sent to all potential voucher recipients. The court will hold another hearing in September 1998, to decide whether to grant final approval. The Company does not believe the settlement will have a material adverse impact on the Company's financial condition or results of operations.

Several actions referred to as the "Travel Agent Complaints" were previously reported in the 1997 Form 10-K and in the First Quarter Form 10-Q, and the following are the material subsequent developments in such cases.

In April 1998, the court dismissed without prejudice the action filed against the Company in Florida by N.G.L. Travel Associates, and in May 1998 plaintiff filed an amended complaint. The Company's motion to dismiss the action is now under judicial consideration. On September 12, 1997, a 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 Westours. The action alleges claims of breach of implied contract, negligent misrepresentation, unjust enrichment, violation of the Washington Consumer Protection Act and common law fraud, and seeks unspecified compensatory, punitive and exemplary damages, attorneys' and expert fees and injunctive relief. The action is still in the discovery stage. No class has been certified by the court.

The pending Passenger and Travel Agent Complaints are in preliminary stages and it is not possible to determine the ultimate outcome of the lawsuits. Management believes it has meritorious defenses to the claims. Purported class actions similar to the Passenger and Travel Agent Complaints have been filed against at least five other cruise lines.

On June 19, 1998, HAL Beheer B.V., a Netherlands affiliate that employs various crew members on board Holland America Line ships ("Beheer"), entered a plea of guilty in the U.S. District Court for the District of Alaska to: (1) one felony count pursuant to 33 U.S.C. Section 1908(a) for unlawful discharge of oil or an oily mixture from the former Holland America Line vessel ss Rotterdam; and (2) one felony count pursuant to 33 U.S.C. Section 1908(a) for unlawful failure to properly complete the Oil Record Book on board the ss Rotterdam. These pleas were entered pursuant to a Plea Agreement between Beheer and the U.S. Department of Justice.

Under the Plea Agreement, Beheer has agreed to pay a $1,000,000 fine, pay $1,000,000 to the National Parks Foundation and be placed on probation for five years. During the probationary period, Beheer is obligated to take certain measures regarding the handling of bilge waste. The Court is expected to decide in October 1998 whether or not to accept the arrangements agreed to in the Plea Agreement. The Plea Agreement followed an investigation by the U.S. Attorney for the District of Alaska into the bilge waste handling practices on board the ss Rotterdam during the summer and early fall of 1994.

Beheer has also entered into a Compliance Agreement with the U.S. Environmental Protection Agency (EPA), acting on behalf of itself and the U.S. Department of Interior. Under the Compliance Agreement: (1) Beheer has agreed to submit to EPA audits and take other measures to ensure compliance with the environmental laws; and (2) the EPA has agreed not to seek debarment against Beheer or its affiliates on the basis of the matters that were the subject of the Alaska investigation. The compliance Agreement will be in effect for five years.

For a description of other pending litigation, see the 1997 Form 10-K and the First Quarter Form 10-Q.

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 that are not covered by insurance would not have a material adverse effect on the Company's financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders of the Company was held on April 13, 1998 (the "Annual Meeting"). None of the share information contained in this item has been adjusted for the stock split that was effective June 12, 1998. Holders of Common Stock were entitled to elect fifteen directors. On all matters which came before the Annual Meeting, holders of Common Stock were entitled to one vote for each share held. Proxies for 262,701,376 of the 297,360,204 shares of Common Stock entitled to vote were received in connection with the Annual Meeting.

The following table sets forth the names of the fifteen persons elected at the Annual Meeting to serve as directors until the next annual meeting of shareholders of the Company and the number of votes cast for, against or withheld with respect to each person.

NAME OF DIRECTOR	FOR	AGAINST	WITHHELD
Micky Arison	261,853,561	-0-	847,815
Shari Arison	244,798,656	-0-	17,902,720
Maks L. Birnbach	262,266,468	-0-	434,908
Richard G. Capen, Jr.	262,333,518	-0-	367,858
David Crossland	262,083,416	-0-	617,960
Robert H. Dickinson	262,084,367	-0-	617,009
James M. Dubin	262,164,103	-0-	537,273
Howard S. Frank	262,090,288	-0-	611,088
A. Kirk Lanterman	262,097,134	-0-	604,242
Modesto A. Maidique	243,438,415	-0-	19,262,961
William S. Ruben	262,100,142	-0-	601,234
Stuart S. Subotnick	262,223,628	-0-	477,748
Sherwood M. Weiser	262,074,023	-0-	627,353
Meshulam Zonis	262,082,392	-0-	618,984
Uzi Zucker	260,167,654	-0-	2,533,722

/TABLE

The following table sets forth certain additional matters which were submitted to the shareholders for approval at the Annual Meeting and the tabulation of the votes with respect to each such matter.

MATTER	FOR	AGAINST	WITHHELD	BROKER NONVOTES
Approval of Amendments to the Company's Amended and Restated Articles of Incorporation:				
a) To eliminate the Class B Common Stock and designate a single class of Common Stock	261,874,159	691,974	135,243	-0-
b) To increase the number of authorized shares of Common Stock	247,948,213	14,527,031	226,132	-0-
c) To authorize preferred stock and grant to the Board of Directors authority to designate the terms of each series of preferred stock	198,326,475	53,684,242	527,197	10,163,452
d) To make certain procedural changes recently permitted under Panamanian law	242,687,168	9,469,083	381,663	10,163,452
Approval of Price Waterhouse as independent auditors for the Company for the fiscal year ending November 30, 1998	262,545,989	81,396	73,991	-0-

ITEM 5: Other Information

(a) Forward-Looking Statements

Certain statements in this Form 10-Q and in the future filings by the Company with the Securities and Exchange Commission, in the Company's press releases, and in oral statements made by or with the approval of an authorized executive officer 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 (see Part II, Item 5 (d) - Taxation of the Company in the Company's filing of Form 10-K for the period ended November 30, 1997); the ability of the Company to implement its shipbuilding program and to expand its business outside the North American market where it has less experience; delivery of new vessels on schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise vessels at sea; and changes in laws and government regulations applicable to the Company.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

12	Ratio of Earnings to Fixed Charges
27	Financial Data Schedule

(b) Reports on Form 8-K

Current report on Form 8-K (File No. 1-9610) filed with the Commission on May 13, 1998 related to the issuance of $200 million of Unsecured 5.65% Notes Due October 15, 2000 and $200 million of Unsecured 6.15% Notes Due April 15, 2008.

SIGNATURES

Pursuant to the requirements 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.

CARNIVAL CORPORATION

Date: July 15, 1998 BY/s/ Howard S. Frank
Howard S. Frank
Vice Chairman and Chief
Operating Officer

Date: July 15, 1998 BY/s/ Gerald R. Cahill
Gerald R. Cahill
Senior Vice President Finance
and Chief Financial and
Accounting Officer

INDEX TO EXHIBITS

Exhibits		Page No. in Sequential Numbering System
12	Ratio of Earnings to Fixed Charges	
27	Financial Data Schedule	

/TABLE

EXHIBIT 12

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

	Six Months Ended May 31, 1998	1997
Net income	$270,510	$212,807
Income tax benefit	(6,861)	(6,353)
Income before income tax benefit	263,649	206,454
Adjustment to earnings:		
Loss from affiliated operations and dividends received	23,621	17,334
Earnings as adjusted	287,270	223,788
Fixed Charges:		
Interest expense, net	24,735	31,536
Interest portion of rental expense (1)	704	669
Capitalized interest	15,979	7,415
Total fixed charges	41,418	39,620
Fixed charges not affecting earnings:		
Capitalized interest	(15,979)	(7,415)
Earnings before fixed charges	$312,709	$255,993
Ratio of earnings to fixed charges	7.6 x	6.5 x

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

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MAY-31-1998
120,600
9,414
66,503
0
76,226
375,497
6,429,921
960,107
6,711,836
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1,557,016
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3,785,974
6,711,836
0
1,219,196
0
669,951
0
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40,714
263,649
(6,861)
270,510
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270,510
.45
.45