

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, 1999

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 \$11,919,000 based upon the closing market price on February 14, 2000 of a share of Common Stock on the New York Stock Exchange as reported by the Wall Street Journal.

At February 14, 2000, the Registrant had outstanding 617,254,814 shares of its Common Stock, \$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The information described below and contained in the Registrant's 1999 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 2000 definitive Proxy Statement, to be filed with the Commission is incorporated therein by reference into this Annual Report on 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 consolidated 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 cruise brands serving the contemporary cruise sector of the vacation market through Carnival Cruise Lines ("Carnival"), the premium cruise sector through Holland America Line ("Holland America") and the luxury cruise sector through Cunard Line ("Cunard"), Seabourn Cruise Line ("Seabourn") and Windstar Cruises ("Windstar") (collectively the "Wholly 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 sector.

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>Wholly Owned Cruise Operations:</b>				
Carnival	100%	14	27,254	North America
Holland America	100%	9	11,742	North America
Cunard (2)	100%	2	2,444	Worldwide
Seabourn (2)	100%	6	1,614	North America
Windstar	100%	4	756	North America
		35	43,810	
<b>Affiliated Cruise Operations:</b>				
Costa	50%(3)	6	7,103	Europe
Airtours' Sun Cruises	26%	4	4,322	Europe
		10	11,425	

(1) In accordance with cruise industry practice, all passenger capacities indicated within this Annual Report on Form 10-K are calculated based on two passengers per cabin even though some cabins can accommodate three or four passengers.

(2) In November 1999, the Company acquired the 32% minority interest of Cunard Line Limited, which owns and operates the Cunard and Seabourn cruise brands, for \$203.5 million. See Note 12 to the Company's Consolidated Financial Statements in Exhibit 13 to this Annual Report on 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.

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 Wholly Owned Cruise Operations is as follows:

VESSEL	EXPECTED SERVICE DATE (1)	PASSENGER CAPACITY
Carnival:		
Carnival Victory	9/00	2,758
Carnival Spirit	4/01	2,120
Carnival Pride	1/02	2,120
Carnival Legend	8/02	2,120
Carnival Conquest	12/02	2,758
Carnival Glory	8/03	2,758
Total Carnival		14,634
Holland America:		
Zaandam	5/00	1,440
Amsterdam	11/00	1,380
Newbuild	10/02	1,820
Newbuild	8/03	1,820
Newbuild	01/04	1,820
Newbuild	09/04	1,820
Total Holland America		10,100
Total (2)		24,734

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

(2) The Company also has one option for the construction of an additional vessel with a passenger capacity of 1,820. No assurance can be given that this option to construct the vessel will be exercised.

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 Westours 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 - Wholly Owned Cruise Operations

##### North American Cruise Industry

The passenger cruise industry as it exists today began in approximately 1970. Over time, the industry has evolved from a trans-ocean carrier service into a vacation alternative to land-based resorts and sightseeing destinations. According to Cruise Lines International Association ("CLIA"), an industry trade group, in 1970 approximately 500,000 North American passengers took cruises of three consecutive nights or more. CLIA estimates that this number reached 5.9 million passengers in 1999, an average compound annual growth rate of 8.9% since 1970. Also, according to CLIA, by the end of 1999 the number of ships in service totaled 145 with an aggregate capacity of approximately 148,000 lower berths. CLIA estimates that the number of passengers carried in North America increased from 5.4 million in 1998 to 5.9 million in 1999 or 8.6%.

CLIA estimates that the number of cruise passengers will grow to approximately 6.3 million in 2000. CLIA projections indicate that by the end of 2000, 2001, 2002 and 2003, North America will be served by 156, 168,176 and 181 vessels, respectively, having an aggregate capacity of approximately 164,000, 181,000, 198,000 and 209,000 lower berths, respectively. CLIA's 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.

CLIA's estimate of North American cruise passengers and passenger berths is as follows:

YEAR	NORTH AMERICAN CRUISE PASSENGERS (1)	NORTH AMERICAN PASSENGER BERTHS (2)
1999	5,900,000 (est)	148,000
1998	5,432,000	138,000
1997	5,051,000	118,000
1996	4,659,000	110,000
1995	4,378,000	105,000

(1) Source: CLIA estimates based on passengers carried for at least three consecutive nights for the calendar year.

(2) Information presented is as of the end of the year.

In spite of the cruise industry's growth since 1970, management believes cruises only represent 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 three night's stay in a hotel. Only an estimated 11% of the North American population has ever taken a cruise.

#### Passengers and Berths

The Company's Wholly Owned Cruise Operations had worldwide cruise passengers and passenger berths as follows:

YEAR	CRUISE PASSENGERS	PASSENGER BERTHS (1)
1999	2,366,000	43,810
1998	2,045,000	39,466
1997	1,945,000	31,078
1996	1,764,000	30,837
1995	1,543,000	26,035

(1) Information presented is as of the end of the Company's fiscal year.

The Company's passenger capacity has grown from 26,035 at November 30, 1995 to 43,810 at November 30, 1999. During 1996, gross capacity increased by 5,960 berths due to delivery of the Inspiration, the Veendam and the Carnival Destiny which was partially offset by the 1,146 berth decrease due to the sale of the Festivale, for a total net increase of 4,802. In 1997 gross capacity increased 1,316 berths due to the delivery of the Rotterdam VI which was offset by the 1,075 berth decrease due to the sale of the Rotterdam V for a total net increase of 241. 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 8,388 berths. In 1999 capacity increased by 4,344 berths primarily due to the delivery of the Carnival Triumph and the Volendam.

#### Cruise Ships and Itineraries

Under the Carnival name, the Company serves the contemporary sector of the vacation market with 14 ships (the "Carnival Ships"). All of the Carnival Ships were designed by and built for Carnival, including two of the world's largest, the Carnival Destiny and the Carnival Triumph. Ten 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.

Through its wholly owned subsidiary, HAL Antillen, N.V. ("HAL"), the Company operates nine ships serving the premium sector of the vacation market under the Holland America name (the "Holland America Ships"). HAL also operates four sailing ships in the luxury cruise sector 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 98 days, with a large proportion of cruises being seven or ten days in length. Periodically, the Holland America Ships make longer cruises or operate on special itineraries. For example, in 1999, the Rotterdam made a 98-day world cruise and the Nieuw Amsterdam made a series of 14-day South China Sea Explorer cruises. Holland America will continue to offer these special or 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, to compete more effectively with land based vacation alternatives, and to 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 Central America and offer a casual, yet luxurious, cruise experience on board these modern sail ships.

Under the Cunard brand, the Company operates two ships which offer classic "Old World" cruising and recreate the golden age of ocean liner travel with a British style and essence serving the luxury sector of the vacation market. Cunard's flagship, the Queen Elizabeth 2 ("QE2"), offers the only remaining scheduled transatlantic ocean liner service between the U.S. and Britain. Both ships offer cruises to worldwide destinations, with many of the cruises ranging between 10 and 21 days in length. Periodically, the Cunard ships offer extended cruises, such as a 104-day world cruise or Cape Town Line Voyages between Southampton, England and Cape Town, South Africa.

The six Seabourn Ships offer a choice of three distinct styles of luxury cruises aboard intimately sized ships. Seabourn is marketed as the "world's most celebrated cruise line" because of its intense focus on personalized service and extraordinary cuisine. These ships concentrate their operations in the Caribbean, Mediterranean, Baltic and Western Europe with cruises in the seven to 14 day range and also make extended cruises to various other worldwide destinations, including South America, Australia, the South Pacific and Southeast Asia.

Summary information concerning the Company's ships is as follows (primary areas of operation reflect 1999 itineraries and are subject to change in future years).

NAME	REGISTRY	YEAR BUILT	PAX CAP	APPROXIMATE	
				GROSS REGISTERED TONS	PRIMARY AREAS OF OPERATION
Carnival:					
Carnival Triumph	Panama	1999	2,758	102,000	Caribbean, Eastern Canada
Paradise	Panama	1998	2,052	70,000	Caribbean
Elation	Panama	1998	2,052	70,000	Mexican Riviera
Carnival Destiny	Panama	1996	2,642	101,000	Caribbean
Inspiration	Panama	1996	2,052	70,000	Caribbean
Imagination	Panama	1995	2,052	70,000	Caribbean
Fascination	Panama	1994	2,052	70,000	Caribbean
Sensation	Panama	1993	2,052	70,000	Caribbean
Ecstasy	Liberia	1991	2,052	70,000	Caribbean
Fantasy	Liberia	1990	2,056	70,000	Bahamas
Celebration	Liberia	1987	1,486	47,000	Caribbean
Jubilee	Panama	1986	1,486	47,000	Alaska, Hawaii, Mexican Riviera, Panama Canal
Holiday	Panama	1985	1,448	46,000	Mexican Riviera
Tropicale	Liberia	1982	1,014	37,000	Caribbean

Total Carnival Ships Capacity..... 27,254

Holland America:  
Volendam Netherlands 1999 1,440 63,000 Caribbean (1)

Rotterdam	Netherlands	1997	1,316	62,000	Europe, Worldwide
Veendam	Bahamas	1996	1,266	55,000	Alaska, Caribbean
Ryndam	Netherlands	1994	1,266	55,000	Alaska, Caribbean
Maasdam	Netherlands	1993	1,266	55,000	Eastern Canada, Europe, Panama Canal
Statendam	Netherlands	1993	1,266	55,000	Alaska, Hawaii, Caribbean, Mexico
Westerdam	Netherlands	1986	1,494	54,000	Alaska, Caribbean
Noordam	Netherlands	1984	1,214	34,000	Alaska, Caribbean, South America
Nieuw Amsterdam (2)	Netherlands	1983	1,214	34,000	Alaska, Caribbean, Asia/Pacific

Total Holland America  
Ships Capacity..... 11,742

Windstar Cruises:

Wind Surf	Bahamas	1990	312	14,750	Caribbean, Europe
Wind Spirit	Bahamas	1988	148	5,700	Caribbean, Europe
Wind Song	Bahamas	1987	148	5,700	Central America, Europe
Wind Star	Bahamas	1986	148	5,700	Caribbean, Central America

Total Windstar Ships Capacity..... 756

APPROXIMATE

NAME	REGISTRY	YEAR BUILT	PAX CAP	GROSS REGISTERED TONS	PRIMARY AREAS OF OPERATION
Cunard:					
Caronia	England	1973	666	24,500	Caribbean, Europe, Pacific
Queen Elizabeth 2	England	1969	1,778	70,000	Transatlantic, Worldwide

Total Cunard Ships Capacity..... 2,444

Seabourn:

Seabourn Legend	Norway	1992	208	10,000	Caribbean, Europe
Seabourn Spirit	Norway	1989	208	10,000	Asia, Europe
Seabourn Pride	Norway	1988	208	10,000	South America, Europe, Caribbean
Seabourn Sun	Bahamas	1988	758	38,000	Caribbean, Europe, Pacific
Seabourn Goddess II	Bahamas	1985	116	4,250	Asia, Caribbean, Europe
Seabourn Goddess I	Bahamas	1984	116	4,250	Caribbean, Europe

Total Seabourn Ships Capacity..... 1,614

Total Capacity..... 43,810

(1) The Volendam was in service for only 18 days during fiscal 1999. During fiscal 2000, the primary areas of operations are expected to be Alaska and the Caribbean.

(2) In late 2000, this ship is contracted to be sold to a third party.

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 Wholly Owned Cruise Operations is as follows:

APPROXIMATE

VESSEL	EXPECTED SERVICE DATE (1)	SHIPYARD	PAX CAP	GROSS REGISTERED TONS	ESTIMATED TOTAL COST (2)
(In millions)					
Carnival					
Carnival Victory	9/00	Fincantieri	2,758	101,000	450
Carnival Spirit	4/01	Masa-Yards	2,120	84,000	375
Carnival Pride	1/02	Masa-Yards (3)	2,120	84,000	375
Carnival Legend	8/02	Masa-Yards (3)	2,120	84,000	375

Carnival Conquest	12/02	Fincantieri	2,758	101,000	450
Carnival Glory	8/03	Fincantieri	2,758	101,000	450
Total Carnival Ships			14,634		2,475
Holland America					
Zaandam	5/00	Fincantieri (4)	1,440	63,000	300
Amsterdam	11/00	Fincantieri	1,380	62,000	300
Newbuild	10/02	Fincantieri (4)	1,820	84,000	400
Newbuild	8/03	Fincantieri (4)	1,820	84,000	400
Newbuild	1/04	Fincantieri (4)	1,820	84,000	400
Newbuild	9/04	Fincantieri (4)	1,820	84,000	400
Total Holland America Ships			10,100		2,200
Total (5)			24,734		\$4,675

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

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

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

(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.

(5) The Company has one option for the construction of an additional 84,000 gross registered ton vessel for Holland America, with a passenger capacity of 1,820 to be delivered in 2005. The estimated total vessel cost of approximately \$400 million is denominated in Italian Lira. No assurance can be given that the option to construct the vessel will be exercised.

#### 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 on board 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.

#### Onboard and Other Revenues

The Company derives revenues from certain onboard 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. Onboard 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 brands sell pre-cruise and post-cruise land packages. Carnival packages generally include one, two or three-night vacations at nearby 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 pre and post-cruise land programs, 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 in Part I, Item 1. Business, C. Tour Segment.

## Passengers and Occupancy

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

	YEARS ENDED NOVEMBER 30,		
	1999	1998	1997
Passengers carried	2,366,000	2,045,000	1,945,000
Occupancy percentage (1) (2)	104.3%	106.3%	108.3%

(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.

(2) The Company acquired a majority interest in Cunard Line Limited on May 28, 1998. Since that date Cunard Line Limited's occupancy percentages have been included in the Company's total occupancy. Cunard Line Limited's ships generally sail with lower occupancy percentages than the Company's other brands.

The actual occupancy percentage for all cruises on the Company's ships during each quarter of fiscal 1998 and 1999 was as follows:

QUARTERS ENDED	OCCUPANCY PERCENTAGE
February 28, 1998	105.9
May 31, 1998	105.4
August 31, 1998	111.5
November 30, 1998	102.1
February 28, 1999	100.9
May 31, 1999	99.9
August 31, 1999	112.3
November 30, 1999	103.6

## Sales and Marketing

The Company's brands are positioned to appeal to each of the three major sectors of the vacation market (contemporary, premium and luxury). The contemporary sector 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 these sectors of the vacation market and its efforts to reach and promote the expansion of the contemporary sector. The premium sector 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 sector, which is not as large as the other sectors, 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<sup>SM</sup>" 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 350 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. 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 usually 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 1999, no controlled group of travel agencies accounted for more than 10% of the Company's consolidated revenues.

Historically, the Company's cruise brands have been marketed primarily in North America. The Company began to globalize its cruise business by expanding into Europe through the acquisition of its interest in Airtours in April 1996, Costa in June 1997 and Cunard in May 1998. The cruise sectors in Europe are much smaller than the North American sectors. Industry wide European cruise passengers carried in 1999 are estimated to be approximately 1.4 million compared to approximately 5.9 million from North America. See Note 9, "Segment

Information," to the Company's Consolidated Financial Statements in Exhibit 13 to this Annual Report on Form 10-K for additional information regarding the Company's foreign revenues.

## Carnival

Carnival believes that its success is due in large part to its unique brand positioning within the vacation 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 Shipsr" 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.

As mentioned above, the Company markets the Carnival Ships as the "Fun Shipsr" and uses, among others, the themes "Carnival's Got the Funr" and "The Most Popular Cruise Line in the World!r". Carnival advertises nationally directly to consumers on network and cable television and through extensive print and radio media. Carnival believes its advertising generates interest in cruise vacations generally and results in a higher degree of consumer awareness of the "Fun Shipsr" concept and the "Carnivalr" name in particular. Substantially all of Carnival's cruise bookings are made through travel agents. In fiscal 1999, 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 Shipsr" cruise vacations. Carnival employs approximately 120 business development managers and 50 in-house service representatives to motivate independent travel agents and to promote its cruises as an alternative to land-based vacations or other cruise lines. 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 750 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, Cruise Director or Carnival's internet booking engine, travel agents and consumers have the ability to make reservations through their own computer terminals directly into Carnival's computerized reservations system.

A significant portion 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 are designed to encourage potential passengers to book cruise reservations earlier, which helps the Company to more effectively manage overall net revenue yields (net revenue per available berth). 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 and longer cruises.

## Holland America and Windstar

The Holland America and Windstar Ships cater to the premium and luxury sectors, 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 Excellencer", 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 1999, 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 vacation 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"), network and cable 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 54 field sales representatives, 23 inside sales representatives and 18 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 also 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 sector positioning is embodied in the phrase "180 degrees from ordinary".

#### Cunard and Seabourn

During the period from December 1995 through May 1998, the Company 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 owned a 68% equity interest. In November 1999 the Company acquired the remaining 32% minority interest of Cunard Line Limited. Cunard Line Limited currently operates eight ships in its Cunard and Seabourn brands.

The Cunard brand currently operates two ships in the luxury cruise sector. Cunard's most visible asset is 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 six ships, offering ultra-luxury cruising with an intense focus on service and cuisine. It is the exceptionally high level of service 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, England, Germany and Australia. Approximately 40% of Cunard Line Limited's revenues are generated from outside the U.S. 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 group sales reservation desk to support its emphasis on developing its base of group business.

Substantially all of Seabourn's and Cunard's bookings are made through travel agents. In fiscal 1999, Seabourn and Cunard took reservations from about 7,000 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.

Cunard and Seabourn employ approximately 41 field sales representatives, 18 inside sales representatives and 41 sales and service representatives to support its field sales force. They also employ approximately 93 Cruise Sales Consultants to take bookings, substantially all of which come from travel agents.

During late 1999, Cunard refurbished the Royal Viking Sun and transferred it along with the Sea Goddess I and II ships to the Seabourn brand. The ships were renamed the Seabourn Sun, Seabourn Goddess I and Seabourn Goddess II, respectively. Management believes these ships more appropriately fit within the Seabourn brand. Additionally, after a major refurbishment in late 1999, Cunard's Vistafjord was renamed the "Caronia", the name once used by two of

Cunard's former "Old World" ships. The QE2 has also undergone a major refurbishment in late 1999. Management has revised 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 revenue from the sale of passenger tickets is moderately seasonal. Historically, demand for cruises has been greatest during the summer months.

#### 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 148,000 lower berths at the end of 1999. From the end of 1999 through the end of 2003, CLIA currently estimates that 36 new ships will be introduced into the North American industry with a capacity of approximately 61,000 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, 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 and with other land-based vacation alternatives are in the areas of cruise pricing, cruise product (i.e. the nature of the overall vacation experience) and cruise itineraries. 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, Puerto Rico or New York, 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. The Walt Disney Co. entered the cruise market with the introduction of a new cruise ship in both 1998 and 1999. The Disney ships compete primarily with Carnival in the Caribbean and Bahamian marketplaces.

In Alaska, Holland America and Carnival compete directly with cruise ships operated by six 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 14 different cruise lines, its primary competitors being Princess Cruises, Royal Caribbean International, Celebrity Cruises and Norwegian Cruise Line, as well as Carnival and Costa.

In Europe, Holland America competes directly with both large and small cruise lines with its primary competitors being Celebrity Cruises, Costa, Norwegian Cruise Line, Orient Lines, Princess Cruises and Royal Caribbean International.

The Cunard, Seabourn and Windstar ships' primary unaffiliated competitors within the luxury cruise sector include Crystal Cruises, Radisson Seven Seas and Silversea Cruises, as well as the higher priced cabins on certain of the cruise lines which serve the premium sector.

#### 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 being phased in through 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 Wholly 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.

On February 8, 2000, the United States Treasury Department issued proposed Treasury Regulations to Section 883 of the Internal Revenue Code ("Section 883") relating to income derived by foreign corporations from the international operation of ships or aircraft. The proposed regulations provide, in general, that a foreign corporation organized in a qualified foreign country and engaged in the international operation of ships or aircraft shall exclude qualified income from gross income for purposes of federal income taxation provided that the corporation can satisfy certain ownership requirements, including, among other things, that its stock is publicly traded. A corporation's stock that is publicly traded will satisfy this requirement if more than 50% of its stock is owned by persons who each own less than 5% of the corporation's stock.

To the best of the Company's knowledge it currently qualifies as a publicly traded corporation under these proposed rules and, if the proposed rules were in force, substantially 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) would continue to be exempt from United States federal income taxes.

In order to ensure that the Company continues to be publicly traded under the proposed Section 883 regulations, the Company will recommend to its shareholders at its annual meeting that the Company's articles of incorporation be amended to prohibit any person, other than an existing 5% shareholder, from acquiring shares that would give such person in the aggregate more than 4.9% of the value of the shares of the Company.

From time to time, various other regulatory and legislative changes have been or may be proposed that could have an affect 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, 1999, see Note 9, "Segment Information," to the Company's Consolidated Financial Statements in Exhibit 13 of this Annual Report on Form 10-K.

#### C. Tour Segment

In addition to its cruise business, the Company markets sightseeing tours both 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 1999, as part of an integrated travel program to destinations in Alaska, the tour service group offered 39 different tour programs varying in length from 8 to 21 days. The transportation group and hotel group supports 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 II 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 304 passengers.

A fleet of over 280 motor coaches using the trade name Gray Line operates 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, 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.

Twelve of the hotels are wholly owned by Holland America Westours subsidiaries and Westmark operates two under management agreements.

For the seven hotels that operate year-round, the occupancy percentage for fiscal 1999 was 55.4% (57.4% for fiscal 1998), and for the seven hotels that operate only during the summer months, the occupancy percentage for fiscal 1999 was 71.4% (71.6% for fiscal 1998).

#### 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 53 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 highly 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 160 motor coaches and three hotels) and Alaska Sightseeing/Trav-Alaska (with approximately 13 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 and Transportation Commission, 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, 1999, see Note 9, "Segment Information," to the Company's Consolidated Financial Statements in Exhibit 13 of this Annual Report on Form 10-K.

#### D. Employees

The Company's operations have approximately 4,300 full-time and 2,100 part-time/seasonal employees engaged in shoreside operations. The Company also

employs approximately 1,200 officers and 18,000 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 which have been included above. 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 beverages and hotel and restaurant supplies and products. Although the Company chooses to use a limited number of suppliers for most of its food, beverages and hotel and restaurant supplies, most of these purchases 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, with two of these shipyards for the construction of twelve ships to enter service over the next five years (see Part I, Item 1. Business, B. Cruise Ship Segment - Wholly 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 - Wholly Owned Cruise Operations - Competition). If the Company elects to build additional ships in the future, which it expects to do, 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") and Steamship Mutual Underwriting Association Ltd. (the "SMUAL"). The amount and terms of this insurance is governed by the rules of the foregoing protection and indemnity associations.

The Company 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 and SMUAL. The coverage for hull and machinery and war risks is provided by international markets, including underwriters at Lloyds. The Company, as currently required by the FMC, maintains at all times 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. 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. The Company does not typically carry coverage related to loss of earnings or revenues for its cruise or tour operations.

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 one of 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 United Kingdom, Austrian, Belgian, Holland, French, German, Polish, Scandinavian, Swiss and North American markets. Airtours provided holidays to approximately ten million people in fiscal 1999 and owns or operates over 1,000 retail travel shops, 46 resort properties, four cruise ships, 42 aircraft and develops and markets vacation ownership resorts in the Canary Islands and Orlando, Florida. The four cruise ships are operated under the Sun Cruises brand

and an additional 962 passenger capacity ship is chartered, for summer cruises only, under the Direct Cruises brand. In 1997, Airtours acquired a 50% interest in Costa, as discussed below. During 1999, Airtours or its 36% owned German tour operator, FTi, made several acquisitions, including a 40% interest in Berge & Meer, a German tour operator which packages and distributes air-inclusive tours directly to the public through call centers, the internet and the mail, and a 100% interest in the Travel World Group of United Kingdom retail outlets. Airtours also acquired additional tour operations based in Holland and Scandinavia. In December 1998 and November 1999, Airtours successfully completed an approximate \$500 million convertible debenture offering and a \$335 million non-equity preference share offering, respectively, which are providing Airtours with additional capital to fund its operations and/or future acquisitions, as required. If this convertible debt is converted into Airtours common stock, the Company's interest in Airtours would be reduced to approximately 23%.

On February 21, 2000, Airtours and Travel Services International ("TSI") entered into an agreement whereby Airtours would commence a \$26 per share recommended cash tender offer for all of TSI's outstanding common stock. Such offer would value TSI at approximately \$385 million. TSI is a major distributor of leisure travel products in the U.S. market with leading positions in the distribution of cruise, auto rental, alumni holidays and hotel bookings.

#### 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. 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 was 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 sector and has sales offices in Argentina, Brazil, England, Florida, France, Germany, 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 currently registered in Liberia, which have an aggregate passenger capacity of 7,103 passengers. In January 1998, Costa signed an agreement to construct a seventh ship, the Costa Atlantica, which is expected to enter service in July 2000, with a passenger capacity of 2,112 at a cost of approximately 700 billion Lira. In 2001, the Costa Classica will be lengthened to increase its passenger capacity to 2000 from 1,302, and it is expected that the Costa Romantica will be lengthened in 2002 to increase its passenger capacity to 2000 from 1,350. No assurance can be given that a contract will be entered into to lengthen the Costa Romantica.

#### 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. Airtours' revenues are very seasonal due to the nature of the European leisure travel industry. Costa's revenues are moderately seasonal. Typically, Airtours' and Costa's quarters ending June 30 and September 30 experience higher revenues, with revenues in the 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.

#### I. Recent Development

In late February 2000, the Company and Fairfield Communities, Inc. announced their decision to end a previously announced strategic merger of the two companies. See Note 14 to the Company's Consolidated Financial Statements in Exhibit 13 to this Annual Report on Form 10-K.

#### 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 and one action has been filed against 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 May 1998, the court consolidated all four actions. On March 8, 1999, the trial court denied plaintiff's motion for class certification, and plaintiffs have appealed the trial court's decision. On February 2, 2000, the Third District Court of Appeal of Florida reversed the trial court's denial of class certification and remanded the case for further proceedings. The Company has filed a motion for rehearing and for clarification of the Third District Court of Appeal's decision. In addition, plaintiff's filed a motion to enforce a purported oral settlement agreement they alleged was reached with Carnival. In January 2000, the trial court denied the plaintiffs' motion to enforce the purported oral settlement agreement. The plaintiff's have appealed the trial court's decision.

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 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 Line, 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 has appealed the decision denying its motion to dismiss on grounds of improper forum, and its appeal has been fully briefed and argued and is now pending with the state appellate court. Proceedings in the trial court, including plaintiffs' motion to certify a class, have been stayed pending the resolution of Carnival's appeal.

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, however one member of the settlement class has appealed the agreement. The appeal has been briefed and argued before the Washington Court of Appeals. The decision is expected shortly. A further appeal could be taken by either party to the Washington Supreme Court which could result in the settlement being delayed for an additional year. 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. 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. The appeal has been fully briefed and argued, and is now pending with the state appellate court.

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. The court has also certified a class of travel agents that includes all agencies that were members in 1996 of the GEM group. Consequently, if this matter proceeds to trial, it will be limited to the issue of whether Holland America Westours is obligated to pay commissions as to 1996 bookings by these GEM agencies. The trial is presently scheduled for March 2000.

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.

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 I 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	50	Chairman of the Board of Directors and Chief Executive Officer
Gerald R. Cahill	48	Senior Vice President-Finance and Chief Financial Officer
Robert H. Dickinson	57	President and Chief Operating Officer of Carnival and Director
Kenneth D. Dubbin	46	Vice President-Corporate Development
Howard S. Frank	58	Vice Chairman of the Board of Directors and Chief Operating Officer
Ian J. Gaunt	48	Senior Vice President - International
A. Kirk Lanterman	68	Chairman of the Board of Directors, President, and Chief Executive Officer of

Holland America Line-Westours Inc.  
and Director

Lowell Zemnick	56	Vice President and Treasurer
Meshulam Zonis	66	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 PricewaterhouseCoopers 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.

Kenneth D. Dubbin has been Vice President-Corporate Development since May 1999. From 1988 to April 1999 he was Vice President and Treasurer of Royal Caribbean Cruises Ltd.

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 PricewaterhouseCoopers LLP.

Ian J. Gaunt is an English Solicitor and has been Senior Vice President-International since May 1999. He was a partner of the London based international law firm of Sinclair, Roche and Temperley from 1982 through April 1999 where he represented the Company as special external legal counsel since 1981.

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, President and Chief Executive Officer of Holland America Line-Westours Inc. ("HALW") since August 1999. From March 1997 to August 1999, he was Chairman of the Board of Directors and Chief Executive Officer of HALW. From December 1989 to March 1997, he was President and Chief Executive Officer of HALW. From 1983 to 1989 he was President and Chief Operating Officer of HALW. From 1979 to 1983, he was President of Westours, Inc. which merged with Holland America Line in 1983.

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, in the Company's press releases, and in oral statements and presentations made by or with the approval of an authorized executive officer 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, 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, including the effects on consumer demand of armed conflicts, political instability or adverse media publicity; 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; changes in food and fuel commodity prices;

delivery of new vessels on schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise vessels at sea; changes in foreign currency prices which may impact the income or loss from certain affiliated operations and certain cruise related revenues and expenses; 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 \$.075 per share in each of the first three quarters of fiscal 1998, \$.09 in the fourth quarter of fiscal 1998, \$.09 in each of the first three quarters of fiscal 1999, and \$.105 in the fourth quarter of fiscal 1999 and first quarter of fiscal 2000. 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 are required to pay additional income taxes by reason of their ownership of the Common Stock because of an income tax audit of the Company.

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

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

### Item 6. Selected Financial Data

The information required by Item 6, Selected Financial Data, 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 24, 2000, 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 herein 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, 1999.

#### 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 23 day of February, 2000.

#### 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 23, 2000
/s/ Howard S. Frank Howard S. Frank	Vice Chairman of the Board of Directors and Chief Operating Officer	February 23, 2000
/s/ Gerald R. Cahill Gerald R. Cahill	Senior Vice President-Finance and Chief Financial and Accounting Officer	February 23, 2000
/s/ Shari Arison Shari Arison	Director	February 23, 2000
/s/ Maks L. Birnbach Maks L. Birnbach	Director	February 23, 2000
/s/ Atle Brynestad Atle Brynestad	Director	February 23, 2000
/s/ Richard G. Capen, Jr. Richard G. Capen, Jr.	Director	February 23, 2000
/s/ David Crossland David Crossland	Director	February 23, 2000
/s/ Robert H. Dickinson	Director	February 23, 2000

Robert H. Dickinson

/s/ James M. Dubin James M. Dubin	Director	February 23, 2000
/s/ A. Kirk Lanterman A. Kirk Lanterman	Director	February 23, 2000
/s/ Modesto A. Maidique Modesto A. Maidique	Director	February 23, 2000
/s/ William S. Ruben William S. Ruben	Director	February 23, 2000
/s/ Stuart Subotnick Stuart Subotnick	Director	February 23, 2000
/s/ Sherwood M. Weiser Sherwood M. Weiser	Director	February 23, 2000
/s/ Meshulam Zonis Meshulam Zonis	Director	February 23, 2000
/s/ Uzi Zucker Uzi Zucker	Director	February 23, 2000

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-Amendment to Second Amended and Restated Articles of Incorporation of the Company. (2)
- 3.2-Form of By-laws of the Company.(3)
- 4.1-Agreement of the Company dated February 23, 2000 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.(4)
- 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.(5)
- 10.1-Retirement and Consulting Agreement dated November 26, 1999 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. (6)
- 10.3-1994 Carnival Cruise Lines Key Management Incentive Plan as amended on April 12, 1999. (7)
- 10.4-Amended and Restated Carnival Corporation 1992 Stock Option Plan. (8)
- 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. (9)
- 10.6-Carnival Corporation "Fun Ship" Nonqualified Savings Plan. (10)
- 10.7 -Amendments to The Carnival Corporation Nonqualified Retirement Plan for Highly Compensated. (11)
- 10.8-Carnival Cruise Lines, Inc. Non-Qualified Retirement Plan.(12)
- 10.9-1993 Outside Directors' Stock Option Plan as amended on April 6, 1998. (13)
- 10.10-Form of Deferred Compensation Agreement between the Company and Meshulam Zonis.(14)
- 10.11-Consulting Agreement/Registration Rights Agreement dated June 14, 1991, between the Company and Ted Arison.(15)

10.12-First Amendment to Consulting Agreement/Registration Rights Agreement.(16)

10.13-Atle Brynestad Indemnification Agreement. (17)

10.14-Shareholders' Agreement dated February 21, 1996 between Carnival Corporation and David Crossland.(18)

10.15-Maks L. Birnbach Director's Agreement.(19)

10.16-William S. Ruben Director's Agreement.(20)

10.17-Stuart Subotnick Director's Agreement.(21)

10.18-Sherwood M. Weiser Director's Agreement.(22)

10.19-Uzi Zucker Director's Agreement. (23)

10.20-David Crossland Director's Agreement.(24)

10.21-James M. Dubin Director's Agreement.(25)

10.22-Modesto M. Maidique Director's Agreement.(26)

10.23-Richard G. Capen Director's Agreement.(27)

10.24-Shari Arison Dorsman Director's Agreement.(28)

10.25-Executive Long-term Compensation Agreement dated January 11, 1999, between the Company and Micky Arison. (29)

10.26-Executive Long-term Compensation Agreement dated January 11, 1999, between the Company and Howard S. Frank. (30)

10.27-HAL Antillen N.V. and subsidiaries Key Management Incentive Plan. (31)

10.28-1994 Transaction-Extension Agreement, dated January 18, 2000, between Carnival Corporation, Sherwood Weiser and others.

10.29-Amended and Restated 1994 Security and Pledge Agreement, dated January 18, 2000, between Carnival Corporation and Sherwood Weiser.

10.30-Security and Pledge Agreement, dated January 18, 2000, between Carnival Corporation and Sherwood Weiser.

10.31-Stock Purchase Agreement, dated January 18, 2000, between Carnival Corporation, Sherwood Weiser and others.

10.32-Carnival Corporation Supplemental Executive Retirement Plan.

10.33- Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.

12.0-Ratio of Earnings to Fixed Charges.

13.0-Portions of 1999 Annual Report incorporated by reference into 1999 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 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1999 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) Incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1999 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(8) 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.

(9) 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, 1998 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(10) 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.

(11) 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.

(12) 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.

(13) Incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1999 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(14) 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.

(15) 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.

(16) 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.

(17) Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 1999 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) 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.

(29) Incorporated by reference to Exhibit No. 10.36 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1998 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(30) Incorporated by reference to Exhibit No. 10.37 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1998 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(31) Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 1999 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

February 23, 2000

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, 1999.

Very truly yours,

CARNIVAL CORPORATION

/s/ Arnaldo Perez

Arnaldo Perez  
General Counsel

RETIREMENT AND CONSULTING AGREEMENT

AGREEMENT made this 26th day of November, 1999 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 \$120,198, an annual compensation of \$1,442,376.
- 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 (\$21,635,640) 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 1998 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

## 1994 TRANSACTION - EXTENSION AGREEMENT

This 1994 Transaction - Extension Agreement, dated as of January 18, 2000 (the "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 Panamanian 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 certain promissory notes (collectively, the "CCL Notes") made by the Shareholders in favor of CCL (Schedule B attached hereto sets forth the outstanding principal amount on such Shareholder's CCL Note);

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 on June 15, 1998 and on February 17, 1999 (as amended, the "Stock Purchase Agreement"), among CCL and the Shareholders;

WHEREAS, CCL has agreed to (i) terminate the CCL Notes and accept in substitution therefore, renewal promissory notes (the "Renewal Promissory Notes") in the amounts set forth on Schedule B, (ii) amend and restate those certain Security and Pledge Agreements, dated as of November 30, 1994, as amended (collectively as amended, 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, (iii) extend the Shareholders' put option, as set forth in the Stock Purchase Agreement, in conformity with the term of the Renewal Promissory Notes and (iv) contribute the Renewal Promissory Notes and the Pledge Agreements to that certain Carnival Corporation Blind Trust dated of even date herewith among CCL, the Shareholders and First Union, as trustee, whereby the trustee would be obligated to enforce all of CCL's rights under the Renewal Promissory Notes and the Pledge Agreements.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties and agreements contained herein, the parties hereto agree as follows:

1. Renewal Promissory Notes. CCL hereby agrees effective as of the date hereof, that the CCL Notes shall be terminated and of no further force and effect and the Shareholders shall execute Renewal Promissory Notes in the form attached hereto as Exhibit A in the amounts set forth on Schedule B hereof. At the Closing (as defined below), CCL shall tender to the Shareholders the CCL Notes so that same shall be simultaneously destroyed.

2. Amendment of Shareholders' Put Option. Article IV of the Stock Purchase Agreement is hereby amended to extend the period of exercise of the Shareholders' put option with respect to the Shares to January \_\_, 2008. Additionally, notwithstanding anything to the contrary contained herein or in the Stock Purchase Agreement, the Shareholders' put option may only be exercised provided that (i) any and all licensing and approval of the Louisiana Gaming and Control Board required by the laws, rules and regulations of the State of Louisiana pertaining to licensed gaming activities and any other applicable foreign, federal or state authorities has been obtained, and (ii) such transaction is in compliance with all applicable maritime laws (including the Jones Act).

3. Closing. 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 date hereof, or at such other place and time as may be mutually agreed by the parties.

4. 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.

5. 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 agreement, 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.

6. 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; provided that the exercise of all rights and remedies by any of the parties is subject to any applicable Louisiana Gaming Control Law, and the rules and regulations promulgated thereunder.

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

\*

\_\_\_\_\_  
Sherwood M. Weiser

\*

\_\_\_\_\_  
Donald E. Lefton

\*

\_\_\_\_\_  
Thomas Hewitt

\*

\_\_\_\_\_  
Peter Sibley

\*

\_\_\_\_\_  
W. Peter Temling

\*

\_\_\_\_\_  
Robert Sturges

CARNIVAL CORPORATION

By:/s/ Gerald R. Cahill  
Name: Gerald R. Cahill  
Title: Chief Financial Officer

\* Executed by Power of Attorney

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 Amount Outstanding
Sherwood Weiser	\$ 4,966,497
Donald Lefton	4,966,497
Thomas Hewitt	1,840,334
Peter Sibley	1,840,334
Robert Sturges	736,136
Peter Temling	736,136
Total	\$15,085,934

EXHIBIT 10.29  
AMENDED AND RESTATED 1994  
SECURITY AND PLEDGE AGREEMENT

THIS AMENDED AND RESTATED 1994 SECURITY AND PLEDGE AGREEMENT (the "Agreement"), dated as of the 18th day of January, 2000 by and between Sherwood M. Weiser (hereinafter called "Debtor"), and Carnival Corporation, a Panamanian corporation (the "Secured Party"), as the holder of the Note (as defined below). Upon execution of this Agreement, the Secured Party shall simultaneously contribute this Agreement and the Collateral (as defined below) to that certain Carnival Corporation Blind Trust, dated of even date herewith, a copy of which is attached hereto, pursuant to which, among other things, the Trustee of such Trust shall exclusively make all decisions and take all actions necessary with regard to any and all rights of the Secured Party under this Agreement.

1. Security Interest. For value received, Debtor hereby sells, transfers, conveys, sets over, delivers, bargains, pledges, assigns and grants to Secured Party, upon the terms and conditions of this Agreement, a security interest in and to any and all present or future rights of Debtor in and to all of the following rights, interests and property (all of the following being herein sometimes called the "Collateral"):

(a) 859,248 shares (the "Shares") of the common stock, par value \$.005 per share, of CRC Holdings, Inc. ("CRC");

(b) All rights, powers, privileges and preferences pertaining to the Shares and any stock rights, rights to subscribe, cash distributions, dividends, stock dividends, liquidating dividends, new securities (whether certificated or uncertificated) and other property to which the Debtor may become entitled by reason of the ownership of any Securities (as defined below) pledged and assigned hereunder from time to time; and

(c) All Proceeds of any of the foregoing Collateral described above in this Section 1.

All capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings given them in the Florida Uniform Commercial Code. As used in this Agreement the term "Securities" means any notes, stocks, treasury stocks, bonds, debentures, evidences of indebtedness, warrants, partnership interests, stock options, beneficial interests in trusts or equity interests of any nature whatsoever in any legal entity or, in general, any interest or instrument commonly known as a "security," or any warrant or right to subscribe to or purchase any of the foregoing; and the term "issuer" means, with respect to any Securities, the legal entity in which such Securities evidence an ownership or beneficial interest. The Secured Party understands and agrees that notwithstanding anything to the contrary contained herein, the Secured Party may not take ownership in any manner in any of the foregoing Collateral described above in Section 1 without first obtaining any and all licensing and approval of the Louisiana Gaming and Control Board required by the laws, rules and regulations of the State of Louisiana pertaining to licensed gaming activities and any other applicable foreign, federal or state authorities.

2. 1994 Stock Purchase Agreement. This Agreement amends and restates the Security and Pledge Agreement, dated November 30, 1994, as amended, between Debtor and Secured Party which was executed and delivered pursuant to the terms, obligations and requirements of the Stock Purchase Agreement, dated November 30, 1994, as amended on June 15, 1998 and February 17, 1999 (as amended, the "1994 Stock Purchase Agreement"), pursuant to which Secured Party sold shares of common stock of CHC International, Inc., the predecessor of CRC, to Debtor. The security interests herein granted ("Security Interests") shall secure full payment and performance of: (a) that certain Renewal Promissory Note of even date herewith in the principal amount of \$4,966,497, made by Debtor and payable to the order of Secured Party (such note and any notes given in modification, renewal, extension or substitution thereof being herein sometimes collectively referred to as the "Notes" and individually as 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").

3. Priority. Debtor represents and warrants that the Security Interests are first and prior security interests in and to all of the Collateral.

4. Representations, Warranties and Covenants. The Debtor hereby represents and warrants to Secured Party and covenants for the benefit of Secured Party as follows:

(a) Debtor is the sole legal and equitable owner of the Shares free from any adverse claim, lien, security interest, encumbrance or other right, title or interest of any person, except for the security interest created hereby. Debtor has the right and power to grant an interest in the Collateral to Secured Party without the consent of any other person, and Debtor shall at his expense defend the Collateral against all claims and demands of all persons at any time claiming the Collateral or any interest therein adverse to Secured Party. So long as any Obligation to the Secured Party pursuant to the Note is outstanding, Debtor will not without the prior written consent of Secured Party grant to any person a security interest in any of the Collateral or permit any lien or encumbrance to attach to any of the Collateral, or suffer or permit any levy or attachment to be made on any part of the Collateral, or permit any financing statement to reflect an interest in any part of the Collateral, except that of Secured Party, to be on file with respect thereto.

(b) Debtor has delivered to Secured Party all stock certificates evidencing the Shares pledged and assigned under this Agreement, together with duly executed stock powers in blank and all other assignments or endorsements reasonably requested by Secured Party.

(c) If new or additional Securities are issued to Debtor (as a stock dividend, stock split, or pursuant to any reclassification or recapitalization of the capital of any issuer of Securities pledged and assigned hereunder, or the reorganization or merger, acquisition or consolidation of any such issuer or otherwise) with respect to the Collateral, then the same shall be deemed an increment to the Collateral and under pledge and assignment to Secured Party hereunder. If evidenced by a stock certificate, bond, warrant, debenture, certificate, or other instrument or writing, then such Securities shall (to the extent acquired or received by or placed under Debtor's control) be held in trust for and promptly delivered to Secured Party, together with duly executed stock powers in blank and any other assignments or endorsements as Secured Party may request. If any such Securities are uncertificated, then Debtor shall immediately upon acquisition of such Securities cause Secured Party to be registered as the transferee thereof on the books of the depository, custodian bank, clearing corporation, brokerage house, issuer or otherwise, as may be requested by Secured Party.

(d) Without the prior consent of Secured Party, Debtor shall not sell, transfer, assign, convey, lease or otherwise dispose of any part of the Collateral, nor enter into any contract or agreement to do so. Debtor will not compromise, release, surrender or waive any rights of any nature whatsoever in respect of any of the Collateral without Secured Party's prior written consent.

5. Debtor's Obligations. So long as the Note is outstanding, Debtor covenants and agrees with Secured Party (a) not to permit any material part of the Collateral to be levied upon under any legal process; (b) not to dispose of any of the Collateral without the prior written consent of Secured Party; (c) to comply with all applicable federal, state and local statutes, laws, rules and regulations, the noncompliance with which would have a material and adverse effect on the value of the Collateral; and (d) to pay all taxes accruing after the Closing Date which constitute, or may constitute, a lien against the Collateral, prior to the date when penalties or interest would attach to such taxes; provided, that Debtor may contest any such tax claim if done diligently and in good faith.

6. Event of Default. As used herein, the term "Event of Default" shall include any or all of the following if same exist on the 10th day after written notice by Secured Party to Debtor which describes such default:

(a) The assignment, voluntary or involuntary conveyance of legal or beneficial interest, mortgage, pledge or grant of a security interest in any of the Collateral; or

(b) The filing or issuance of a notice of any lien, warrant for distraint or notice of levy for taxes or assessment against the Collateral (except for those which are being contested in good faith and for which adequate reserves have been created); or

(c) Nonpayment of any installment of principal or interest upon the date same shall be due and payable under the terms of the Note; or

(d) The adjudication of Debtor as bankrupt, or the taking of any voluntary action by Debtor or any involuntary action against Debtor seeking an adjudication of Debtor as bankrupt, or seeking relief by or against Debtor under any provision of the Bankruptcy Code.

7. Remedies. Upon the occurrence and during the continuation of an Event of Default as defined herein, in addition to any and all other rights and remedies which Secured Party may then have hereunder or under the Note, under the Uniform Commercial Code of the State of Florida or of any other pertinent jurisdiction

(the "Code"), or otherwise, Secured Party may, at its option: (a) reduce its claim to judgment or foreclosure or otherwise enforce the Security Interests, in whole or in part, by any available judicial procedure; (b) sell, or otherwise dispose of, at the office of Secured Party, or elsewhere, all or any part of the Collateral, and any such sale or other disposition may be as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale of any part of the Collateral shall not exhaust the Secured Party's power of sale, but sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Obligation has been paid and performed in full); (c) at its discretion, retain the Collateral in satisfaction of the Obligation whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise; and (d) exercise any and all other rights, remedies and privileges it may have under the Note and the other documents defining the Obligation. Provided that an Event of Default has not occurred, Debtor shall retain all voting rights with respect to the Shares and all cash dividends declared with respect to such Shares. The Secured Party understands and agrees that notwithstanding anything to the contrary contained herein, the Secured Party may not take ownership in any manner in any of the Collateral without first obtaining any and all licensing and approval of the Louisiana Gaming and Control Board required by the laws, rules and regulations of the State of Louisiana pertaining to licensed gaming activities and any other applicable foreign, federal or state authority. In the event that Louisiana Regulatory Approval is not obtained, the parties acknowledge that they shall have no recourse against the Louisiana Gaming Control Board, the Attorney General of the State of Louisiana, the Department of Safety and Corrections, Office of State Police, and their members and employees, except as provided under applicable Louisiana law, including the Louisiana Gaming Control Law, and the rules and regulations promulgated thereunder.

8. Application of Proceeds by Secured Party. Any and all proceeds ever received by Secured Party from any sale or other disposition of the Collateral, or any part thereof, or the exercise of any other remedy pursuant hereto shall be applied by Secured Party to the Obligation in such order and manner as Secured Party, in its sole discretion, may deem appropriate, notwithstanding any directions or instructions to the contrary by Debtor; provided that the proceeds and/or accounts shall be applied toward satisfaction of the Obligation.

9. Notice of Sale. Reasonable notification of the time and place of any public sale of the Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be sent to Debtor and to any other persons entitled under the Code to notice; provided, that if any of the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party may sell, pledge, assign or otherwise dispose of the Collateral without notification, advertisement or other notice of any kind. It is agreed that notice sent or given no less than ten (10) calendar days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purpose of this paragraph.

10. Delivery of Notices. Any notice or demand required to be given hereunder shall be in writing and shall be deemed to have been duly given and received, if given by hand, when a writing containing such notice is received by the entity or person to whom addressed or, is given by mail, two (2) business days after a certified or registered letter containing such notice, with postage prepaid, is deposited in the United States mails, addressed to:

If to Secured Party:

Carnival Corporation  
3655 N.W. 87th Avenue  
Miami, Florida 33178  
Attention: Chief Financial Officer

If to Debtor:

c/o CRC Holdings, Inc.  
3250 Mary Street  
Miami, Florida 33133  
Attention: Chief Financial Officer

Any such address may be changed from time to time by serving notice to the other party as above provided. A business day shall mean a day of the week which is not a Saturday or Sunday or a holiday recognized by national banking associations.

11. Binding Effect. This Agreement shall be binding upon Debtor, his heirs, successors, assigns, executors, administrators, and personal or legal representatives, and shall inure to the benefit of Secured Party, its successors and assigns.

12. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Florida, provided that the exercise of

all rights and remedies by any of the parties is subject to any applicable Louisiana Gaming Control Law, and the rules and regulations promulgated thereunder.

13. Severability. In the event that any one or more of the provisions contained in this Agreement are held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

EXECUTED as of the day and year first herein set forth.

SECURED PARTY:  
CARNIVAL CORPORATION

By: /s/ Gerald R. Cahill  
Name: Gerald R. Cahill  
Title: Chief Financial Officer

DEBTOR:  
\*

\_\_\_\_\_  
Sherwood M. Weiser

\* Executed By Power of Attorney

By: /s/ W. Peter Temling  
W. Peter Temling

## SECURITY AND PLEDGE AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement"), dated as of the 18th day of January, 2000 by and between Sherwood M. Weiser (hereinafter called "Debtor"), and Carnival Corporation, a Panamanian corporation (the "Secured Party), as the holder of the Note (as defined below). Upon execution of this Agreement, the Secured Party shall simultaneously contribute this Agreement and the Collateral (as defined below) to that certain Carnival Corporation Blind Trust, dated of even date herewith, a copy of which is attached hereto, pursuant to which, among other things, the Trustee of such Trust shall exclusively make all decisions and take all actions necessary with regard to any and all rights of the Secured Party under this Agreement.

1. Security Interest. For value received, Debtor hereby transfers, conveys, sets over, delivers, bargains, pledges, assigns and grants to Secured Party, upon the terms and conditions of this Agreement, a security interest in and to any and all present or future rights of Debtor in and to all of the following rights, interests and property (all of the following being herein sometimes called the "Collateral"):

(a) 803,785 shares (the "Shares") of the common stock, par value \$.005 per share, of CRC Holdings, Inc. ("CRC") which have been contemporaneously sold by Secured Party to Debtor pursuant to the Purchase Agreement (as defined below);

(b) All rights, powers, privileges and preferences pertaining to the Shares and any stock rights, rights to subscribe, cash distributions, dividends, stock dividends, liquidating dividends, new securities (whether certificated or uncertificated) and other property to which the Debtor may become entitled by reason of the ownership of any Securities (as defined below) pledged and assigned hereunder from time to time; and

(c) All Proceeds of any of the foregoing Collateral described above in this Section 1.

All capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings given them in the Florida Uniform Commercial Code. As used in this Agreement the term "Securities" means any notes, stocks, treasury stocks, bonds, debentures, evidences of indebtedness, warrants, partnership interests, stock options, beneficial interests in trusts or equity interests of any nature whatsoever in any legal entity or, in general, any interest or instrument commonly known as a "security," or any warrant or right to subscribe to or purchase any of the foregoing; and the term "issuer" means, with respect to any Securities, the legal entity in which such Securities evidence an ownership or beneficial interest. The Secured Party understands and agrees that notwithstanding anything to the contrary contained herein, the Secured Party may not take ownership in any manner in any of the foregoing Collateral described above in Section 1 without first obtaining any and all licensing and approval of the Louisiana Gaming and Control Board required by the laws, rules and regulations of the State of Louisiana pertaining to licensed gaming activities and any other applicable foreign, federal or state authorities.

2. Stock Purchase Agreement. This Agreement is being executed and delivered pursuant to the terms, obligations and requirements of the Stock Purchase Agreement (the "Purchase Agreement"), dated of even date herewith, pursuant to which Secured Party has sold the Shares to Debtor. The security interests herein granted ("Security Interests") shall secure full payment and performance of: (a) that certain Promissory Note of even date herewith in the principal amount of \$3,965,780, made by Debtor and payable to the order of Secured Party (such note and any notes given in modification, renewal, extension or substitution thereof being herein sometimes collectively referred to as the "Notes" and individually as 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").

3. Priority. Debtor represents and warrants that the Security Interests are first and prior security interests in and to all of the Collateral.

4. Representations, Warranties and Covenants. The Debtor hereby represents and warrants to Secured Party and covenants for the benefit of Secured Party as follows:

(a) Debtor is the sole legal and equitable owner of the Shares free from any adverse claim, lien, security interest, encumbrance or other right,

title or interest of any person, except for the security interest created hereby. Debtor has the right and power to grant an interest in the Collateral to Secured Party without the consent of any other person, and Debtor shall at his expense defend the Collateral against all claims and demands of all persons at any time claiming the Collateral or any interest therein adverse to Secured Party. So long as any Obligation to the Secured Party pursuant to the Note is outstanding, Debtor will not without the prior written consent of Secured Party grant to any person a security interest in any of the Collateral or permit any lien or encumbrance to attach to any of the Collateral, or suffer or permit any levy or attachment to be made on any part of the Collateral, or permit any financing statement to reflect an interest in any part of the Collateral, except that of Secured Party, to be on file with respect thereto.

(b) Debtor has delivered to Secured Party all stock certificates evidencing the Shares pledged and assigned under this Agreement, together with duly executed stock powers in blank and all other assignments or endorsements reasonably requested by Secured Party.

(c) If new or additional Securities are issued to Debtor (as a stock dividend, stock split, or pursuant to any reclassification or recapitalization of the capital of any issuer of Securities pledged and assigned hereunder, or the reorganization or merger, acquisition or consolidation of any such issuer or otherwise) with respect to the Collateral, then the same shall be deemed an increment to the Collateral and under pledge and assignment to Secured Party hereunder. If evidenced by a stock certificate, bond, warrant, debenture, certificate, or other instrument or writing, then such Securities shall (to the extent acquired or received by or placed under Debtor's control) be held in trust for and promptly delivered to Secured Party, together with duly executed stock powers in blank and any other assignments or endorsements as Secured Party may request. If any such Securities are uncertificated, then Debtor shall immediately upon acquisition of such Securities cause Secured Party to be registered as the transferee thereof on the books of the depository, custodian bank, clearing corporation, brokerage house, issuer or otherwise, as may be requested by Secured Party.

(d) Without the prior consent of Secured Party, Debtor shall not sell, transfer, assign, convey, lease or otherwise dispose of any part of the Collateral, nor enter into any contract or agreement to do so. Debtor will not compromise, release, surrender or waive any rights of any nature whatsoever in respect of any of the Collateral without Secured Party's prior written consent.

5. Debtor's Obligations. So long as the Note is outstanding, Debtor covenants and agrees with Secured Party (a) not to permit any material part of the Collateral to be levied upon under any legal process; (b) not to dispose of any of the Collateral without the prior written consent of Secured Party; (c) to comply with all applicable federal, state and local statutes, laws, rules and regulations, the noncompliance with which would have a material and adverse effect on the value of the Collateral; and (d) to pay all taxes accruing after the Closing Date which constitute, or may constitute, a lien against the Collateral, prior to the date when penalties or interest would attach to such taxes; provided, that Debtor may contest any such tax claim if done diligently and in good faith.

6. Event of Default. As used herein, the term "Event of Default" shall include any or all of the following if same exist on the 10th day after written notice by Secured Party to Debtor which describes such default:

(a) The assignment, voluntary or involuntary conveyance of legal or beneficial interest, mortgage, pledge or grant of a security interest in any of the Collateral; or

(b) The filing or issuance of a notice of any lien, warrant for distraint or notice of levy for taxes or assessment against the Collateral (except for those which are being contested in good faith and for which adequate reserves have been created); or

(c) Nonpayment of any installment of principal or interest upon the date same shall be due and payable under the terms of the Note; or

(d) The adjudication of Debtor as bankrupt, or the taking of any voluntary action by Debtor or any involuntary action against Debtor seeking an adjudication of Debtor as bankrupt, or seeking relief by or against Debtor under any provision of the Bankruptcy Code.

7. Remedies. Upon the occurrence and during the continuation of an Event of Default as defined herein, in addition to any and all other rights and remedies which Secured Party may then have hereunder or under the Note, under the Uniform Commercial Code of the State of Florida or of any other pertinent

jurisdiction (the "Code"), or otherwise, Secured Party may, at its option: (a) reduce its claim to judgment or foreclosure or otherwise enforce the Security Interests, in whole or in part, by any available judicial procedure; (b) sell, or otherwise dispose of, at the office of Secured Party, or elsewhere, all or any part of the Collateral, and any such sale or other disposition may be as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale of any part of the Collateral shall not exhaust the Secured Party's power of sale, but sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Obligation has been paid and performed in full ); (c) at its discretion, retain the Collateral in satisfaction of the Obligation whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise; and (d) exercise any and all other rights, remedies and privileges it may have under the Note and the other documents defining the Obligation. Provided that an Event of Default has not occurred, Debtor shall retain all voting rights with respect to the Shares and all cash dividends declared with respect to such Shares. The Secured Party understands and agrees that notwithstanding anything to the contrary contained herein, the Secured Party may not take ownership in any manner in any of the Collateral without first obtaining any and all licensing and approval of the Louisiana Gaming and Control Board required by the laws, rules and regulations of the State of Louisiana pertaining to licensed gaming activities and any other applicable foreign, federal or state authority. In the event that Louisiana Regulatory Approval is not obtained, the parties acknowledge that they shall have no recourse against the Louisiana Gaming Control Board, the Attorney General of the State of Louisiana, the Department of Safety and Corrections, Office of State Police, and their members and employees, except as provided under applicable Louisiana law, including the Louisiana Gaming Control Law, and the rules and regulations promulgated thereunder.

8. Application of Proceeds by Secured Party. Any and all proceeds ever received by Secured Party from any sale or other disposition of the Collateral, or any part thereof, or the exercise of any other remedy pursuant hereto shall be applied by Secured Party to the Obligation in such order and manner as Secured Party, in its sole discretion, may deem appropriate, notwithstanding any directions or instructions to the contrary by Debtor; provided that the proceeds and/or accounts shall be applied toward satisfaction of the Obligation.

9. Notice of Sale. Reasonable notification of the time and place of any public sale of the Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be sent to Debtor and to any other persons entitled under the Code to notice; provided, that if any of the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party may sell, pledge, assign or otherwise dispose of the Collateral without notification, advertisement or other notice of any kind. It is agreed that notice sent or given no less than ten (10) calendar days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purpose of this paragraph.

10. Delivery of Notices. Any notice or demand required to be given hereunder shall be in writing and shall be deemed to have been duly given and received, if given by hand, when a writing containing such notice is received by the entity or person to whom addressed or, is given by mail, two (2) business days after a certified or registered letter containing such notice, with postage prepaid, is deposited in the United States mails, addressed to:

If to Secured Party:

Carnival Corporation  
3655 N.W. 87th Avenue  
Miami, Florida 33178  
Attention: Chief Financial Officer

If to Debtor:

c/o CRC Holdings, Inc.  
3250 Mary Street  
Miami, Florida 33133  
Attention: Chief Financial Officer

Any such address may be changed from time to time by serving notice to the other party as above provided. A business day shall mean a day of the week which is not a Saturday or Sunday or a holiday recognized by national banking associations.

11. Binding Effect. This Agreement shall be binding upon Debtor, his heirs, successors, assigns, executors, administrators, and personal or legal representatives, and shall inure to the benefit of Secured Party, its successors and assigns.

12. Governing Law. This Agreement shall be construed in accordance with

and governed by the laws of the State of Florida, provided that the exercise of all rights and remedies by any of the parties is subject to any applicable Louisiana Gaming Control Law, and the rules and regulations promulgated thereunder.

13. Severability. In the event that any one or more of the provisions contained in this Agreement are held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

EXECUTED as of the day and year first herein set forth.

SECURED PARTY:

CARNIVAL CORPORATION

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

DEBTOR:

\*

Sherwood M. Weiser

\* Executed by Power of Attorney

By:/s/ W. Peter Temling  
W. Peter Temling

## STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the 18th day of January, 2000, by and among, (i) Carnival Corporation, a Panamanian corporation ("CCL"), and (ii) Sherwood M. Weiser ("Weiser"), Donald E. Lefton ("Lefton"), Thomas F. Hewitt ("Hewitt"), Peter L. Sibley ("Sibley"), W. Peter Temling ("Temling") and Robert B. Sturges ("Sturges") (Weiser, Lefton, Hewitt, Sibley, Temling and Sturges are sometimes collectively referred to herein as the "Buyers" and individually as a "Buyer").

## Recitals

A. CCL currently owns 2,490,000 shares (the "Purchased Shares") of common stock, \$.005 par value per share (the "CRC Common Stock"), of CRC Holdings, Inc. ("CRC").

B. Subject to approval by the Louisiana Gaming Control Board, CCL desires to sell to Buyers, and Buyers desire to purchase from CCL, the Purchased Shares.

## Agreement

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the parties agree as follows:

## ARTICLE I - SALE AND PURCHASE OF SHARES

## 1.1 Sale and Purchase of Shares.

(a) On the terms and subject to the conditions of this Agreement, CCL hereby sells, conveys, assigns, transfers and delivers to Buyers, and Buyers hereby purchase from CCL, the Purchased Shares for an aggregate purchase price of \$12,285,564, as follows:

Buyer	Number of Purchased Shares	Purchase Price
Weiser	803,785	3,965,780
Lefton	803,785	3,965,780
Hewitt	298,001	1,470,582
Sibley	298,001	1,470,582
Sturges	125,290	617,964
Temling	161,138	794,876
	2,490,000	\$12,285,564

(b) To effect the transfers contemplated by Section 1.1(a), CCL is hereby causing to be delivered to each Buyer, against payment therefor in accordance with Section 1.2 hereof, stock certificates representing the number of Purchased Shares set forth opposite such Buyer's name under the column "Number of Purchased Shares" in Section 1.1(a).

## 1.2 Purchase Price; Payment for Shares; Notice.

(a) The aggregate purchase price of \$12,285,564 (the "Purchase Price") for the shares of Common Stock being purchased by Buyers hereunder is hereby being paid by each Buyer's delivery to CCL of (a) such Buyer's promissory note in the aggregate principal amount equal to the amount set forth opposite such Buyer's name under the column "Purchase Price" in Section 1.1(a), such note in the form attached hereto as Exhibit A (each a "Note" and collectively, the "Notes") and (b) a security and pledge agreement in the form attached hereto as Exhibit B (each a "Security Agreement").

(b) As the Notes provide for possible acceleration of the maturity date of such Notes in the event that Weiser or Lefton sell any shares of CRC Common Stock, Weiser and Lefton hereby agree to provide CCL prior written notice of any such proposed sale. Weiser and Lefton hereby further agree that they will not sell any shares of CRC Common Stock unless the purchaser(s) of such shares agree(s) to buy an equal percentage of the Purchased Shares at the same price and upon the same terms.

## ARTICLE II - REPRESENTATIONS AND WARRANTIES OF CCL

CCL hereby represents and warrants to Buyers that:

2.1 Corporate Existence and Qualification. CCL is a corporation duly organized, validly existing and in good standing under the laws of Panama; has

the corporate power to own, manage, lease and hold its properties and to carry on its business as and where such properties are presently located and such business is presently conducted; and is duly qualified to do business as a foreign corporation in each jurisdiction where the failure to be so qualified would have a material adverse effect on its business, financial condition or results of operations.

2.2 Authority, Approval and Enforceability. This Agreement has been duly executed and delivered by CCL and CCL has all requisite corporate power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to perform its obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of CCL, enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles or by applicable bankruptcy, insolvency, moratorium, or similar laws and judicial decisions from time to time in effect which affect creditors' rights generally.

2.3 Ownership and Delivery of Shares. CCL owns all of the Purchased Shares free and clear of any and all pledges, security interests, liens, charges, proxies, calls or other encumbrances of any nature whatsoever. CCL's delivery of a certificate or certificates representing the Purchased Shares to Buyers pursuant to this Agreement, against payment therefor pursuant to Section 1.2 hereof, transfers valid title to such Purchased Shares to Buyers, free and clear of any and all pledges, security interests, liens, charges, proxies, calls or other encumbrances of any nature whatsoever. There are no outstanding options, warrants, calls, subscriptions, agreements or commitments of any character, except this Agreement, to which CCL is a party obligating it to sell any Purchased Shares or which restrict the transfer of any such shares held by it.

### ARTICLE III - REPRESENTATIONS AND WARRANTIES OF BUYERS

Each of the Buyers hereby severally represents and warrants to CCL that:

3.1 Authority, Approval and Enforceability. This Agreement has been duly executed and delivered by such Buyer. Such Buyer has all requisite power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to perform his obligations hereunder. This Agreement and such Buyer's Note and Security Agreement constitute the legal, valid and binding obligation of such Buyer, enforceable in accordance with their respective terms, except as such enforcement may be limited by general equitable principles or by applicable bankruptcy, insolvency, moratorium or similar laws and judicial decisions from time to time in effect which affect creditors' rights generally.

#### 3.2 Investment Representations.

(a) Such Buyer is acquiring the Purchased Shares to be acquired by him pursuant to this Agreement for his own account and not with a view to, or for sale in connection with, a "distribution," as such term is used in Section 2(11) of the Securities Act of 1933, as amended (the "Securities Act").

(b) Such Buyer is an "accredited investor," as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

(c) Such Buyer understands that the sale of shares of CRC Common Stock under this Agreement has not been registered under the Securities Act or applicable state securities laws.

(d) Such Buyer understands that the certificates representing shares of CRC Common Stock being sold by CCL pursuant to this Agreement bear a "restricted transfer" legend substantially as follows:

"The shares represented by this certificate have not been registered under the Securities Act of 1933 or any applicable state law. They may not be offered for sale, sold, transferred or pledged without (1) registration under the Securities Act of 1933 and any applicable state law, or (2) at holder's expense, an opinion (satisfactory to the Company) of counsel (satisfactory to the Company) that registration is not required."

(e) Such Buyer acknowledges that all matters relating to CRC, the Agreement and such Buyer's investment in the CRC Common Stock have been explained to the satisfaction of such Buyer and that such Buyer understands the speculative nature and risks involved in this investment.

(f) Such Buyer can bear the economic risks inherent in its investments in the CRC Common Stock.

(g) Such Buyer has been afforded the opportunity to ask questions of, and receive answers from CRC and has had access to all information deemed material

to an investment decision with respect to his acquisition of the Common Stock.

3.3 Representations. Such Buyer is acquiring the CRC Common Stock without having been furnished any representations or warranties of any kind whatsoever with respect to CRC's business and financial condition. Without limiting the generality of the foregoing, such Buyer acknowledges that neither CCL, CRC nor any other person has provided, and such Buyer is not relying in any way upon, any representations regarding projections or future performance of CRC.

#### ARTICLE IV - REPURCHASE SUBJECT TO REGULATORY APPROVAL

4.1 Sale and Purchase. Provided that (i) any and all licensing and approval of the Louisiana Gaming and Control Board required by the laws, rules and regulations of the State of Louisiana pertaining to licensed gaming activities and any other applicable foreign, federal or state authorities has been obtained ("Louisiana Regulatory Approval"), and (ii) the following transaction is in compliance with all applicable maritime laws (including the Jones Act), then during the period that any of the Notes are outstanding, upon written notice from either Weiser, on behalf of the Buyers, or CCL to the Buyers (the "Repurchase Notice"), CCL shall repurchase from Buyers and the Buyers shall sell to CCL, on the date and in the manner set forth in this Article IV, any of the Purchased Shares then held by Buyers, at the Purchase Price per share of Common Stock 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 purchase price per share 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 Purchased Shares are acquired by CCL pursuant to this Article IV. Each of the Buyers agree that Weiser shall have the sole right to deliver or receive the Repurchase Notice on behalf of the Buyers. Notwithstanding anything to the contrary contained herein, the repurchase of the Purchased Shares is subject to Louisiana Regulatory Approval. In the event that Louisiana Regulatory Approval is not obtained, the parties acknowledge that they shall have no recourse against the Louisiana Gaming Control Board, the Attorney General of the State of Louisiana, the Department of Safety and Corrections, Office of State Police, and their members and employees, except as provided under applicable Louisiana law, including the Louisiana Gaming Control Law, and the rules and regulations promulgated thereunder.

4.2 Terms of Payment of Purchase Price. CCL shall pay to Buyers the purchase price for all Purchased Shares acquired pursuant to this Article IV in cash; provided, however, that CCL shall have the right to reduce, deduct or otherwise offset against each payment otherwise due to a Buyer hereunder any and all amounts owed to CCL by such Buyer, including principal and accrued interest owed to CCL pursuant to the Note delivered by such Buyer pursuant to this Agreement.

4.3 Closing. The consummation of any transfer under this Article IV shall take place on the later of (i) the 10<sup>th</sup> business day after the Repurchase Notice is received by CCL or Weiser, as the case may be, or (ii) receipt of Louisiana Regulatory Approval. The closing shall occur at the principal office of CRC, and the closing procedures shall be consistent with the provisions of this Article IV.

4.4 Tender Requirements at Closing. At the closing, the Buyers shall present to CCL share certificates for all Purchased Shares to be acquired by CCL pursuant to this Article IV, such share certificates to be in proper form for transfer. Such shares shall be transferred free of all liens and encumbrances or adverse claims of any kind of character. CCL, upon receipt of proper tenders from Buyers, shall tender payment in accordance with the terms provided in this Article IV.

#### ARTICLE V - MISCELLANEOUS

5.1 Further Assurances. Following the Closing, the parties shall execute and deliver such documents, and take such action, as shall be reasonably requested by any other party hereto to carry out the transactions contemplated by this Agreement.

5.2 Publicity. Neither of the parties hereto shall issue or make, or cause to have issued or made, any public release or announcement concerning this Agreement or the transactions contemplated hereby, without the advance approval in writing of the form and substance thereof by the other party hereto, which approval shall not be unreasonably withheld, except as required by law.

5.3 Notices. Any notice, request, instruction, correspondence or other document to be given hereunder by any party hereto to another (herein collectively called "Notice") shall be in writing and delivered personally or mailed by registered or certified mail, postage prepaid and return receipt requested, or by telecopier, or by a reputable overnight courier, as follows:

If to CCL:

Carnival Corporation  
3655 N.W. 87th Avenue  
Miami, Florida 33178  
Attention: Chief Financial Officer

If to any Buyer:

c/o CRC Holdings, Inc.  
3250 Mary Street, 5th Floor  
Miami, Florida 33133  
Attention: Chief Financial Officer

5.4 Governing Law. The provisions of this Agreement and the documents delivered pursuant hereto shall be governed by and construed in accordance with the laws of the State of Florida; provided that the exercise of all rights and remedies by any of the parties is subject to any applicable Louisiana Gaming Control Law, and the rules and regulations promulgated thereunder.

5.5 Entire Agreement; Amendments and Waivers. This Agreement, together with all exhibits and schedules attached hereto, constitutes the entire agreement between and among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as set forth specifically herein or contemplated hereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (regardless of whether similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

5.6 Binding Effect and Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns. Nothing in this Agreement, express or implied, is intended to confer upon any person or entity other than the parties hereto and their respective permitted successors and assigns, any rights, benefits or obligations hereunder.

5.7 Multiple Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

EXECUTED as of the date first written above.

CARNIVAL CORPORATION

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

\*

Sherwood M. Weiser

\*

Donald E. Lefton

\*

Thomas F. Hewitt

\*

Peter L. Sibley

\*

W. Peter Temling

\*

Robert B. Sturges

\* Executed By Power of Attorney

By:/s/ W. Peter Temling  
W. Peter Temling

## CARNIVAL CORPORATION

## SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective Date: December 1, 1999

WHEREAS, Carnival Corporation ("Company") desires to establish the Carnival Corporation Supplemental Executive Retirement Plan ("Plan") for the purpose of providing to a select group of management or highly compensated employees ("Eligible Employees") certain supplemental retirement benefits, effective December 1, 1999;

NOW, THEREFORE, to effectuate its intentions, the Company hereby adopts this Plan effective as of the first day of December 1, 1999.

## SECTION 1

## DEFINITIONS

For purposes of the Plan, the following words and phrases shall have the following meanings unless a different meaning is plainly required by the context.

- 1.1 Account means a recordkeeping source from which Plan benefits are determined.
- 1.2 Administrator or Plan Administrator means the Company.
- 1.3 Beneficiary means the person, persons, trust or other entity a Participant designates by written revocable designation filed with the Company to receive payments in the event of his death.
- 1.4 Board means the Company's Board of Directors or a committee thereof.
- 1.5 Code means the Internal Revenue Code of 1986, as amended.
- 1.6 Company means Carnival Corporation and any successor thereto, and for purposes of determining eligibility to participate in the Plan, any affiliated company which is a member of a controlled group of corporations within the meaning of section 1563(a) of the Code with Carnival Corporation which adopts this Plan with the consent of the Company.
- 1.7 Compensation means an Eligible Employee's compensation from the Company, including salary, bonus, amounts deferred under the Carnival Corporation "FunShip" Nonqualified Savings Plan, and any incentive pay without regard to limitations under Section 401(a)(17) of the Internal Revenue Code. Compensation shall not include income attributable to taxable or nontaxable fringe benefits or any income that arises in connection with any equity based compensation program offered by the Company.
- 1.8 Effective Date means December 1, 1999.
- 1.9 Eligible Employee means each person determined under Section 2 as eligible to participate in the Plan.
- 1.10 Participant means
  - A. An Eligible Employee who participates under the Plan in accordance with Sections 2.1 and 3.1.
  - B. Each other Eligible Employee or former Eligible Employee for whom an Account is maintained.
- 1.11 Plan means the Carnival Corporation Supplemental Executive Retirement Plan as described in this instrument, and the same as may be amended from time to time.
- 1.12 Plan Year means the twelve (12) consecutive month period beginning on each January 1 and ending on the following December 31.
- 1.13 Retirement Plan means the Carnival Corporation Nonqualified Retirement Plan.
- 1.14 Termination of Employment means the termination of the Participant's services for any reason.

1.15 Year of Service means the completion of twelve consecutive months of service with the Company and shall include all service with the Company prior to the Effective Date of the Plan and any additional service credited under the Retirement Plan.

## SECTION 2

### PARTICIPATION IN THE PLAN

2.1 Eligibility to Participate. Robert H. Dickinson and Howard S. Frank, and any other person designated by the Board shall participate in the Plan. However, eligibility to participate in the Plan is preconditioned upon waiving any benefit under the Company's Deferred Compensation Agreement. It is the intention of the Company that this Plan constitute a "top hat" plan and therefore only those persons who are determined to be within a select group of management or highly compensated shall be entitled to participate in the Plan.

2.2 Procedure For and Effect of Admission. Each Eligible Employee shall complete such forms and provide such data as reasonably required by the Company including Beneficiary designation forms and payment of benefit forms. By becoming a Participant, an Eligible Employee shall be deemed conclusively to have assented to the provisions of this Plan and all amendments hereto.

2.3 Cessation of Participation. A Participant shall cease to be an active participant on the earlier of:

- A. the date on which the Plan terminates, or
- B. the date on which he ceases to be an Eligible Employee.

A former active participant will be deemed a Participant for all purposes except with respect to the right to receive "an additional benefit," as long as he retains a Plan Account.

## SECTION 3

### PLAN BENEFITS

3.1 Plan Benefits. The annual benefit under this Plan to which an eligible Participant or his or her Beneficiary shall be entitled shall be determined as follows:

(A) 50% of final pay ("final pay" shall mean a Participant's highest Compensation in any twelve month period within the last sixty months) reduced proportionately for each Year of Service less than 25.

minus

(B) The amount of benefits payable to the Participant under the Company's Retirement Plan;

minus

(C) The Participant's Primary Social Security Amount (as defined in the Retirement Plan) at the social security retirement age (determined without regard to such Participant's election to receive social security benefits prior to social security retirement age).

3.2 Early Retirement. A Participant may retire before a participant reaches age 65, and receive benefits pursuant to Section 3.1, upon the attainment of age 55 and the completion of at least 15 Years of Service. Such benefit shall be reduced by 3% for each year (1/4% for each month) that the Participant retires before age 65.

## SECTION 4

### MAINTENANCE OF PARTICIPANT ACCOUNTS

4.1 Establishment of Accounts. The Administrator shall establish and maintain a separate bookkeeping Account in the name of each Participant solely for purposes of determining the accrued benefit of each Participant.

4.2 Relationship of the Parties. To the extent a Participant or any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured creditor of the Company. Neither this Plan nor any action taken pursuant to the terms of

this Plan shall be considered to create a fiduciary relationship between the Company and the Participants or any other persons or to require the establishment of a trust in which the assets are beyond the claims of any unsecured creditor of the Company. Notwithstanding Section 4.3 below, the Company may, at its discretion, make contributions to a rabbi trust that will be used to pay benefits under the Plan as they become due and owing.

- 4.3 No Requirement to Fund. This Plan is not funded in any way or form. It is the Company's intention that this Plan be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated persons within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

#### SECTION 5

#### BENEFITS

- 5.1 Payment of Benefit. Subject to the approval of the Company, each Participant shall elect the form and timing of their distribution.

A. Form of Payment Except as provided in Section 3.2, a Participant or his or her Beneficiary may elect that the payment of Benefits to which a Participant or his or her Beneficiary shall be entitled under this Plan shall be made in one of the following forms:

1. Life with 5-Year Certain Benefit -- an annuity for the life of the Participant, but if the Participant dies within 5 years of the date distribution of Benefits began, the annuity is payable to the Participant's Beneficiary for the remainder of that 5-year period;
2. Life with 10-Year Certain Benefit -- an annuity for the life of the Participant, but if the Participant dies within 10 years of the date distribution of Benefits began, the annuity is payable to the Participant's Beneficiary for the remainder of that 10-year period;
3. Qualified Joint and Survivor Annuity -- an annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse, where the survivor annuity is either 50% or 100% of the amount payable during the joint lives of the Participant and the Participant's spouse;
4. Single cash distribution of the full amount payable - the actuarial equivalent present value of the Participant's Vested Interest payable at his Normal Retirement Date.

The value of such Benefit shall be determined using the same actuarial factors as provided for in the Retirement Plan.

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

1. as soon as administratively practicable following the Participant's Termination of Employment;
2. as soon as administratively practicable following the calendar year of the Participant's Termination of Employment;
3. in the month following the earlier of (A) the Participant's attainment of age 55 and 15 Years of Service, or (B) the Participant's attainment of age 65; or
4. in a specific month and year.

Notwithstanding the foregoing, if a Participant elects his distribution to be made or commenced in accordance with paragraph (3) above, and such date falls before the Participant's Termination of Employment, the Participant's distribution shall be made or commenced in accordance with paragraph (1) above. Notwithstanding the foregoing, subject to the approval of the Company, a Participant may change his form and timing election applicable to his benefit, provided that such request to change is made at least twelve (12) consecutive months prior to the date on which such distribution would have otherwise been made on or commenced. If a Participant dies before commencement of distribution of Participant's Benefits under the Plan, such Benefits shall be paid in a lump sum to the Participant's Beneficiary, using the same actuarial assumptions as in the Retirement Plan. If a Participant dies after commencement of distribution of his or her Benefits under the Plan, the Participant's Benefits shall be paid to the Participant's Beneficiary in accordance with the Participant's election.

- 5.2 Beneficiary Designation

A. Each Participant may designate a Beneficiary to receive the benefits payable in the event of the Participant's death, and designate a

successor Beneficiary to receive any benefits payable in the event of the death of any other Beneficiary.

B. A Participant may change a Beneficiary designation at any time. All Beneficiary designations and changes shall be made on an appropriate form as designated by the Plan Administrator and filed with the Plan Administrator.

C. If no person shall be designated by the Participant, or if the designated Beneficiary shall not survive the Participant, payment of the Participant's Account shall be made to the Participant's estate.

5.3 Tax Withholding. To the extent required by the law in effect at the time benefits are distributed pursuant to this Section 5, the Company shall withhold any taxes required by the federal or any state or local government from payments made hereunder.

## SECTION 6

### ADMINISTRATION

6.1 Appointment of Administrator. The Company shall serve as the Administrator.

6.2 Administrator's Responsibilities. The Administrator is responsible for the day to day administration of the Plan. The Administrator may appoint other persons or entities to perform any of its fiduciary functions.

6.3 Records and Accounts. The Administrator shall maintain or shall cause to be maintained accurate and detailed records and accounts of Participants and of their rights under the Plan.

6.4 Liability. The Company shall not be liable to any person for any action taken or omitted in connection with the administration of this Plan unless attributable to the fraud or willful misconduct on the part of a director, officer or agent of the Company.

6.5 Payment of Expenses. All expenses incurred in the operation or administration of this Plan shall be paid by Company.

6.6 Substitute Payee. If a Participant or Beneficiary entitled to receive any benefits hereunder is in his minority, or is, in the judgment of the Company, legally, physically, or mentally incapable of personally receiving and receipting any distribution, the Company may make distributions to a legally appointed guardian or to such other person or institution as, in the judgment of the Company, is then maintaining or has custody of the payee.

## SECTION 7

### CLAIMS PROCEDURE

7.1 Claims Procedures. The Administrator shall establish a claims procedure and shall afford a reasonable opportunity to any Participant whose claim for benefits has been denied for a full and fair review of the decision denying such claim. The claims procedure shall provide for a notice of denial of a claim to be received by a claimant within a reasonable period, not to exceed ninety (90) days, following the filing of a claim. The notice shall provide the reason for the denial, references to the Plan provisions on which the denial is based, a description of additional information necessary to perfect a claim and the steps required to submit a claim for review. The period to request a review must be for at least sixty (60) days after a receipt of notice of denial of a claim. A decision on review shall be made within sixty (60) days after the Plan's receipt of a request for a review unless special circumstances require a longer period in which case the Plan shall have an additional sixty (60) days. The final decision shall be in writing and shall include specific reasons for the decision and references to Plan provisions.

## SECTION 8

### AMENDMENT AND TERMINATION

8.1 Plan Amendment. The Plan may be amended or otherwise modified by the Board, in whole or in part, provided that no amendment or modification shall divest any Participant of any amount previously earned under Section 3.1.

8.2 Termination of the Plan. The Board reserves the right to terminate the Plan at any time in whole or in part. In the event of any such termination, the Company shall pay a benefit to the Participant or the

Beneficiary of any deceased Participant, in lieu of other benefits hereunder, equal to the value of the Participant's Account in the form and at the benefit commencement date elected by the Participant pursuant to section 5.1 of the Plan.

## SECTION 9

### MISCELLANEOUS

- 9.1 Supplemental Benefits. Unless otherwise stated herein, the benefits provided for the Participants under this Plan are in addition to benefits provided by any other plan or program of the Company and, except as otherwise expressly provided herein, the benefits of this Plan shall supplement and shall not supersede any plan or agreement between the Company and any Participant or any provisions contained herein.
- 9.2 Governing Law. The Plan shall be governed and construed under the laws of the State of Florida.
- 9.3 Spendthrift Provision. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or change, and any such action shall be void for all purposes of the Plan. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachments or other legal process for or against any person, except to such extent as may be required by law.
- 9.4 Binding Terms. The terms of this Plan shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, executors, administrators and successors.
- 9.5 Headings. All headings preceding the text of the several Sections hereof are inserted solely for reference and shall not constitute a part of this Plan, nor affect its meaning, construction or effect.
- 9.6 Rule of Interpretation. Where appropriate, words in the masculine gender shall include the feminine gender and vice versa.
- 9.7 Limitation of Rights. Neither the establishment of this Plan, nor any modification thereof, nor the creation of an account, nor the payment of any benefits shall be construed as giving:
- A. any Participant, Beneficiary, or any other person whomsoever, any legal or equitable right against the Company unless such right shall be specifically provided for in the Plan or conferred by affirmative action of the Administrator in accordance with the terms and provisions of the Plan; or
  - B. any Participant the right to be retained in the service of the Company, and all Participants and other agents shall remain subject to termination to the same extent as if the Plan had never been adopted.
- 9.8 Severability. Should any provision of the Plan or any regulations adopted thereunder be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions or regulations unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall adopt a new provision or regulation to take the place of the one held illegal or invalid.

AMENDMENT TO  
THE CARNIVAL CORPORATION  
"FUN SHIPsm" NONQUALIFIED SAVINGS PLAN

The Carnival Corporation "Fun Shipsm " Nonqualifed Savings Plan (the "Plan") is hereby amended, effective January 1, 2000, as follows:

(1) A new Section 2.14(f) is added to the Plan to read as follows:

(f) If a Participant transfers directly from an Affiliated Company to any company in which the Company holds an equity interest (but that is not an Affiliated Company), service with such company shall be counted solely for purposes of determining a Participant's vested interest in Matching and Profit-Sharing Contributions under Article 5 of the Plan. Service with such company shall not be credited if it occurs prior to the date the individual became a Participant in the Plan or after the Participant works at any entity in which the Company does not hold an equity interest.

(2) Section 6.3 is amended to read as follows:

6.3 Establishment of Investment Funds: The Retirement Committee will establish one or more Investment Funds (such as those described in Appendix A) which will be maintained for the purpose of determining the investment return to be credited to each Participant's Account. The Retirement Committee may change the number, identity or composition of the Investment Funds from time to time. Each Participant will indicate the Investment Funds based on which amounts allocated in accordance with Articles 4 and 5 are to be adjusted. Each Participant's Account will be increased or decreased by the net amount of investment earnings or losses that it would have achieved had it actually been invested in the deemed investments. The Company is not required to purchase or hold any of the deemed investments. Investment Fund elections must be made in a minimum of 1% increments and at such times and in such manner as the Retirement Committee will specify. An active or inactive Participant periodically may change his election as to his deemed investments with respect to Employee Deferral Contributions, Bonus Deferrals, Matching Contributions or Profit-Sharing Contributions in such manner as the Retirement Committee may specify. If a Participant fails to make an Investment Fund election, the amount in the Participant's Account will be deemed to have been invested in a money market fund or any other fund as determined by the Retirement Committee.

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

	YEARS ENDED NOVEMBER 30,				
	1999	1998	1997	1996	1995
Net Income	\$1,027,240	\$835,885	\$666,050	\$566,302	\$451,091
Income tax expense	2,778	3,815	6,233	9,045	9,374
Income before income taxes	1,030,018	839,700	672,283	575,347	460,465
Adjustment to Earnings:					
Minority interest	14,014	11,102			
Income from affiliates in excess of dividends received	(60,671)	(63,059)	(46,569)	(43,224)	0
Earnings as adjusted	983,361	787,743	625,714	532,123	460,465
Fixed Charges:					
Interest expense	46,956	57,772	55,898	64,092	63,080
Interest portion of rent expense (1)	3,405	3,480	3,528	3,093	2,529
Capitalized interest	40,908	35,130	16,846	25,799	18,762
Total fixed charges	91,269	96,382	76,272	92,984	84,371
Fixed charges not affecting earnings:					
Capitalized interest	(40,908)	(35,130)	(16,846)	(25,799)	(18,762)
Earnings before fixed Charges	\$1,033,722	\$848,995	\$685,140	\$599,308	\$526,074
Ratio of earnings to fixed charges	11.3 x	8.8 x	9.0 x	6.4 x	6.2 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,	
	1999	1998
Current Assets		
Cash and cash equivalents	\$ 521,771	\$ 137,273
Short-term investments	22,800	5,956
Accounts receivable, net	62,887	60,837
Consumable inventories, at average cost	84,019	75,449
Prepaid expenses and other	100,159	90,764
Total current assets	791,636	370,279
Property and Equipment, Net	6,410,527	5,768,114
Investments in and Advances to Affiliates	586,922	546,693
Goodwill, less Accumulated Amortization of \$85,272 and \$72,255	462,340	437,464
Other Assets	34,930	56,773
	\$8,286,355	\$7,179,323
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 206,267	\$ 67,626
Accounts payable	195,879	168,546
Accrued liabilities	262,170	206,968
Customer deposits	675,816	638,383
Dividends payable	64,781	53,590
Total current liabilities	1,404,913	1,135,113
Long-Term Debt	867,515	1,563,014
Deferred Income and Other Long-Term Liabilities	82,680	63,036
Commitments and Contingencies (Notes 2, 8 and 14)		
Minority Interest		132,684
Shareholders' Equity		
Common Stock; \$.01 par value; 960,000 shares authorized; 616,966 and 595,448 shares issued and outstanding	6,170	5,955
Additional paid-in capital	1,757,408	880,488
Retained earnings	4,176,498	3,379,628
Unearned stock compensation	(9,945)	(5,294)
Accumulated other comprehensive income	1,116	24,699
Total shareholders' equity	5,931,247	4,285,476
	\$8,286,355	\$7,179,323

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,		
	1999	1998	1997
Revenues	\$3,497,470	\$3,009,306	\$2,447,468
Costs and Expenses			
Operating expenses	1,862,636	1,619,377	1,322,669
Selling and administrative	447,235	369,469	296,533
Depreciation and amortization	243,658	200,668	167,287
	2,553,529	2,189,514	1,786,489
Operating Income Before Income From Affiliated Operations	943,941	819,792	660,979
Income From Affiliated Operations, Net	75,758	76,732	53,091

Operating Income	1,019,699	896,524	714,070
Nonoperating Income (Expense)			
Interest income	41,932	10,257	8,675
Interest expense, net of capitalized interest	(46,956)	(57,772)	(55,898)
Other income, net	29,357	1,793	5,436
Income tax expense	(2,778)	(3,815)	(6,233)
Minority interest	(14,014)	(11,102)	
	7,541	(60,639)	(48,020)
Net Income	\$1,027,240	\$ 835,885	\$ 666,050

Earnings Per Share:

Basic	\$1.68	\$1.40	\$1.12
Diluted	\$1.66	\$1.40	\$1.12

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,		
	1999	1998	1997
<b>OPERATING ACTIVITIES</b>			
Net income	\$1,027,240	\$ 835,885	\$666,050
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	243,658	200,668	167,287
Income from affiliates in excess of dividends received	(60,671)	(63,059)	(46,569)
Minority interest	14,014	11,102	
Other	4,007	(8,428)	2,540
Changes in operating assets and liabilities, excluding businesses acquired and consolidated:			
(Increase) decrease in:			
Receivables	(3,271)	137	(21,229)
Consumable inventories	(8,570)	(3,913)	(1,689)
Prepaid expenses and other	(9,465)	(15,369)	903
Increase in:			
Accounts payable	27,333	18,758	22,035
Accrued liabilities	58,016	42,401	20,042
Customer deposits	37,433	73,658	68,210
Net cash provided from operating activities	1,329,724	1,091,840	877,580
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment, net	(872,984)	(1,150,413)	(497,657)
Proceeds from sale of assets		47,028	17,041
Acquisition of consolidated subsidiaries, net	(54,715)	(242,868)	
Purchase of equity interests in affiliates	(1,365)		(38,378)
(Increase) decrease in short-term investments, net	(11,890)	4,052	2,748
Other (additions to) reductions in investments in and advances to affiliates, net	(310)	(380)	39,540
Other, net	30,884	21,528	21,805
Net cash used for investing activities	(910,380)	(1,321,053)	(454,901)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of Common Stock, net	741,575	11,399	5,162
Principal payments of long-term debt	(564,838)	(1,006,586)	(424,391)
Dividends paid	(219,179)	(178,458)	(130,456)
Proceeds from long-term debt	7,772	1,404,395	155,366
Other	(176)	(4,253)	
Net cash (used for) provided from financing activities	(34,846)	226,497	(394,319)
Net increase (decrease) in cash and cash equivalents	384,498	(2,716)	28,360
Cash and cash equivalents at beginning of year	137,273	139,989	111,629
Cash and cash equivalents at end of year	\$521,771	\$137,273	\$139,989



Net income	\$1,027,240		1,027,240		1,027,240
Changes in securities valuation allowance	(4,374)			(4,374)	(4,374)
Foreign currency translation adjustment	(19,209)			(19,209)	(19,209)
Total comprehensive income	\$1,003,657				
Cash dividends		(230,370)			(230,370)
Issuance of stock offering, net	170	725,062			725,232
Issuance of stock to acquire minority interest in Cunard Line Limited	32	127,037			127,069
Issuance of stock under stock plans	13	24,821	(7,326)		17,508
Amortization of unearned stock compensation			2,675		2,675
Balances at November 30, 1999	\$6,170	\$1,757,408	\$4,176,498	\$(9,945)	\$1,116 \$5,931,247

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 consolidated 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 fourteen cruise ships cruising primarily in the Caribbean and the Mexican Riviera. Holland America operates nine 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 two and six luxury cruise vessels, respectively, to worldwide destinations. Holland America Line-Westours Inc. markets sightseeing tours both separately and as a part of Holland America Westours 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.

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 publicly traded air-inclusive integrated leisure travel company headquartered in England. Costa operates six cruise ships (an additional ship is scheduled to begin operations in July 2000) in Europe, the Caribbean and South America and its cruises are marketed primarily to Europeans. Airtours provided holidays for approximately ten million people in 1999 primarily from the United Kingdom, Germany, Scandinavia, Western Europe and North America and owns or operates over 1,000 retail travel shops, 42 aircraft, four cruise ships, 46 resort properties and develops and markets two vacation ownership resorts. Airtours also owns the other 50% of Il Ponte not owned by the Company.

Preparation of Financial Statements

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements. Actual results could differ from these estimates. All material intercompany transactions and accounts have been eliminated in consolidation.

## Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include investments with original maturities of three months or less and are stated at cost. At November 30, 1999 and 1998, cash and cash equivalents include \$502 million and \$111 million of investments, respectively, primarily comprised of investment grade commercial paper.

Short-term investments are comprised of marketable equity and debt securities 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 accumulated other comprehensive income within 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 average 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 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, 1999 and 1998, the costs in excess of the net assets acquired of affiliates ("goodwill") was \$232 million and \$241 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 \$272 million (\$235 million at November 30, 1998) resulting from the acquisition of Cunard and consolidation of Seabourn is being amortized using the straight-line method over 40 years.

## Foreign Currency Contracts

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 or speculative 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.

In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Pursuant to SFAS No. 133, 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 No. 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (December 1, 2000 for the Company). The Company has not yet determined the impact that the adoption of SFAS No. 133 will have, but does not currently expect the adoption to have a material impact on its results of operations or cash flows.

#### 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 \$178 million in 1999, \$142 million in 1998, and \$112 million in 1997. At November 30, 1999 and 1998, \$21.7 million and \$18.8 million, respectively, of advertising related costs, principally brochures, were included in prepaid expenses and other in the accompanying balance sheets.

#### Foreign Currency Transactions and Translations

For foreign subsidiaries and affiliates using the local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet dates and income and expenses are translated at average exchange rates. The effects of these translation adjustments are reported in accumulated other comprehensive income within shareholders' equity. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in income currently.

#### Income Taxes

Management believes that substantially all of the Company's income (with the exception of its United States ("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 certain tests of the Internal Revenue Code, as amended, (the "Code") or if the Code were to be changed in a manner adverse to the Company, a portion 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 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 11).

#### 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 10).

#### Accounting Changes

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 was included in other nonoperating expenses in the 1998 statement of operations.

In 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." Comprehensive income consists of net income and other comprehensive income, the latter includes unrealized gains and losses on available for sale securities and foreign exchange translation adjustments and is presented in the accompanying statements of shareholders' equity. The adoption of SFAS No. 130 had no effect on shareholders' equity. Prior year financial statements have been reclassified to conform to the SFAS No. 130 requirements.

In 1999, the Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 supercedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," replacing the industry segment approach with the "management" approach. The management approach designates the internal organization that is used by management for making decisions and assessing performance as the source for determining the Company's reportable segments. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position but did affect the disclosure of segment information(see Note 9).

#### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	November 30,	
	1999	1998
Vessels	\$6,543,592	\$5,754,218
Vessels under construction	506,477	526,529
	7,050,069	6,280,747
Land, buildings and improvements	235,333	217,597
Transportation and other equipment	395,008	322,069
Total property and equipment	7,680,410	6,820,413
Less accumulated depreciation and amortization	(1,269,883)	(1,052,299)
	\$6,410,527	\$5,768,114

Capitalized interest, primarily on vessels under construction, amounted to \$40.9 million in 1999, \$35.1 million in 1998 and \$16.8 million in 1997.

#### 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. 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 50% direct interest in Costa 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 (see Note 8). 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. At November 30, 1999 and 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 \$837 million and \$835 million, respectively, as compared with the carrying value of the Company's investment in Airtours of \$439 million and \$432 million, respectively. 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 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, 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. These amounts were in excess of the Company's carrying value per share. The issuance of these shares reduced the Company's ownership of Airtours to approximately 26%. As a result of these transactions, the Company recognized a net gain of \$14.8 million, which is included in other nonoperating income in the 1998 statement of operations.

Dividends received from affiliates were \$15.1 million, \$13.7 million and \$11.4 million in fiscal 1999, 1998 and 1997, respectively.

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

Balance Sheet Data:	As of End of Fiscal Years	
	1999	1998
Current assets	\$2,310,485	\$1,722,616
Long-term assets	\$2,332,871	\$2,115,373
Current liabilities	\$1,802,385	\$1,560,228
Long-term liabilities	\$1,741,010	\$1,325,220
Shareholders' equity	\$1,099,961	\$ 952,541

Income Statement Data:	Fiscal Years Ended		
	1999	1998	1997
Revenues	\$5,963,425	\$5,282,230	\$3,965,223
Gross margin	\$1,265,614	\$1,128,305	\$ 702,162
Net income	\$ 255,146	\$ 264,936	\$ 174,354

Segment information for the Company's affiliate operations is provided in accordance with SFAS No. 131 as follows (in thousands):

	Fiscal Years Ended		
	1999	1998	1997
Operating income	\$359,953	\$374,560	\$269,425
Depreciation and amortization	\$133,302	\$100,532	\$ 61,936
Capital expenditures	\$356,267	\$184,395	\$145,667

#### NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	November 30,	
	1999	1998
Commercial paper	\$	\$ 368,710
Unsecured 5.65% Notes Due October 15, 2000	199,920	199,833
Unsecured 6.15% Notes Due April 15, 2008	199,564	199,512
Unsecured 6.65% Debentures Due January 15, 2028	199,274	199,249
Unsecured 6.15% Notes Due October 1, 2003	124,974	124,967
Unsecured 7.2% Debentures Due October 1, 2023	124,886	124,881
Unsecured 7.7% Notes Due July 15, 2004	99,947	99,936
Unsecured 7.05% Notes Due May 15, 2005	99,891	99,871
Notes payable secured by vessels	5,000	174,198
Other loans payable	20,326	39,483
	1,073,782	1,630,640
Less portion due within one year	(206,267)	(67,626)
	\$ 867,515	\$1,563,014

Since the commercial paper is backed by the long-term revolving credit facilities described below, balances outstanding under the commercial paper programs were classified as long-term in the 1998 balance sheet.

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, 1999, the Company had \$1.2 billion 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, 1999, the Company was

in compliance with all of its debt covenants.

In late November 1999, the Company prepaid approximately \$124 million of Cunard's notes payable, which were secured by vessels.

At November 30, 1999, the scheduled annual maturities of the Company's long-term debt are summarized as follows (in thousands):

Fiscal	
2000	\$ 206,267
2001	5,497
2002	527
2003	125,968
2004	105,448
Thereafter	630,075
	\$1,073,782

#### NOTE 6 - SHAREHOLDERS' EQUITY

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, 1999 and 1998, no Preferred Stock had been issued.

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.

In December 1998, the Company issued 17 million shares of its Common Stock in a public offering and received net proceeds of approximately \$725 million. The Company issued the stock concurrent with the addition of the Company's Common Stock to the S&P 500 Composite Index.

At November 30, 1999, there were approximately 15.8 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 1999, the Company declared cash dividends aggregating \$0.375 per share for the year. In October 1999, the Board of Directors increased the quarterly dividends from \$0.09 per share to \$0.105 per share.

At November 30, 1999 and 1998, retained earnings included undistributed earnings of affiliates (accounted for using the equity method) of approximately \$198 million and \$138 million, respectively. The Company does not expect that additional income taxes will be incurred on future distributions of such earnings and, accordingly, no deferred income taxes have been provided for the distribution of these earnings. At November 30, 1999 and 1998, accumulated other comprehensive income within shareholders' equity included cumulative foreign currency translation adjustments which increased shareholders' equity by \$6.0 million and \$25.2 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 and accrued liabilities approximate their fair values due to the short-term maturities of these instruments.

#### Other Assets

At November 30, 1999 and 1998, long-term other assets include marketable securities held in a "Rabbi Trust" for certain of the Company's non-qualified benefit plans, long-term receivables and other restricted securities. These assets have carrying values of \$28.3 million and \$48.7 million and have fair values of \$28.3 million and \$40 million at November 30, 1999 and 1998, respectively. Fair value is estimated based on quoted market prices or expected future discounted cash flows.

#### Long-term Debt

At November 30, 1999 and 1998, the fair value of the Company's long-term debt, including the current portion, was approximately \$1.021 billion and \$1.647 billion, respectively, which was approximately \$53 million less than and \$16 million more than the carrying values on those respective dates. The difference between the fair value of the long-term debt and the carrying value was due to the Company's issuance of fixed rate debt obligations at interest rates that are above or below market rates in existence 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. The Company is prohibited from redeeming substantially all of its long-term debt before its 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 instruments.

Several of the Company's contracts for the construction of cruise vessels are denominated in either Italian Lira or German Deutsche Marks. The Company is a party to forward foreign currency contracts with notional amounts of \$1.86 billion and \$745 million at November 30, 1999 and 1998, respectively, to fix the price of these vessels into U.S. dollars (see Note 8). At November 30, 1999 and 1998, these forward contracts had an estimated fair value of approximately \$1.81 billion and \$815 million, respectively.

#### NOTE 8 - COMMITMENTS AND CONTINGENCIES

##### Capital Expenditures

A description of ships under contract for construction at November 30, 1999 is as follows (in millions, except passenger capacity data):

Vessel	Expected Service Date(1)	Shipyard	Passenger Capacity(2)	Estimated Total Cost(3)
Carnival				
Carnival Victory	9/00	Fincantieri	2,758	\$ 450
Carnival Spirit	4/01	Masa-Yards	2,120	375
Carnival Pride	1/02	Masa-Yards (4)	2,120	375
Carnival Legend	8/02	Masa Yards (4)	2,120	375
Carnival Conquest	12/02	Fincantieri	2,758	450
Carnival Glory	8/03	Fincantieri	2,758	450
Total Carnival			14,634	2,475
Holland America				
Zaandam	5/00	Fincantieri(5)	1,440	300
Amsterdam	11/00	Fincantieri	1,380	300

Newbuild	10/02	Fincantieri(5)	1,820	400
Newbuild	8/03	Fincantieri(5)	1,820	400
Total Holland America			6,460	1,400
Total			21,094	\$3,875

(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 of the completed vessel includes the contract price with the shipyard, design and engineering fees, capitalized interest, various owner supplied items and construction oversight costs.

(4) These construction contracts are denominated in German Deutsche Marks and have been fixed into U.S. dollars through the utilization of forward foreign currency contracts.

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

In connection with the ships under contract for construction, the Company has paid approximately \$506 million through November 30, 1999 and anticipates paying the remaining estimated total cost as follows (in millions):

Fiscal	
2000	\$ 764
2001	756
2002	1,129
2003	720
	\$3,369

#### Litigation

Several actions (collectively the "Passenger Complaints") have been filed against Carnival and one action has been filed against 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 actions against Carnival are in various stages of progress and are proceeding.

Holland America Westours has 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. One member of the settlement class appealed the court's approval of the settlement and a decision on such appeal is expected shortly. A further appeal could be taken by either party which could result in the settlement being delayed for an additional one year. 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, 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 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.

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 claims and lawsuits, 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 Transactions

During August and December 1998, the Company entered into lease out and lease back transactions with respect to two of its vessels. The Company has effectively guaranteed certain obligations or provided letters of credit to participants in the transactions which, at November 30, 1999, total approximately \$358 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 approximately 18 years, the Company has the right to exercise purchase options that would terminate these transactions. As a result of these transactions, the Company received approximately \$22 million (net) in both August and December 1998 which is recorded as deferred income on the balance sheets and is being amortized to nonoperating income over approximately 18 years.

#### Operating Leases

Rent expense for all operating leases, primarily office and warehouse space, for fiscal 1999, 1998 and 1997 was approximately \$10.2 million, \$10.4 million and \$10.6 million, respectively. At November 30, 1999, minimum annual rentals for all operating leases, with initial or remaining terms in excess of one year, were as follows (in thousands):

Fiscal	
2000	\$ 9,601
2001	7,444
2002	6,066
2003	5,044
2004	4,621
Thereafter	24,032
	\$56,808

#### Guarantees of Debt

At November 30, 1999, the Company has guaranteed approximately \$107 million of debt, including \$88.6 million of Il Ponte's acquisition indebtedness for the Company's interest in Costa.

#### Other

At November 30, 1999, 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	
2000	\$ 8,853
2001	9,402
2002	9,315
2003	11,548
2004	11,528
Thereafter	125,937
	\$176,583

The Company has contracted for the sale in October 2000 of one of Holland America's ships, the Nieuw Amsterdam, for \$114.5 million in cash and notes. This sale is expected to result in a minimal gain in fiscal 2000.

NOTE 9 - SEGMENT INFORMATION

In 1999, the Company adopted SFAS No. 131. The Company's cruise segment operates five cruise brands which have been aggregated as a single operating segment based on the similarity of their economic characteristics. Cruise revenues are comprised of sales of passenger tickets, including, in some cases, air transportation to and from the cruise ship, and revenues from certain on board activities and other related services. The tour segment represents the operations of Holland America Westours.

The significant accounting policies of the segments are the same as those described in Note 1 - "Summary of Significant Accounting Policies." Segment data includes intersegment revenues, as well as a cost allocation of certain corporate expenses to each segment. Intersegment revenues primarily represent charges for the cruise portion of a tour when a cruise is sold as a part of a tour package. Information about the cruise and tour segments for fiscal 1999, 1998 and 1997 is as follows (in thousands):

	Revenues	Operating income (loss)	Depreciation and amortization	Capital expenditures	Segment assets
1999					
Cruise	\$3,286,701	\$ 947,452	\$232,942	\$ 836,351	\$6,938,411
Tour	271,828	10,403	10,716	25,191	185,591
Affiliate operations		75,758			586,922
Reconciling items (a)	(61,059)	(13,914)		11,442	575,431
	\$3,497,470	\$1,019,699	\$243,658	\$ 872,984	\$8,286,355
1998					
Cruise	\$2,797,856	\$822,242	\$189,345	\$1,113,191	\$6,327,599
Tour	274,491	9,248	9,491	28,480	174,140
Affiliate operations		76,732			546,693
Reconciling items (a)	(63,041)	(11,698)	1,832	8,742	130,891
	\$3,009,306	\$896,524	\$200,668	\$1,150,413	\$7,179,323
1997					
Cruise	\$2,257,567	\$656,009	\$157,454	\$ 414,963	\$4,617,583
Tour	242,646	13,262	8,862	42,507	163,941
Affiliate operations		53,091			479,329
Reconciling items (a)	(52,745)	(8,292)	971	40,187	165,922
	\$2,447,468	\$714,070	\$167,287	\$ 497,657	\$5,426,775

(a) Revenues consist of intersegment revenues. Operating loss represents corporate expenses not allocated to segments. Capital expenditures represent corporate capital expenditures. Segment assets include cash, cash equivalents, short-term investments and other corporate assets.

See Note 4 for affiliate operations segment information which is not included in the Company's consolidated operations.

Foreign revenues represent sales made by the Company's consolidated cruise lines, which were generated from outside the U.S. Foreign assets represent assets which are located outside of the U.S. and include, among other things, all of the Company's vessels. Revenues and asset information by geographic area is as follows (in thousands):

	1999	1998	1997
Revenues			
Domestic	\$3,077,499	\$2,667,289	\$2,234,063
Foreign	419,971	342,017	213,405
	\$3,497,470	\$3,009,306	\$2,447,468
Assets			
Domestic	\$1,249,798	\$ 801,759	\$ 762,994
Foreign	7,036,557	6,377,564	4,663,781
	\$8,286,355	\$7,179,323	\$5,426,775

NOTE 10 - BENEFIT PLANS

Stock Option Plans

The Company has stock option plans for certain employees and members of the Board of 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 1999, 1998 and 1997 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 options vest immediately and have a five or ten year term. At November 30, 1999, options for 3,900,756 shares were available for future grants. A summary of the status of options in the stock option plans is as follows:

	Weighted			Number of Options		
	Average Exercise Price			Years Ended November 30,		
	1999	1998	1997	1999	1998	1997
Outstanding options-						
beginning of year	\$14.95	\$11.88	\$10.38	5,987,574	5,502,580	4,871,880
Options granted	\$44.54	\$27.34	\$19.55	1,641,400	1,157,344	858,000
Options exercised	\$11.01	\$10.53	\$ 8.83	(956,706)	(652,350)	(222,500)
Options canceled	\$26.55	\$22.86	\$ 8.00	(155,100)	(20,000)	(4,800)
Outstanding options-						
end of year	\$22.70	\$14.95	\$11.88	6,517,168	5,987,574	5,502,580
Options exercisable -						
end of year	\$12.64	\$10.91	\$10.34	3,601,993	3,405,630	3,117,380

Information with respect to stock options outstanding and stock options exercisable at November 30, 1999 is as follows:

Exercise Price Range	Options Outstanding		Options Exercisable		
	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$ 1.94-\$ 2.25	37,480	(1)	\$ 2.06	37,480	\$ 2.06
\$ 6.94-\$10.22	283,850	2.8	\$ 7.46	279,050	\$ 7.42
\$10.59-\$15.00	2,906,500	5.4	\$11.30	2,822,500	\$11.27
\$16.28-\$21.91	673,944	7.1	\$19.28	254,269	\$19.67
\$24.94-\$26.41	905,494	8.1	\$26.41	148,694	\$26.41
\$34.91-\$41.34	192,000	8.9	\$37.04	20,000	\$38.62
\$44.03-\$48.56	1,517,900	9.0	\$45.41	40,000	\$46.88
Total	6,517,168	6.8	\$22.70	3,601,993	\$12.64

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

During fiscal 1998, the Company adopted 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 historical net income and earnings per share and pro forma net income and earnings per share for fiscal 1999, 1998 and 1997 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 (in thousands, except per share data):

	1999	1998	1997
Net income:			

As reported	\$1,027,240	\$835,885	\$666,050
Pro forma	\$1,019,058	\$831,153	\$664,324

Earnings per share:

As reported:			
Basic	\$1.68	\$1.40	\$1.12
Diluted	\$1.66	\$1.40	\$1.12
Pro forma:			
Basic	\$1.66	\$1.40	\$1.12
Diluted	\$1.65	\$1.39	\$1.12

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 1999, 1998 and 1997 were \$15.15, \$7.61 and \$5.79 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 1999, 1998 and 1997, respectively; expected dividend yields of 0.80%, 1.62%, and 1.78%; expected volatility of 26.3%, 20.5%, and 22.7%; risk free interest rates of 4.8%, 5.3% and 6.2%; and expected option life of six years for all periods.

Restricted Stock Plans

The Company has restricted stock plans under which four 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 1999, 1998 and 1997, 150,000, 150,000 and 46,574 shares of Common Stock valued at \$6.8 million, \$4.4 million and \$.9 million, respectively, were issued. Unearned stock compensation is recorded in stockholders' equity at the date of award based on the quoted market price of the shares on the date of grant and is amortized to expense over the vesting period. As of November 30, 1999 and 1998 there were 385,283 shares and 321,038 shares, respectively, issued under the plans which remain to be vested.

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 1999, 1998 and 1997, 49,734, 61,214 and 85,430 shares of Common Stock with a quoted market value of \$1.7 million, \$1.6 million and \$1.3 million, respectively, were issued under these plans.

Defined Benefit Pension Plans

The Company has two defined benefit pension plans (qualified and non-qualified) that are available to certain full-time Carnival and corporate shoreside employees who were employed with the Company prior to January 1, 1998. These plans were closed to new participants on January 1, 1998. In addition, the Company has one non-qualified defined benefit plan, established in 1998, which is available to certain of Carnival's 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. The non-qualified plans are unfunded. Pension expense for the defined benefit pension plans was \$3.6 million, \$1.9 million and \$2.5 million for fiscal 1999, 1998 and 1997, respectively.

Defined Contribution Plans

The Company has various defined contribution plans, available to substantially all U.S. and Canadian employees, and certain United Kingdom and Carnival shipboard 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 1999, 1998 and 1997 was \$6.1 million, \$5.3 million and \$2.5 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 fiscal 1999,

1998 and 1997, the Company issued 144,911, 175,971 and 173,776 shares, respectively, at a weighted average share price of \$36.67, \$24.45 and \$14.52, respectively, under this plan.

NOTE 11 - EARNINGS PER SHARE

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

	Years Ended November 30,		
	1999	1998	1997
<b>Basic:</b>			
Net income	\$1,027,240	\$835,885	\$666,050
Average common shares outstanding	612,484	595,037	594,076
Earnings per share	\$1.68	\$1.40	\$1.12
<b>Diluted:</b>			
Net income	\$1,027,240	\$835,885	\$666,050
Effect on net income of assumed issuance of affiliate securities	(3,299)		(356)
Interest expense related to convertible notes			38
Net income available assuming dilution	\$1,023,941	\$835,885	\$665,732
Average common shares outstanding	612,484	595,037	594,076
<b>Effect of dilutive securities:</b>			
<b>Additional shares issuable upon:</b>			
Assumed conversion of convertible notes			128
Various stock plans	3,516	3,411	2,344
Average shares outstanding assuming dilution	616,000	598,448	596,548
Earnings per share	\$1.66	\$1.40	\$1.12

NOTE 12 - 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 accounted for the acquisition using the purchase accounting method. Simultaneous with the acquisition, Seabourn Cruise Line Limited ("Seabourn Ltd."), a luxury cruise line in which the Company owned a 50% interest, was combined with Cunard. The Company owned 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 Ltd. was accounted for using the equity method (see Notes 2 and 4). During fiscal 1999 the seller of Cunard adjusted the above Cunard purchase price which resulted in a cash payment to Cunard of approximately \$30 million.

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

On November 15, 1999, the Company exercised its purchase option and acquired the remaining 32% minority interest in Cunard Line Limited for approximately 3.2 million shares of its Common Stock and \$76.5 million in cash. Had this transaction occurred on December 1, 1997, the impact on the Company's fiscal 1999 and 1998 unaudited net income and earnings per share would have been immaterial. The Company also accounted for this transaction using the purchase method.

The preliminary impact on the Company's assets and liabilities related to the 1998 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 13 - SUPPLEMENTAL CASH FLOW INFORMATION

	YEARS ENDED NOVEMBER 30,		
	1999	1998	1997
	(in thousands)		
Cash paid for:			
Interest (net of amount capitalized)	\$ 49,836	\$ 54,572	\$ 56,967
Income taxes	\$ 3,841	\$ 5,144	\$ 5,755
Noncash investing and financing activities:			
Common Stock issued for acquisition of Cunard Line Limited minority interest	\$127,069		
Common Stock issued under various stock plans	\$ 8,991	\$ 5,975	\$ 2,247
Common Stock issued upon conversion of convertible notes			\$ 39,085
Sale of Rotterdam V			\$ 31,208

Note 14 - SUBSEQUENT EVENTS (UNAUDITED)

On January 23, 2000, the Company entered into a letter of intent to acquire Fairfield Communities, Inc. ("FCI"), one of the largest vacation ownership companies in North America. The agreement calls for each share of FCI common stock to be converted into .3164 shares of Carnival Common Stock. FCI has approximately 48.5 million shares outstanding on a fully diluted basis. It is intended that the transaction will be accounted for as a pooling-of-interests. Completion of the transaction is conditioned upon the receipt of all regulatory and government approvals, FCI stockholder approval and other customary conditions, including the completion of satisfactory due diligence and definitive documentation. No assurance can be given that the foregoing conditions will be satisfied or that the transaction will be consummated.

On February 2, 2000, the Company entered into an agreement to acquire a 40 percent interest in Arrasas Limited ("Arrasas"), a wholly owned subsidiary of Star Cruises PLC ("Star"). Arrasas was formed by Star to pursue the acquisition of NCL Holding ASA ("NCL"), the parent company of Norwegian Cruise Line and Orient Lines. The cost of this 40 percent interest is anticipated to be approximately equal to 40 percent of the price paid by Arrasas to acquire the NCL shares. If Arrasas is successful in acquiring 100% of NCL, the cost of the Company's investment in Arrasas would be approximately \$470 million. The Company has agreed to loan to Arrasas its pro rata portion of the NCL purchase price, which is expected to be funded in February 2000. The non-interest bearing loan will mature on the earlier of the Company's purchase of the Arrasas shares or termination of the agreement. The purchase by the Company of the Arrasas shares is conditioned upon the receipt of all regulatory and government approvals. The agreement may be terminated by either party if such approvals are not obtained by December 31, 2000 or by the Company if it shall determine that it will be unable to obtain such approvals. No assurance can be given that the foregoing conditions will be satisfied or that the transaction will be consummated.

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, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Carnival Corporation and its subsidiaries at November 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1999 in conformity with accounting principles generally accepted in the United States. 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 auditing standards generally accepted in the United States, 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 24, 2000

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 ships 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 information related to the Company's revenues, operating income and other financial information, see Note 9 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,		
	1999	1998	1997
Revenues	100%	100%	100%
Costs and Expenses:			
Operating expenses	53	54	54
Selling and administrative	13	12	12
Depreciation and amortization	7	7	7
Operating Income Before Income From Affiliated Operations	27	27	27
Income From Affiliated Operations, Net	2	3	2
Operating Income	29	30	29
Nonoperating Expense		(2)	(2)
Net Income	29%	28%	27%
Selected Statistical Information (in thousands):			
Passengers carried	2,366	2,045	1,945
Passenger cruise days (1)	14,947	13,009	11,908
Occupancy percentage (2)	104.3%	106.3%	108.3%

(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.

(2) The Company acquired a majority interest in Cunard Line Limited on May 28, 1998. Since that date, Cunard's revenues and operating results have been included in the Company's operating results. Cunard's ships generally sail with lower occupancy percentages than the Company's other brands.

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 its ability to obtain higher net revenue yields (net revenue per available berth) than in

previous years.

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 highly 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 is expected to be approximately 11.6% during fiscal 2000 as compared to fiscal 1999. This increase is primarily a result of the introduction into service of the Carnival Triumph in July 1999 and Holland America's Volendam in November 1999 and the expected introduction into service of the Carnival Victory in September 2000 and Holland America's Zaandam in May 2000, partially offset by the expected withdrawal from service of Holland America's Nieuw Amsterdam in October 2000.

The year over year percentage increase in average passenger capacity resulting from the delivery of vessels currently under contract for construction for fiscal 2001 and 2002, net of the impact of the expected withdrawal from service of Holland America's Nieuw Amsterdam is expected to approximate 10.2% and 7.0%, respectively. The Nieuw Amsterdam has been contracted for sale and is scheduled for closing in October 2000.

The Company and Airtours, a publicly traded leisure travel company in which the Company holds an approximate 26% interest, each own 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. Airtours' revenues are very seasonal due to the nature of the European leisure travel industry. Costa's revenues are moderately seasonal. Typically, Airtours' and Costa's quarters ending June 30 and September 30 experience higher revenues, with revenues in the quarter ending September 30 being the highest.

#### FISCAL 1999 COMPARED TO FISCAL 1998

##### Revenues

The increase in total revenues of \$488 million, or 16.2%, was entirely due to a 17.5% increase in cruise revenues. The cruise revenue changes resulted from an increase of approximately 17.2% in passenger capacity and a 2.6% increase in total revenue per passenger cruise day, partially offset by a 2.3% decrease in occupancy rates. The increase in passenger capacity resulted from the acquisition of Cunard Line Limited in late May 1998, which increased 1999 capacity by 5.6%, and the balance of the increase resulted primarily from the introduction into service of Carnival's Elation and Paradise in March and November 1998, respectively, and the Carnival Triumph in July 1999, as well as Carnival's Ecstasy being in service throughout fiscal 1999 (see 1998 Nonoperating Income (Expense)). Both the increase in revenue per passenger cruise day and the decrease in occupancy rates was primarily due to Cunard Line Limited's higher revenue per passenger cruise day and lower occupancy rates than the Company's other brands and, to a lesser extent, an increase in revenue per passenger cruise day for the Carnival and Holland America brands.

As a result of the 1999 military conflict in the Balkans, the Company's second half Mediterranean cruise revenues were negatively impacted. Although management lessened this impact by, among other things, changing the itineraries of certain of its Mediterranean cruises, offering additional incentives and increasing advertising expenditures, the 1999 Mediterranean cruise results were still lower than originally expected.

##### Costs and Expenses

Operating expenses increased \$243.3 million, or 15.0%. Cruise operating costs increased by \$250.2 million, or 17.1%, to \$1.71 billion in 1999 from \$1.46 billion in 1998. Cruise operating costs increased in 1999 primarily due to additional costs associated with the increased passenger capacity and increases in airfare and fuel costs. Airfare costs increased primarily due to a higher rate per air passenger partially offset by a lower percentage of passengers electing the Company's air program. Commencing in the fourth quarter of fiscal 1999, the Company began to incur significantly higher fuel costs due to a very large increase in the price of bunker fuel. Assuming fiscal 2000 fuel prices remain at the same levels as the end of the fiscal 1999 fourth quarter, the Company's fuel costs will increase in fiscal 2000 by approximately \$30 million versus fiscal 1999 due to the higher fuel prices. Cruise operating costs as a percentage of cruise revenues were 52% and 52.1% in 1999 and 1998, respectively.

Selling and administrative expenses increased \$77.8 million, or 21.0%, primarily due to an increase in advertising and payroll and related costs. Selling and administrative expenses as a percentage of revenues were 12.8% and 12.3%, respectively.

Cunard Line Limited's cruise operating costs and selling and administrative expenses as a percentage of revenues are higher than the Company's other brands. Accordingly, the Company's expense ratios are higher in 1999 due to the inclusion of Cunard Line Limited's expenses since the third quarter of 1998.

Depreciation and amortization increased by \$43.0 million, or 21.4%, to \$243.7 million in 1999 from \$200.7 million in 1998 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 1999, the Company recorded \$75.8 million of income from affiliated operations as compared with \$76.7 million of income in 1998. The Company's portion of Airtours' income decreased \$3.2 million, or 8.1%, to \$36.2 million. The Company recorded income of \$39.9 million during both 1999 and 1998 related to its interest in Il Ponte. The affiliated operations for 1998 include seasonal losses from the first half of 1998 from Seabourn after which its results are included in the Company's consolidated results.

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 affiliated operations.

#### Nonoperating Income (Expense)

Interest income increased \$31.7 million in 1999 due primarily to higher average investment balances resulting from the investment of proceeds received by the Company upon the sale of its Common Stock in December 1998 (see Note 6 in the accompanying financial statements).

Gross interest expense (excluding capitalized interest) decreased slightly to \$87.9 million from \$92.9 million primarily as a result of lower average outstanding debt balances. Capitalized interest increased \$5.8 million during 1999 as compared with 1998 due primarily to higher levels of investments in ship construction projects.

Other income in 1999 of \$29.4 million primarily relates to \$21.4 million of compensation received from the shipyard related to the late deliveries of the Volendam and Carnival Triumph, net of certain related expenses, collection of \$4.5 million of insurance proceeds, recognition of \$2.3 million of ship lease transaction income and \$13.6 million of other non-recurring gains. In addition, other income was partially reduced for, among other things, an \$8.8 million expense for the writedown of the Company's investment in Wyndham International common stock and \$3.2 million of expenses related to the small engine room fire on the Carnival ship Tropicale.

Minority interest was \$14.0 million in 1999 compared with \$11.1 million in 1998 which represents the minority shareholders' interest in Cunard Line Limited's net income. On November 15, 1999, the Company acquired the remaining minority interest in Cunard at which point no further minority interest expense will be incurred by the Company.

#### 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 obtained higher pricing. Passenger capacity increased due to the addition of Carnival's Elation in March 1998 and Windstar's Wind Surf in May 1998, 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.

#### Nonoperating Income (Expense)

Gross interest expense (excluding capitalized interest) increased \$20.2 million in 1998 primarily as a result of higher average outstanding 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 International Inc.'s hotel management division and Airtours' issuances of its common stock, respectively. 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 2 and 4 in the accompanying financial statements).

In July 1998, a fire occurred on Carnival Cruise Lines' Ecstasy which damaged 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.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Sources of Cash

The Company's business provided \$1.33 billion of net cash from operations during fiscal 1999, an increase of 21.8% compared to fiscal 1998. The increase was primarily due to higher net income.

In December 1998, the Company issued 17 million shares of its Common Stock in a public offering and received net proceeds of approximately \$725 million.

The Company issued the stock concurrent with the addition of the Company's Common Stock to the S&P 500 Composite Index.

#### Uses of Cash

During fiscal 1999, the Company made net expenditures of approximately \$873 million on capital projects, of which \$695 million was spent in connection with its ongoing shipbuilding program. The shipbuilding expenditures included the final payments on the Carnival Triumph and Holland America's Volendam, which were delivered to the Company in July and October, respectively. The nonshipbuilding capital expenditures consisted primarily of computer and transportation equipment, vessel refurbishments, tour assets and other equipment.

The Company paid \$76.5 million related to the acquisition of the minority interest in Cunard (see Note 12 in the accompanying financial statements).

The Company had net repayments of \$368.7 million under its commercial paper programs and made scheduled principal payments totaling \$67.6 million pursuant to various notes payable. Additionally in late November 1999, the Company prepaid approximately \$124 million of Cunard's notes payable (see Note 5 in the accompanying financial statements). Finally, the Company paid cash dividends of \$219.2 million in fiscal 1999.

#### Future Commitments

As of February 4, 2000, the Company, excluding Costa, has contracts for the delivery of twelve new vessels over the next five years. The Company's remaining obligation under these contracts is to pay approximately \$800 million during fiscal 2000 relating to the construction and delivery of these new ships and approximately \$3.4 billion thereafter.

In addition to these ship construction contracts, the Company has entered into one shipbuilding option and is also in various stages of negotiation with shipbuilding yards for additional ships. No assurance can be given that this option or these negotiations will result in additional ship construction contracts.

At November 30, 1999, the Company had \$1.07 billion of long-term debt of which \$206 million is due in fiscal 2000. See Notes 5, 8 and 14 in the accompanying financial statements for more information regarding the Company's debts and commitments.

#### Funding Sources

At November 30, 1999, the Company had approximately \$545 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, ship construction costs and its investment in Arrasas (see Note 14). Additionally, the Company may also fund a portion of these cash requirements from borrowings under its revolving credit facilities or commercial paper programs. At November 30, 1999, the Company had approximately \$1.2 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 debt and/or equity securities in the public or private markets.

#### OTHER MATTERS

##### Year 2000

The Year 2000 computer issue was primarily the result of computer programs using a two-digit format, as opposed to four digits, to indicate the year. Such programs would have been unable to interpret dates beyond the year 1999, which could have caused a system failure or other computer errors and a disruption in the operation of such systems. The Company dedicated significant resources to fix this problem before the end of 1999, and it has successfully transitioned from 1999 to 2000 without any significant issue arising in its business processes. The Company does not believe any subsequent Year 2000 computer issues will have a significant impact on its business.

The total aggregate expenditures to address Year 2000 issues were approximately \$16 million, of which \$8 million has been charged to expense and \$8 million has been capitalized related to the accelerated replacement of non-compliant systems due to Year 2000 issues.

##### Market Risks

The Company is principally exposed to market risks from fluctuations in interest rates, foreign currency exchange rates and fuel 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 substantially all 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.

Cruise ship expenses are impacted by changes in bunker fuel prices. Bunker fuel consumed over the past five fiscal years represented approximately four to five percent of the Company's operating expenses. The Company endeavors to acquire bunker fuel at the lowest possible prevailing prices given, among other things, its substantial buying power and ability to refuel certain of its ships at ports which offer competitive price advantages.

The Company has typically not used financial instruments to hedge its exposure to the bunker fuel price market risk. However, management is continuing to monitor this market risk, and may, in the future, decide to use financial instruments to reduce this risk. See costs and expenses for fiscal 1999 compared to fiscal 1998 for further discussion.

Other market risk exposures to the Company relate to food commodity prices and the selling of certain of its cruises and incurring certain cruise-related expenses in foreign currencies. The Company does not expect changes in food commodity prices and foreign currency denominated cruise revenue and expenses to materially affect its operating results, however, management monitors such items to determine if any actions, including the use of financial instruments, would be warranted to reduce such market risk exposures.

#### Exposure to Interest Rates

At November 30, 1999, the Company's long-term debt had a carrying value of \$1.074 billion. The fair value of this debt at November 30, 1999 was \$1.021 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 \$43 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, 1999, the Company's foreign currency forward contracts which hedge its shipbuilding activities had notional amounts and maturity dates of \$232 million, \$360 million, \$662 million, \$315 million and \$292 million in 2000, 2001, 2002, 2003 and 2004, respectively. The fair value of these contracts was \$1.8 billion at November 30, 1999. Based upon a 10% strengthening or weakening of the U.S. dollar compared to the Euro, assuming no changes in comparative interest rates, the estimated fair value of these contracts would decrease or increase by \$181 million which would be offset by a decrease or increase of \$181 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 1995 through 1999 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.

	1999	Years Ended November 30,				1995
		1998	1997	1996	1995	
		(in thousands, except per share data)				
<b>Income Statement Data:</b>						
Revenues	\$3,497,470	\$3,009,306	\$2,447,468	\$2,212,572	\$1,998,150	
Operating income						
before income from						
affiliated operations	\$ 943,941	\$ 819,792	\$ 660,979	\$ 551,461	\$ 490,038	
Operating income	\$1,019,699	\$ 896,524	\$ 714,070	\$ 597,428	\$ 490,038	
Net income	\$1,027,240	\$ 835,885	\$ 666,050	\$ 566,302	\$ 451,091	
<b>Earnings per share (1):</b>						
Basic	\$ 1.68	\$ 1.40	\$ 1.12	\$ .98	\$ .79	
Diluted	\$ 1.66	\$ 1.40	\$ 1.12	\$ .96	\$ .79	
Dividends declared						
per share (1)	\$ .375	\$ .315	\$ .240	\$ .190	\$ .158	
Passenger cruise days	14,947	13,009	11,908	10,583	9,201	
Occupancy percentage (2)	104.3%	106.3%	108.3%	107.6%	105.0%	

	1999	As of November 30,				1995
		1998	1997	1996	1995	
		(in thousands)				
<b>Balance Sheet Data:</b>						
Total assets	\$8,286,355	\$7,179,323	\$5,426,775	\$5,101,888	\$4,105,487	
Long-term debt and						
convertible notes	\$ 867,515	\$1,563,014	\$1,015,294	\$1,316,632	\$1,150,031	
Total shareholders' equity	\$5,931,247	\$4,285,476	\$3,605,098	\$3,030,884	\$2,344,873	

(1) All per share amounts have been adjusted to reflect a two-for-one stock split effective 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
<b>Fiscal Year ended November 30, 1999:</b>		
First Quarter	\$49.125	\$34.875
Second Quarter	\$53.500	\$38.500
Third Quarter	\$50.500	\$39.750
Fourth Quarter	\$51.875	\$38.125
<b>Fiscal Year ended November 30, 1998:</b>		
First Quarter	\$29.500	\$24.938
Second Quarter	\$38.250	\$29.531
Third Quarter	\$42.625	\$28.438

As of January 19, 2000, there were approximately 4,579 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 1999 were as follows:

	Quarters Ended			
	February 28,	May 31,	August 31,	November 30,
	(in thousands, except per share data)			
Revenues	\$748,258	\$796,149	\$1,161,821	\$791,242
Gross profit	\$332,155	\$363,723	\$ 589,408	\$349,548
Operating income before income from affiliated operations	\$163,481	\$199,295	\$ 416,408	\$164,757
Operating income	\$157,564	\$198,113	\$ 427,184	\$236,838
Net income	\$157,761	\$203,342	\$ 415,093	\$251,044
Earnings per share:				
Basic	\$ .26	\$ .33	\$ .68	\$ .41
Diluted	\$ .26	\$ .33	\$ .67	\$ .40
Dividends declared per share	\$ .09	\$ .09	\$ .09	\$ .105

Quarterly financial results for fiscal 1998 were as follows:

	Quarters Ended			
	February 28,	May 31,	August 31,	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

(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 including the effects on consumer demand of armed conflicts, political instability or adverse media publicity; 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; changes in food and fuel commodity prices; delivery of new vessels on

schedule and at the contracted price; weather patterns; unscheduled ship repairs and drydocking; incidents involving cruise vessels at sea; changes in foreign currency prices which may impact the income or loss from certain affiliated operations and certain cruise related revenues and expenses; 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
(14) Airtours plc (25.81% interest)	United Kingdom
(9) Alaska Overland, Inc.	Alaska
(5) Alaska Travel Center, Inc.	Washington
Carnival Investments Limited	Bahamas
(15) Carnival Investments (UK) Limited	United Kingdom
(15) Carnival Operations (UK) Limited	United Kingdom
(16) Carnival Services (UK) Limited	United Kingdom
Carnival (UK) plc	United Kingdom
Celebration Cruises Inc.	Liberia
Conсорcio H (49% interest)	Mexico
(10) Costa Crociere S.p.A.	Italy
Crowne Plaza Holdings, Inc.	Florida
(18) Cunard Celtic Hotel Services Limited	Hong Kong
(19) Cunard Celtic Limited	Hong Kong
(12) Cunard Fleet Management Services Limited	Bahamas
Cunard Line Limited	Bermuda
(12) Cunard Line Limited AS	Norway
(12) Cunard Seabourn Air Limited	United Kingdom
(17) Cunard Seabourn Limited (UK)	United Kingdom
(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 Marine N.V.	Netherlands Antilles
(1) HAL Maritime Ltd.	Netherlands Antilles
(1) HAL Nautical N.V.	Netherlands Antilles
(1) HAL Nederland N.V.	Netherlands Antilles
(1) HAL Properties Limited	Bahamas
(1) HAL Services B.V.	Holland
(3) Holland America Line Inc.	Delaware
(1) Holland America Line N.V.	Netherlands Antilles
(4) Holland America Line-Westours Inc.	Washington
(3) (13) Il Ponte S.p.A. (50.0% interest)	Italy
(5) Leisure Corporation	Alaska
(16) Sea Vacations Limited	United Kingdom
(11) Sea Vacations UK Limited	United Kingdom
(6) Trailways Tours, Inc.	Washington
Trident Insurance Company Limited	Bermuda
Utopia Cruises Inc.	Panama
(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
(5) Worldwide Shore Services Inc.	Washington

(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 Il Ponte S.p.A.

- (11) Subsidiary of Sea Vacations Limited
- (12) Subsidiary of Cunard Line Limited
- (13) Owned 50% by Airtours plc
- (14) Airtours plc is an affiliate of Carnival Investments (UK) Limited
- (15) Subsidiary of Carnival (UK) plc
- (16) Subsidiary of Carnival Operations (UK) Limited
- (17) Subsidiary of Cunard Seabourn Air Limited
- (18) Subsidiary of Cunard Celtic Limited
- (19) Subsidiary of Cunard Fleet Management Services Limited

Consent of Independent Certified Public Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 33-63563, No. 333-43269, No. 333-68999 and No. 333-72729) and Registration Statements on Form S-8 (No. 33-45287, No. 33-45288, No. 33-51195, No. 33-53099 and No. 333-43885) and Registration Statement on Form S-1 (No. 33-14844) of Carnival Corporation of our report dated January 24, 2000 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP  
February 23, 2000

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YEAR	
NOV-30-1999	
NOV-30-1999	521,771
	22,800
	62,887
	0
	84,019
	791,636
	7,680,410
	1,269,883
	8,286,355
1,404,913	
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	6,170
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8,286,355	
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3,497,470	
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	1,862,636
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	0
	46,956
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	(2,778)
1,027,240	
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	1.66