
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2014

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: 001-9610

Commission file number: 001-15136

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 33178-2428

(Address of principal executive offices)
(Zip Code)

(305) 599-2600

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)



Carnival plc

(Exact name of registrant as specified in its charter)

England and Wales

(State or other jurisdiction of incorporation or organization)

98-0357772

(I.R.S. Employer Identification No.)

Carnival House, 5 Gainsford Street,
London SE1 2NE, United Kingdom

(Address of principal executive offices)
(Zip Code)

011 44 20 7940 5381

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filers

Accelerated filers

Non-accelerated filers

Smaller reporting companies

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes No

At June 24, 2014, Carnival Corporation had outstanding 592,648,895 shares of Common Stock, \$0.01 par value.

At June 24, 2014, Carnival plc had outstanding 215,725,772 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 592,648,895 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

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CARNIVAL CORPORATION & PLC

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(in millions, except per share data)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2014	2013	2014	2013
Revenues				
Cruise				
Passenger tickets	\$ 2,698	\$ 2,613	\$ 5,425	\$ 5,353
Onboard and other	905	839	1,755	1,683
Tour and other	30	27	38	36
	<u>3,633</u>	<u>3,479</u>	<u>7,218</u>	<u>7,072</u>
Operating Costs and Expenses				
Cruise				
Commissions, transportation and other	520	506	1,141	1,123
Onboard and other	115	115	228	242
Fuel	527	555	1,050	1,115
Payroll and related	485	454	965	914
Food	251	238	496	481
Other ship operating	635	603	1,226	1,182
Tour and other	32	16	46	30
	<u>2,565</u>	<u>2,487</u>	<u>5,152</u>	<u>5,087</u>
Selling and administrative	504	449	1,025	908
Depreciation and amortization	409	391	814	780
	<u>3,478</u>	<u>3,327</u>	<u>6,991</u>	<u>6,775</u>
Operating Income	<u>155</u>	<u>152</u>	<u>227</u>	<u>297</u>
Nonoperating (Expense) Income				
Interest income	2	3	4	5
Interest expense, net of capitalized interest	(72)	(78)	(143)	(161)
Gains (losses) on fuel derivatives, net	11	(31)	(6)	(59)
Other income (expense), net	11	(5)	11	(2)
	<u>(48)</u>	<u>(111)</u>	<u>(134)</u>	<u>(217)</u>
Income Before Income Taxes	<u>107</u>	<u>41</u>	<u>93</u>	<u>80</u>
Income Tax Expense, Net	<u>(1)</u>	<u>—</u>	<u>(2)</u>	<u>(2)</u>
Net Income	<u>\$ 106</u>	<u>\$ 41</u>	<u>\$ 91</u>	<u>\$ 78</u>
Earnings Per Share				
Basic	<u>\$ 0.14</u>	<u>\$ 0.05</u>	<u>\$ 0.12</u>	<u>\$ 0.10</u>
Diluted	<u>\$ 0.14</u>	<u>\$ 0.05</u>	<u>\$ 0.12</u>	<u>\$ 0.10</u>
Dividends Declared Per Share	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.50</u>	<u>\$ 0.50</u>

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(in millions)

	Three Months Ended		Six Months Ended	
	May 31,		May 31,	
	2014	2013	2014	2013
Net Income	\$ 106	\$ 41	\$ 91	\$ 78
Items Included in Other Comprehensive (Loss) Income				
Change in foreign currency translation adjustment	(17)	(72)	100	(280)
Other	(13)	(2)	(18)	14
Other Comprehensive (Loss) Income	(30)	(74)	82	(266)
Total Comprehensive Income (Loss)	<u>\$ 76</u>	<u>\$ (33)</u>	<u>\$ 173</u>	<u>\$ (188)</u>

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in millions, except par values)

	May 31, 2014	November 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 343	\$ 462
Trade and other receivables, net	288	405
Insurance recoverables	299	381
Inventories	383	374
Prepaid expenses and other	312	315
Total current assets	<u>1,625</u>	<u>1,937</u>
Property and Equipment, Net	33,515	32,905
Goodwill	3,226	3,210
Other Intangibles	1,298	1,292
Other Assets	862	760
	<u>\$ 40,526</u>	<u>\$ 40,104</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 508	\$ 60
Current portion of long-term debt	1,048	1,408
Accounts payable	627	639
Claims reserve	384	456
Accrued liabilities and other	1,136	1,126
Customer deposits	3,698	3,031
Total current liabilities	<u>7,401</u>	<u>6,720</u>
Long-Term Debt	7,880	8,092
Other Long-Term Liabilities	880	736
Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 652 shares at 2014 and 651 shares at 2013 issued	7	7
Ordinary shares of Carnival plc, \$1.66 par value; 216 shares at 2014 and 2013 issued	358	358
Additional paid-in capital	8,345	8,325
Retained earnings	18,485	18,782
Accumulated other comprehensive income	243	161
Treasury stock, 59 shares at 2014 and 2013 of Carnival Corporation and 32 shares at 2014 and 2013 of Carnival plc, at cost	<u>(3,073)</u>	<u>(3,077)</u>
Total shareholders' equity	<u>24,365</u>	<u>24,556</u>
	<u>\$ 40,526</u>	<u>\$ 40,104</u>

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in millions)

	Six Months Ended	
	May 31,	
	2014	2013
OPERATING ACTIVITIES		
Net income	\$ 91	\$ 78
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	814	780
(Gains) on ship sales and ship impairment, net	(15)	(13)
Losses on fuel derivatives, net	6	59
Share-based compensation	26	24
Other, net	9	28
Changes in operating assets and liabilities		
Receivables	105	(139)
Inventories	(8)	5
Insurance recoverables, prepaid expenses and other	201	209
Accounts payable	(13)	82
Claims reserves and accrued and other liabilities	(219)	(139)
Customer deposits	676	582
Net cash provided by operating activities	<u>1,673</u>	<u>1,556</u>
INVESTING ACTIVITIES		
Additions to property and equipment	(1,329)	(1,447)
Proceeds from sale of ships	42	70
Other, net	19	4
Net cash used in investing activities	<u>(1,268)</u>	<u>(1,373)</u>
FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings, net	448	(41)
Principal repayments of long-term debt	(1,401)	(830)
Proceeds from issuance of long-term debt	829	1,837
Dividends paid	(388)	(777)
Purchases of treasury stock	-	(138)
Sales of treasury stock	-	35
Other, net	(7)	(2)
Net cash (used in) provided by financing activities	<u>(519)</u>	<u>84</u>
Effect of exchange rate changes on cash and cash equivalents	(5)	(21)
Net (decrease) increase in cash and cash equivalents	(119)	246
Cash and cash equivalents at beginning of period	462	465
Cash and cash equivalents at end of period	<u>\$ 343</u>	<u>\$ 711</u>

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

CARNIVAL CORPORATION & PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – General

The consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries. Together with their consolidated subsidiaries, they are referred to collectively in these consolidated financial statements and elsewhere in this joint Quarterly Report on Form 10-Q as “Carnival Corporation & plc,” “our,” “us” and “we.”

The Consolidated Balance Sheet at May 31, 2014, the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended May 31, 2014 and 2013 and the Consolidated Statements of Cash Flows for the six months ended May 31, 2014 and 2013 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2013 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 29, 2014. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year. Certain prior period amounts have been reclassified in the Consolidated Balance Sheets to conform to the current period presentation.

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. The portion of these fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were \$125 million and \$116 million and \$262 million and \$255 million for the three and six months ended May 31, 2014 and 2013, respectively.

During the three and six months ended May 31, 2014 and 2013, repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were \$266 million and \$239 million and \$514 million and \$464 million, respectively, and are substantially all included in other ship operating expenses.

NOTE 2 – Unsecured Debt

At May 31, 2014, substantially all of our short-term borrowings consisted of euro- and U.S. dollar-denominated commercial paper of \$338 million and \$136 million, respectively, with an aggregate weighted-average interest rate of 0.5%.

In December 2013, we entered into a five-year \$150 million floating rate bank loan due five years after the draw date. We plan to draw under this loan by September 2014 and use the proceeds for general corporate purposes.

In January 2014, we repaid \$200 million of a floating rate bank loan prior to its October 2014 maturity date.

In March 2014, we repaid \$139 million of a floating rate euro-denominated bank loan prior to its September 2014 maturity date.

In April 2014, we repaid \$109 million of an export credit facility prior to its April 2023 maturity date.

In May 2014, we repaid \$300 million of an export credit facility prior to its May 2024 maturity date.

In May 2014, we borrowed \$554 million under an export credit facility, the proceeds of which were used to pay for a portion of *Regal Princess*’ purchase price. This floating rate facility is due in semi-annual installments through May 2026.

In May 2014, we borrowed \$275 million under a euro-denominated floating rate revolving bank loan facility, the proceeds of which were used for general corporate purposes. This facility has a perpetual term, although we can terminate it at any time and the bank can terminate the facility at any time upon nine months notice.

In June 2014, Carnival Corporation, Carnival plc and certain of Carnival plc’s subsidiaries amended and replaced their existing five-year multi-currency revolving credit facility of \$2.5 billion (comprised of \$1.6 billion, €450 million and £150 million) with a new five-year multi-currency revolving credit facility of \$2.6 billion (comprised of \$1.7 billion, €500 million and £150 million) (the “Facility”), which expires in June 2019. We have options to extend this Facility through June 2021 subject to the approval of each bank in the Facility. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 40 basis points (“bps”). The margin varies based on changes to Carnival Corporation’s and Carnival plc’s long-term senior unsecured credit ratings. We are required to pay a commitment fee of 35% of the margin per annum on any undrawn portion. We will also incur an additional utilization fee of 10 bps, 20 bps or 40 bps if equal to or less than one-third, more than one-third or more than two-thirds of the Facility, respectively, is drawn on the total amount outstanding.

NOTE 3 – Contingencies

Litigation

As a result of the January 2012 *Costa Concordia* incident, litigation claims, enforcement actions, regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The existing assertions are ongoing and there are significant jurisdictional uncertainties. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims.

Additionally, in the normal course of our business, various claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits are covered by insurance and, accordingly, the maximum amount of our liability, net of any insurance recoverables, is typically limited to our self-insurance retention levels. Management believes the ultimate outcome of these claims and lawsuits will not have a material adverse impact on our consolidated financial statements.

Contingent Obligations – Lease Out and Lease Back Type (“LILO”) Transactions

At May 31, 2014, Carnival Corporation had estimated contingent obligations totaling \$391 million, excluding termination payments as discussed below, to participants in LILO transactions for two of its ships. At the inception of these leases, the aggregate of the net present value of these obligations was paid by Carnival Corporation to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished and neither the funds nor the contingent obligations have been included in our Consolidated Balance Sheets.

In the event that Carnival Corporation were to default on its contingent obligations and assuming performance by all other participants, we estimate that it would, as of May 31, 2014, be responsible for a termination payment of \$31 million. In 2017, Carnival Corporation has the right to exercise options that would terminate these LILO transactions at no cost to it.

In certain cases, if the credit ratings of the financial institutions who are directly paying the contingent obligations fall below AA-, then Carnival Corporation will be required to replace these financial institutions with other financial institutions whose credit ratings are at least AA or meet other specified credit requirements. In such circumstances, it would incur additional costs, although we estimate that they would not be material to our consolidated financial statements. For the two financial institution payment undertakers subject to this AA- credit rating threshold, one has a credit rating of AA and the other has a credit rating of AA-. If Carnival Corporation’s credit rating, which is BBB+, falls below BBB, it will be required to provide a standby letter of credit for \$35 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

Contingent Obligations – Indemnifications

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

NOTE 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities

Fair Value Measurements

U.S. accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.

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- Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.
- Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable market participants at the measurement date. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that we believe market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at May 31, 2014 and November 30, 2013. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

Financial Instruments that are not Measured at Fair Value on a Recurring Basis

The estimated carrying and fair values and basis of valuation of our financial instrument assets and liabilities that are not measured at fair value on a recurring basis were as follows (in millions):

	May 31, 2014				November 30, 2013			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents (a)	\$ 268	\$ 268	\$ -	\$ -	\$ 349	\$ 349	\$ -	\$ -
Long-term other assets (b)	113	1	52	58	110	1	58	50
Total	\$ 381	\$ 269	\$ 52	\$ 58	\$ 459	\$ 350	\$ 58	\$ 50
Liabilities								
Fixed rate debt (c)	\$ 5,224	\$ -	\$ 5,622	\$ -	\$ 5,574	\$ -	\$ 5,941	\$ -
Floating rate debt (c)	4,212	-	4,170	-	3,986	-	3,997	-
Total	\$ 9,436	\$ -	\$ 9,792	\$ -	\$ 9,560	\$ -	\$ 9,938	\$ -

- (a) Cash and cash equivalents are comprised of cash on hand, and at November 30, 2013, also include time deposits and, due to their short maturities, the carrying values approximate their fair values.
- (b) At May 31, 2014 and November 30, 2013, long-term other assets were substantially all comprised of notes and other receivables. The fair values of our Level 1 and Level 2 notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.
- (c) The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at May 31, 2014 and November 30, 2013 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At May 31, 2014 and November 30, 2013, the net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at May 31, 2014 and November 30, 2013, being higher and slightly lower, respectively, than the floating interest rates on these debt obligations, including the impact of any changes in our credit ratings. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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Financial Instruments that are Measured at Fair Value on a Recurring Basis

The estimated fair value and basis of valuation of our financial instrument assets and liabilities that are measured at fair value on a recurring basis were as follows (in millions):

	May 31, 2014			November 30, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash equivalents (a)	\$ 75	\$ -	\$ -	\$ 113	\$ -	\$ -
Restricted cash (b)	29	-	-	28	-	-
Marketable securities held in rabbi trusts (c)	111	11	-	113	10	-
Derivative financial instruments (d)	-	44	-	-	60	-
Long-term other assets (e)	-	-	20	-	-	17
Total	\$ 215	\$ 55	\$ 20	\$ 254	\$ 70	\$ 17
Liabilities						
Derivative financial instruments (d)	\$ -	\$ 38	\$ -	\$ -	\$ 31	\$ -
Total	\$ -	\$ 38	\$ -	\$ -	\$ 31	\$ -

- (a) Cash equivalents are comprised of money market funds.
- (b) Restricted cash is primarily comprised of money market funds.
- (c) At May 31, 2014, marketable securities held in rabbi trusts were comprised of Level 1 bonds and frequently-priced mutual funds invested in common stocks and Level 2 other investments. At November 30, 2013, marketable securities held in rabbi trusts were principally comprised of Level 1 frequently-priced mutual funds invested in common stocks and Level 2 other investments. Their use is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.
- (d) See “Derivative Instruments and Hedging Activities” section below for detailed information regarding our derivative financial instruments.
- (e) Long-term other assets are comprised of an auction-rate security. The fair value was based on a broker quote in an inactive market, which is considered a Level 3 input. During the six months ended May 31, 2014, there were no purchases or sales pertaining to this auction-rate security and, accordingly, the change in its fair value was based solely on the strengthening of the underlying credit.

We measure our derivatives using valuations that are calibrated to the initial trade prices. Subsequent valuations are based on observable inputs and other variables included in the valuation models such as interest rate, yield and commodity price curves, forward currency exchange rates, credit spreads, maturity dates, volatilities and netting arrangements. We use the income approach to value derivatives for foreign currency options and forwards, interest rate swaps and fuel derivatives using observable market data for all significant inputs and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated, but not compelled to transact. We also corroborate our fair value estimates using valuations provided by our counterparties.

Nonfinancial Instruments that are Measured at Fair Value on a Nonrecurring Basis

Impairment and Sale of Ships

Due to the expected absorption of Ibero Cruises’ (“Ibero”) operations into Costa Cruises (“Costa”) in late 2014 and certain Ibero ship-specific facts and circumstances, such as their size, age, condition, viable alternative itineraries and historical operating cash flows, we performed undiscounted future cash flow analyses of Ibero’s two ships, *Grand Celebration* and *Grand Holiday*, as of May 31, 2014 to determine if these ships were impaired. The principal assumptions used in our undiscounted cash flow analyses consisted of an estimated sales price for *Grand Holiday*, forecasted future operating results, including net revenue yields and net cruise costs including fuel prices, and estimated residual values, which are all considered level three inputs, and the transfer of *Grand Celebration* into Costa in late 2014. Based on its undiscounted cash flow analyses, we determined that the net carrying value for *Grand Celebration* exceeded its estimated undiscounted future cash flows. Accordingly, we then estimated the May 31, 2014 fair value of this ship based on its discounted future cash flows and compared this estimated fair value to its net carrying value. As a result, we recognized a \$22 million ship impairment charge in other ship operating expenses during the three months ended May 31, 2014.

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In March 2014, we sold *Costa Voyager* and recognized a \$37 million gain as a reduction in other ship operating expenses during the three months ended May 31, 2014. In July 2013, we recognized a \$73 million impairment charge related to this ship, and in November 2013 it was taken out of service.

Valuation of Goodwill and Other Intangibles

The reconciliation of the changes in the carrying amounts of our goodwill, which goodwill has been allocated to our North America and Europe, Australia & Asia (“EAA”) cruise brands, was as follows (in millions):

	North America Cruise Brands	EAA Cruise Brands	Total
Balance at November 30, 2013	\$ 1,898	\$ 1,312	\$ 3,210
Foreign currency translation adjustment	-	16	16
Balance at May 31, 2014	<u>\$ 1,898</u>	<u>\$ 1,328</u>	<u>\$ 3,226</u>

At July 31, 2013, all of our cruise brands carried goodwill, except for Ibero and Seabourn. As of that date, we performed our annual goodwill impairment reviews and no goodwill was impaired. At May 31, 2014, accumulated goodwill impairment charges were \$153 million, which were all related to Ibero.

The reconciliation of the changes in the carrying amounts of our intangible assets not subject to amortization, which represent trademarks that have been allocated to our North America and EAA cruise brands, was as follows (in millions):

	North America Cruise Brands	EAA Cruise Brands	Total
Balance at November 30, 2013	\$ 927	\$ 359	\$ 1,286
Foreign currency translation adjustment	-	6	6
Balance at May 31, 2014	<u>\$ 927</u>	<u>\$ 365</u>	<u>\$ 1,292</u>

As of July 31, 2013, we also performed our annual trademark impairment reviews for our cruise brands that have significant trademarks recorded, which are AIDA Cruises (“AIDA”), P&O Cruises (Australia), P&O Cruises (UK) and Princess Cruises (“Princess”). No trademarks were considered to be impaired at that time.

At May 31, 2014 and November 30, 2013, our intangible assets subject to amortization are not significant to our consolidated financial statements.

The determination of our cruise brand, cruise ship and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments in determining whether our goodwill, cruise ships and trademarks have been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognize an impairment charge.

There have not been any events or circumstances subsequent to July 31, 2013, which we believe would require us to perform an interim goodwill or trademark impairment test.

Derivative Instruments and Hedging Activities

We utilize derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates, and interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. In addition, we utilize our fuel derivatives program to mitigate a portion of the risk to our future cash flows attributable to potential fuel price increases, which we define as our “economic risk.” Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. The changes in fair value are recognized currently in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the

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changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income (“AOCI”) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a nonderivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or liquidated. We formally document hedging relationships for all derivative and nonderivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all our derivative contracts as either current or long-term, depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. The cash flows from derivatives treated as hedges are classified in our Consolidated Statements of Cash Flows in the same category as the item being hedged. Our cash flows related to fuel derivatives are classified within investing activities.

The estimated fair values of our derivative financial instruments and their location on the Consolidated Balance Sheets were as follows (in millions):

	<u>Balance Sheet Location</u>	<u>May 31, 2014</u>	<u>November 30, 2013</u>
Derivative assets			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Other assets – long-term	\$ 1	\$ 2
Foreign currency zero cost collars (b)	Prepaid expenses and other	3	-
	Other assets – long-term	-	8
Interest rate swaps (c)	Prepaid expenses and other	2	1
	Other assets – long-term	1	5
		<u>7</u>	<u>16</u>
Derivatives not designated as hedging instruments			
Fuel (d)	Prepaid expenses and other	9	14
	Other assets – long-term	28	30
		<u>37</u>	<u>44</u>
Total derivative assets		<u>\$ 44</u>	<u>\$ 60</u>
Derivative liabilities			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Accrued liabilities and other	\$ -	\$ 4
Interest rate swaps (c)	Accrued liabilities and other	14	13
	Other long-term liabilities	24	13
		<u>38</u>	<u>30</u>
Derivatives not designated as hedging instruments			
Fuel (d)	Other long-term liabilities	-	1
		<u>-</u>	<u>1</u>
Total derivative liabilities		<u>\$ 38</u>	<u>\$ 31</u>

- (a) At May 31, 2014 and November 30, 2013, we had foreign currency forwards totaling \$102 million and \$578 million, respectively, that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At May 31, 2014, these foreign currency forwards settle through July 2017.
- (b) At May 31, 2014 and November 30, 2013, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See “Newbuild Currency Risks” below for additional information regarding these derivatives.
- (c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At May 31, 2014 and November 30, 2013, these interest rate swap agreements effectively changed \$864 million and \$909 million, respectively, of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025. In addition, at May 31, 2014 and November 30, 2013 we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed

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interest rate payments in exchange for making floating interest rate payments. These interest rate swap agreements effectively changed \$500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settle through February 2016.

- (d) At May 31, 2014, we had fuel derivatives consisting of zero cost collars on Brent crude oil (“Brent”) to cover a portion of our estimated fuel consumption through 2018. See “Fuel Price Risks” below for additional information regarding these fuel derivatives. At November 30, 2013, we had fuel derivatives consisting of zero cost collars on Brent to cover a portion of our estimated fuel consumption through 2017.

Our derivative contracts include rights of offset with our counterparties. We have elected to net certain of our derivative assets and liabilities within counterparties. The amounts recognized within assets and liabilities were as follows (in millions):

	May 31, 2014				
	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	\$ 91	\$ (47)	\$ 44	\$ (2)	\$ 42
Liabilities	\$ 85	\$ (47)	\$ 38	\$ (2)	\$ 36
	November 30, 2013				
	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	\$ 137	\$ (77)	\$ 60	\$ (7)	\$ 53
Liabilities	\$ 108	\$ (77)	\$ 31	\$ (7)	\$ 24

The effective portions of our derivatives qualifying and designated as hedging instruments recognized in other comprehensive (loss) income were as follows (in millions):

	Three Months Ended		Six months ended	
	May 31,		May 31,	
	2014	2013	2014	2013
Net investment hedges	\$ (1)	\$ 1	\$ -	\$ (2)
Foreign currency zero cost collars – cash flow hedges	\$ (3)	\$ (6)	\$ (6)	\$ 7
Interest rate swaps – cash flow hedges	\$ (10)	\$ 1	\$ (14)	\$ 3

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require interest-bearing, non-restricted cash to be posted or received as collateral to the extent the fuel derivative fair value payable to or receivable from an individual counterparty, respectively, exceeds \$100 million. At May 31, 2014 and November 30, 2013, no collateral was required to be posted to or received from our fuel derivative counterparties.

The amount of estimated cash flow hedges’ unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of May 31, 2014 and November 30, 2013 and for the three and six months ended May 31, 2014 and 2013 where such impacts were not significant.

Foreign Currency Exchange Rate Risks

Overall Strategy

We manage our exposure to fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and nonderivative financial instruments. Our primary focus is to manage the economic foreign currency exchange risks faced by our operations, which are the ultimate foreign currency exchange risks that would be realized by us if we exchanged one currency for another, and not accounting risks. Accordingly, we do not currently hedge foreign currency exchange accounting risks with derivative financial instruments. The financial impacts of the hedging instruments we do employ generally offset the changes in the underlying exposures being hedged.

Operational and Investment Currency Risks

Our European and Australian cruise brands subject us to foreign currency translation risk related to the euro, sterling and Australian dollar because these brands generate significant revenues and incur significant expenses in euro, sterling or the Australian dollar. Accordingly, exchange rate fluctuations of the euro, sterling and Australian dollar against the U.S. dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for cruise revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Most of our brands also have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and primarily includes the euro, sterling and Australian, Canadian and U.S. dollars. In addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, these brands' revenues and expenses in non-functional currencies create some degree of natural offset for recognized transactional currency gains and losses due to currency exchange movements.

We consider our investments in foreign operations to be denominated in relatively stable currencies and of a long-term nature. We partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations' functional currencies, principally sterling. As of May 31, 2014 and November 30, 2013, we have designated \$2.4 billion and \$2.2 billion, respectively, of our foreign currency intercompany payables as nonderivative hedges of our net investments in foreign operations. Accordingly, we have included \$195 million and \$234 million of cumulative foreign currency transaction nonderivative gains in the cumulative translation adjustment component of AOCI at May 31, 2014 and November 30, 2013, respectively, which offsets a portion of the losses recorded in AOCI upon translating our foreign operations' net assets into U.S. dollars. During the three and six months ended May 31, 2014 and 2013, we recognized foreign currency nonderivative transaction gains (losses) of \$1 million (\$18 million in 2013) and \$(39) million (\$107 million in 2013), respectively, in the cumulative translation adjustment component of AOCI.

Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decisions regarding whether or not to hedge a non-functional currency ship commitment for our cruise brands are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility, currency exchange rate correlation, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts and have used nonderivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

In July 2012, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of P&O Cruises (UK) *Britannia's* euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling rate of £0.83 to the euro, or \$307 million, and a weighted-average floor rate of £0.77 to the euro, or \$284 million. If the spot rate is between these two rates on the date of maturity, then we would not owe or receive any payments under these collars.

On June 23, 2014, we entered into foreign currency zero cost collars that are also designated as cash flow hedges for the remaining portion of *Britannia's* euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling rate of £0.81 to the euro, or \$305 million, and a weighted-average floor rate of £0.79 to the euro, or \$298 million. If the spot rate is between these two rates on the date of maturity, then we would not owe or receive any payments under these collars.

At June 24, 2014, substantially all of our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild construction payments for the Seabourn newbuild, which represents a total commitment of \$301 million.

The cost of shipbuilding orders that we may place in the future that is denominated in a different currency than our cruise brands' or the shipyards' functional currency is expected to be affected by foreign currency exchange rate fluctuations. These foreign currency exchange rate fluctuations may affect our desire to order new cruise ships.

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our investment and debt portfolio management strategies. These strategies include purchasing high quality short-term investments with floating interest rates, and evaluating our debt portfolio as to whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. At May 31, 2014 and November 30, 2013, 59% and 41% of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relates to the consumption of fuel on our ships. We use our fuel derivatives program to mitigate a portion of our economic risk attributable to potential fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity and our program currently consists of zero cost collars on Brent.

All of our derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices. We will not realize any economic gain or loss upon the monthly maturities of our zero cost collars unless the average monthly price of Brent is above the ceiling price or below the floor price. We believe that these derivatives will act as economic hedges, however hedge accounting is not applied. As part of our fuel derivatives program, we will continue to evaluate various derivative products and strategies.

At May 31, 2014, our outstanding fuel derivatives consisted of zero cost collars on Brent to cover a portion of our estimated fuel consumption as follows:

<u>Maturities (a)</u>	<u>Transaction Dates</u>	<u>Barrels (in thousands)</u>	<u>Weighted-Average Floor Prices</u>	<u>Weighted-Average Ceiling Prices</u>	<u>Percent of Estimated Fuel Consumption Covered</u>
Fiscal 2014 (Q3-Q4)					
	November 2011	1,056	\$ 85	\$ 114	
	February 2012	1,056	\$ 88	\$ 125	
	June 2012	1,188	\$ 71	\$ 116	
	May 2013	864	\$ 85	\$ 108	
		<u>4,164</u>			44%
Fiscal 2015					
	November 2011	2,160	\$ 80	\$ 114	
	February 2012	2,160	\$ 80	\$ 125	
	June 2012	1,236	\$ 74	\$ 110	
	April 2013	1,044	\$ 80	\$ 111	
	May 2013	1,884	\$ 80	\$ 110	
		<u>8,484</u>			45%
Fiscal 2016					
	June 2012	3,564	\$ 75	\$ 108	
	February 2013	2,160	\$ 80	\$ 120	
	April 2013	3,000	\$ 75	\$ 115	
		<u>8,724</u>			45%
Fiscal 2017					
	February 2013	3,276	\$ 80	\$ 115	
	April 2013	2,028	\$ 75	\$ 110	
	January 2014	1,800	\$ 75	\$ 114	
		<u>7,104</u>			37%
Fiscal 2018					
	January 2014	2,700	\$ 75	\$ 110	14%

(a) Fuel derivatives mature evenly over each month within the above fiscal periods.

Concentrations of Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Our maximum exposure under foreign currency and fuel derivative contracts and interest rate swap agreements that are in-the-money, which were not material at May 31, 2014, is the replacement cost, net of any collateral received or contractually allowed offset, in the event of nonperformance by the counterparties to the contracts, all of which are currently our lending banks. We seek to minimize credit risk exposure, including counterparty nonperformance primarily associated with our cash equivalents, investments, committed financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, by normally conducting business with large, well-established financial institutions, insurance companies and export credit agencies, and by diversifying our counterparties. In addition, we have guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimize risk. We normally do require collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards. We currently believe the risk of nonperformance by any of our significant counterparties is remote.

We also monitor the creditworthiness of travel agencies and tour operators in Europe and credit card providers to which we extend credit in the normal course of our business. Our credit exposure includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in most of Europe where we are obligated to extend credit in a like amount to these guests even if we do not receive payment from the travel agents and tour operators. Concentrations of credit risk associated with these receivables and contingent obligations are not considered to be material, primarily due to the large number of unrelated accounts within our customer base, the amount of these contingent obligations and their short maturities. We have experienced only minimal credit losses on our trade receivables and related contingent obligations. We do not normally require collateral or other security to support normal credit sales.

NOTE 5 – Segment Information

We have three reportable cruise segments that are comprised of our (1) North America cruise brands, (2) EAA cruise brands and (3) Cruise Support. In addition, we have a Tour and Other segment. Our segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker (“CODM”), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. Decisions to allocate resources and assess performance for Carnival Corporation & plc are made by the CODM upon review of the segment results across all of our cruise brands and other segments.

Our North America cruise segment includes Carnival Cruise Lines, Holland America Line, Princess and Seabourn. Our EAA cruise segment includes AIDA, Costa, Cunard, Ibero, P&O Cruises (Australia) and P&O Cruises (UK). These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, maintenance requirements, supporting systems and processes and products and services they provide. Our Cruise Support segment represents certain of our port and related facilities and other corporate-wide services that are provided for the benefit of our cruise brands. Our Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours. Our Tour and Other segment also included two ships that we chartered to an unaffiliated entity. In April 2013, we sold one of these two ships and recognized a \$15 million gain as a reduction of Tour and Other operating expenses for the three months ended May 31, 2013. Accordingly, subsequent to this 2013 sale our Tour and Other segment includes only one ship.

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Selected information for our segments was as follows (in millions):

	Three Months Ended May 31,				
	Revenues	Operating expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
2014					
North America Cruise Brands (a)	\$ 2,166	\$ 1,574	\$ 280	\$ 239	\$ 73
EAA Cruise Brands	1,438	973	178	157	130
Cruise Support	12	(1)	44	5	(36)
Tour and Other (a)	30	32	2	8	(12)
Intersegment elimination (a)	(13)	(13)	-	-	-
	<u>\$ 3,633</u>	<u>\$ 2,565</u>	<u>\$ 504</u>	<u>\$ 409</u>	<u>\$ 155</u>
2013					
North America Cruise Brands (a)	\$ 2,113	\$ 1,487	\$ 254	\$ 228	\$ 144
EAA Cruise Brands	1,327	962	167	147	51
Cruise Support	23	33	26	6	(42)
Tour and Other (a)	27	16	2	10	(1)
Intersegment elimination (a)	(11)	(11)	-	-	-
	<u>\$ 3,479</u>	<u>\$ 2,487</u>	<u>\$ 449</u>	<u>\$ 391</u>	<u>\$ 152</u>
	Six Months Ended May 31,				
	Revenues	Operating expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
2014					
North America Cruise Brands (a)	\$ 4,286	\$ 3,107	\$ 577	\$ 474	\$ 128
EAA Cruise Brands	2,870	2,012	365	309	184
Cruise Support	37	-	79	14	(56)
Tour and Other (a)	38	46	4	17	(29)
Intersegment elimination (a)	(13)	(13)	-	-	-
	<u>\$ 7,218</u>	<u>\$ 5,152</u>	<u>\$ 1,025</u>	<u>\$ 814</u>	<u>\$ 227</u>
2013					
North America Cruise Brands (a)	\$ 4,237	\$ 3,018	\$ 514	\$ 456	\$ 249
EAA Cruise Brands	2,760	2,014	331	293	122
Cruise Support	50	36	59	12	(57)
Tour and Other (a)	36	30	4	19	(17)
Intersegment elimination (a)	(11)	(11)	-	-	-
	<u>\$ 7,072</u>	<u>\$ 5,087</u>	<u>\$ 908</u>	<u>\$ 780</u>	<u>\$ 297</u>

- (a) A portion of the North America cruise brands' segment revenues includes revenues for the tour portion of a cruise when a land tour package is sold along with a cruise by Holland America Line and Princess. These intersegment tour revenues, which are included in our Tour and Other segment, are eliminated directly against the North America cruise brands' segment revenues and operating expenses in the line "Intersegment elimination."

[Table of Contents](#)**NOTE 6 – Earnings Per Share**

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

	Three Months Ended May 31,		Six Months Ended May 31,	
	2014	2013	2014	2013
Net income for basic and diluted earnings per share	\$ 106	\$ 41	\$ 91	\$ 78
Weighted-average common and ordinary shares outstanding	776	775	776	775
Dilutive effect of equity plans	2	2	2	2
Diluted weighted-average shares outstanding	778	777	778	777
Basic and diluted earnings per share	\$ 0.14	\$ 0.05	\$ 0.12	\$ 0.10
Anti-dilutive equity awards excluded from diluted earnings per share computations	3	6	3	5

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained in this joint Quarterly Report on Form 10-Q are “forward-looking statements” that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts are statements that could be deemed forward-looking. These statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and the beliefs and assumptions of our management. We have tried, whenever possible, to identify these statements by using words like “will,” “may,” “could,” “should,” “would,” “believe,” “depends,” “expect,” “goal,” “anticipate,” “forecast,” “project,” “future,” “intend,” “plan,” “estimate,” “target,” “indicate” and similar expressions of future intent or the negative of such terms.

Forward-looking statements include those statements that may impact, among other things, the forecasting of our non-GAAP earnings per share; net revenue yields; booking levels; pricing; occupancy; operating, financing and tax costs, including fuel expenses; net cruise costs per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill and trademark fair values and outlook. Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this joint Quarterly Report on Form 10-Q. These factors include, but are not limited to, the following:

- general economic and business conditions;
- increases in fuel prices;
- incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and other incidents affecting the health, safety, security and satisfaction of guests and crew;
- the international political climate, armed conflicts, terrorist and pirate attacks, vessel seizures, and threats thereof, and other world events affecting the safety and security of travel;
- negative publicity concerning the cruise industry in general or us in particular, including any adverse environmental impacts of cruising;
- litigation, enforcement actions, fines or penalties;
- economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- changes in and compliance with laws and regulations relating to the protection of persons with disabilities, employment, environment, health, safety, security, tax and other regulations under which we operate;
- our inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations;
- increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;
- continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the prices for, the services and products provided by these vendors;
- disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- failure to keep pace with developments in technology;
- competition from and overcapacity in the cruise ship and land-based vacation industry;
- loss of key personnel or our ability to recruit or retain qualified personnel;
- union disputes and other employee relation issues;
- disruptions in the global financial markets or other events may negatively affect the ability of our counterparties and others to perform their obligations to us;
- the continued strength of our cruise brands and our ability to implement our brand strategies;
- our international operations are subject to additional risks not generally applicable to our U.S. operations;
- geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect;
- our decisions to self-insure against various risks or our inability to obtain insurance for certain risks at reasonable rates;
- fluctuations in foreign currency exchange rates;
- whether our future operating cash flow will be sufficient to fund future obligations and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations;
- risks associated with the dual listed company arrangement and
- uncertainties of a foreign legal system as Carnival Corporation and Carnival plc are not U.S. corporations.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this joint Quarterly Report on Form 10-Q, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

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Outlook

On June 24, 2014, we said that we expected our non-GAAP diluted earnings per share for the 2014 third quarter and full year to be in the ranges of \$1.38 to \$1.44 and \$1.60 to \$1.75, respectively (see “Key Performance Non-GAAP Financial Indicators”). Our 2014 third quarter and full year guidance was based on fuel prices of \$673 per metric ton and \$665 per metric ton, respectively. In addition, our guidance was based on 2014 third quarter and full year currency rates of \$1.36 and \$1.37 to the euro, \$1.70 and \$1.68 to sterling, and \$0.94 and \$0.92 to the Australian dollar, respectively. The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions.

We believe it is more meaningful to evaluate our earnings performance by excluding, among other things, the impact of unrealized gains and losses on fuel derivatives from non-GAAP diluted earnings per share. Therefore, we do not include any future estimates of unrealized gains and losses on fuel derivatives in our non-GAAP earnings per share guidance. However, we do forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period.

The above forward-looking statements involve risks, uncertainties and assumptions with respect to us. There are many factors that could cause our actual results to differ materially from those expressed above including, but not limited to, general economic and business conditions, increases in fuel prices, incidents, spread of contagious diseases, adverse weather conditions, geo-political events, negative publicity and other factors that could adversely impact our revenues, costs and expenses. You should read the above forward-looking statements together with the discussion of these and other risks under “Cautionary Note Concerning Factors That May Affect Future Results.”

Critical Accounting Estimates

For a discussion of our critical accounting estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that is included in the 2013 Form 10-K.

Due to the expected absorption of the Ibero operations into Costa in late 2014, Ibero’s *Grand Celebration* will be transferred to Costa and renamed *Costa Celebration*. Ibero’s other ship, *Grand Holiday*, is currently operating and being marketed for sale. At May 31, 2014, *Grand Holiday*’s estimated undiscounted future cash flows exceeded its net carrying value and, therefore, no ship impairment charge was required. However, if *Grand Holiday* is sold for less than its carrying value a ship impairment charge will be incurred.

For a further discussion of our May 31, 2014 ship impairment reviews, see “Note 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements.

Seasonality

Our revenues from the sale of passenger tickets are seasonal. Historically, demand for cruises has been greatest during our third quarter, which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher ticket prices and occupancy levels and, accordingly, the largest share of our operating income is earned during this period. The seasonality of our results also increases due to ships being taken out of service for maintenance, which we schedule during non-peak demand periods. In addition, substantially all of Holland America Princess Alaska Tours’ revenue and net income is generated from May through September in conjunction with the Alaska cruise season.

Statistical Information

	Three Months Ended May 31,		Six Months Ended May 31,	
	2014	2013	2014	2013
Available lower berth days (“ALBDs”) (in thousands) (a) (b)	18,872	17,993	37,158	35,972
Occupancy percentage (c)	102.2%	103.3%	102.6%	103.7%
Passengers carried (in thousands)	2,551	2,364	4,960	4,669
Fuel consumption in metric tons (in thousands)	802	814	1,603	1,640
Fuel consumption in metric tons per ALBD	0.043	0.045	0.043	0.046
Fuel cost per metric ton consumed	\$ 657	\$ 683	\$ 655	\$ 680
Currencies				
U.S. dollar to €1	\$ 1.38	\$ 1.30	\$ 1.37	\$ 1.31
U.S. dollar to £1	\$ 1.67	\$ 1.52	\$ 1.66	\$ 1.55
U.S. dollar to Australian dollar	\$ 0.92	\$ 1.02	\$ 0.91	\$ 1.03

- (a) ALBD is a standard measure of passenger capacity for the period, which we use to perform rate and capacity variance analyses to determine the main non-capacity driven factors that cause our cruise revenues and expenses to vary. ALBDs assume that each cabin we offer for sale accommodates two passengers and is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.

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- (b) For the three months ended May 31, 2014 compared to the three months ended May 31, 2013, we had a 4.9% capacity increase in ALBDs comprised of an 8.1% capacity increase in our North America brands, while our EAA brands' capacity was flat.

Our North America brands' capacity increase was caused by:

- the full quarter impact from one Princess 3,560-passenger capacity ship delivered in 2013 and
- less dry-dock days in 2014 compared to 2013.

For the six months ended May 31, 2014 compared to the six months ended May 31, 2013, we had a 3.3% capacity increase in ALBDs comprised of a 5.5% capacity increase in our North America brands, partially offset by a nominal capacity decrease in our EAA brands.

Our North America brands' capacity increase was caused by:

- the full period impact from one Princess 3,560-passenger capacity ship delivered in 2013 and
- less dry-dock days in 2014 compared to 2013.

- (c) In accordance with cruise industry practice, occupancy is calculated using a denominator of ALBDs, which assumes two passengers per cabin even though some cabins can accommodate three or more passengers. Percentages in excess of 100% indicate that on average more than two passengers occupied some cabins.

Three Months Ended May 31, 2014 ("2014") Compared to Three Months Ended May 31, 2013 ("2013")

Revenues

Consolidated

Cruise passenger ticket revenues made up 74% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$85 million, or 3.3%, to \$2.7 billion in 2014 from \$2.6 billion in 2013.

This increase was caused by:

- \$128 million – 4.9% capacity increase in ALBDs and
- \$69 million – translation impact from a weaker U.S. dollar against the euro and sterling, net of a stronger U.S. dollar against the Australian dollar ("net currency impact").

These increases were partially offset by:

- \$84 million – decrease in cruise ticket pricing and
- \$28 million – 1.1 percentage point decrease in occupancy.

The remaining 26% of 2014 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$66 million, or 7.9%, to \$905 million in 2014 from \$839 million in 2013.

This increase was substantially due to:

- \$41 million – 4.9% capacity increase in ALBDs;
- \$13 million – net currency impact and
- \$10 million – higher onboard spending by our guests.

These increases were partially offset by:

- \$9 million – 1.1 percentage point decrease in occupancy.

Onboard and other revenues included concession revenues of \$258 million in 2014 and \$257 million in 2013.

North America Brands

Cruise passenger ticket revenues made up 71% of our 2014 total revenues. Cruise passenger ticket revenues decreased slightly by \$17 million, and remained at \$1.5 billion in both 2014 and 2013. The majority of this decrease was due to a decrease in cruise ticket pricing, which accounted for \$90 million, and a 3.1 percentage point decrease in occupancy, which accounted for \$45 million, partially offset by our 8.1% capacity increase in ALBDs, which accounted for \$126 million. Our cruise ticket pricing decrease was driven by the promotional pricing environment for the Caribbean resulting from the large increase in industry capacity.

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The remaining 29% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$68 million, or 12%, to \$621 million in 2014 from \$553 million in 2013.

This increase was caused by:

- \$45 million – 8.1% capacity increase in ALBD;
- \$15 million – higher onboard spending by our guests and
- \$11 million – higher other third-party revenues.

These increases were partially offset by:

- \$16 million – 3.1 percentage point decrease in occupancy.

Onboard and other revenues included concession revenues of \$171 million in 2014 and \$167 million in 2013.

EAA Brands

Cruise passenger ticket revenues made up 81% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$103 million, or 9.6%, to \$1.2 billion in 2014 from \$1.1 billion in 2013. This increase was substantially due to an increase in net currency impact, which accounted for \$69 million, a 1.8 percentage point increase in occupancy, which accounted for \$19 million, and an increase in air transportation revenues from guests who purchased their tickets from us, which accounted for \$13 million.

The remaining 19% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$8 million, or 3.2%, to \$269 million in 2014 from \$261 million in 2013. This increase was caused by an increase in net currency impact, which accounted for \$13 million. Onboard and other revenues included concession revenues of \$88 million in 2014 and \$89 million in 2013.

Costs and Expenses

Consolidated

Operating costs and expenses increased by \$78 million, or 3.1%, to \$2.6 billion in 2014 from \$2.5 billion in 2013.

This increase was caused by:

- \$121 million – 4.9% capacity increase in ALBDs;
- \$45 million – net currency impact;
- \$24 million – higher dry-dock and other ship repair and maintenance expenses;
- \$22 million – impairment charge related to *Grand Celebration* and
- \$15 million – nonrecurrence in 2014 of a gain in our Tour and Other segment from the 2013 sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.

These increases were partially offset by:

- \$37 million – gain from the sale of *Costa Voyager*;
- \$36 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions;
- \$35 million – lower fuel consumption per ALBD;
- \$21 million – decreases in commissions, transportation and other related expenses driven by lower cruise ticket pricing and
- \$20 million – lower fuel prices.

Selling and administrative expenses increased by \$55 million, or 12%, to \$504 million in 2014 from \$449 million in 2013. The increase was principally due to our 4.9% capacity increase in ALBDs, which accounted for \$22 million, an increase in net currency impact, which accounted for \$10 million, and higher advertising spend, which accounted for \$9 million.

Depreciation and amortization expenses increased by \$18 million, or 4.6%, to \$409 million in 2014 from \$391 million in 2013.

Our total costs and expenses as a percentage of revenues of 95.7% in 2014 were essentially flat compared to 2013.

North America Brands

Operating costs and expenses increased by \$85 million, or 5.8%, to \$1.6 billion in 2014 from \$1.5 billion in 2013.

This increase was caused by:

- \$120 million – 8.1% capacity increase in ALBDs;
- \$39 million – nonrecurrence in 2014 of an intersegment transaction, which was fully offset in our Cruise Support segment;
- \$26 million – higher dry-dock and other ship repair and maintenance expenses and

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- \$17 million – various other operating expenses, net.

These increases were partially offset by:

- \$36 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions;
- \$31 million – decreases in commissions, transportation and other related expenses caused by lower cruise ticket pricing and a decrease in air transportation costs related to guests who purchased their tickets from us;
- \$18 million – lower fuel consumption per ALBD;
- \$17 million – lower fuel prices and
- \$15 million – 3.1 percentage point decrease in occupancy.

Selling and administrative expenses increased by \$26 million, or 10%, to \$280 million in 2014 from \$254 million in 2013. The increase was caused by our 8.1% capacity increase in ALBDs, which accounted for \$21 million, and higher advertising spend, which accounted for \$16 million.

Our total costs and expenses as a percentage of revenues increased to 96.6% in 2014 from 93.1% in 2013.

EAA Brands

Operating costs and expenses increased slightly by \$11 million and remained at \$1.0 billion in both 2014 and 2013.

This increase was caused by:

- \$45 million – net currency impact;
- \$22 million – impairment charge related to *Grand Celebration* and
- \$11 million – increases in air transportation costs related to guests who purchased their tickets from us.

These increases were partially offset by:

- \$37 million – gain from the sale of *Costa Voyager*;
- \$18 million – lower fuel consumption per ALBD and
- \$12 million – various other operating expenses, net.

Our total costs and expenses as a percentage of revenues decreased to 91.0% in 2014 from 96.2% in 2013.

Operating Income

Our consolidated operating income increased by \$3 million, or 2.0%, to \$155 million in 2014 from \$152 million in 2013. Our North America brands' operating income decreased by \$71 million, or 49%, to \$73 million in 2014 from \$144 million in 2013, and our EAA brands' operating income increased by \$79 million, or 155%, to \$130 million in 2014 from \$51 million in 2013. These changes were primarily due to the reasons discussed above.

Nonoperating Income

Net gains on fuel derivatives were \$11 million in 2014 compared to net losses of \$31 million in 2013.

Key Performance Non-GAAP Financial Indicators

We use net cruise revenues per ALBD (“net revenue yields”), net cruise costs per ALBD and net cruise costs excluding fuel per ALBD as significant non-GAAP financial measures of our cruise segments' financial performance. These measures enable us to separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business and gains and losses on ship sales and ship impairments, net that are not part of our core operating business. We believe these non-GAAP measures provide useful information to investors and expanded insight to measure our revenue and cost performance as a supplement to our U.S. generally accepted accounting principles (“U.S. GAAP”) consolidated financial statements.

Net revenue yields are commonly used in the cruise industry to measure a company's cruise segment revenue performance and for revenue management purposes. We use “net cruise revenues” rather than “gross cruise revenues” to calculate net revenue yields. We believe that net cruise revenues is a more meaningful measure in determining revenue yield than gross cruise revenues because it reflects the cruise revenues earned net of our most significant variable costs, which are travel agent commissions, cost of air and other transportation, certain other costs that are directly associated with onboard and other revenues and credit card fees. Substantially all of our remaining cruise costs are largely fixed, except for the impact of changing prices and food expenses, once our ship capacity levels have been determined.

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Net passenger ticket revenues reflect gross passenger ticket revenues, net of commissions, transportation and other costs. Net onboard and other revenues reflect gross onboard and other revenues, net of onboard and other cruise costs. Net passenger ticket revenue yields and net onboard and other revenue yields are computed by dividing net passenger ticket revenues and net onboard and other revenues by ALBDs.

Net cruise costs per ALBD and net cruise costs excluding fuel per ALBD are the most significant measures we use to monitor our ability to control our cruise segments' costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs with and without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. In addition, we exclude gains and losses on ship sales and ship impairments, net from our calculation of net cruise costs with and without fuel as they are not considered part of our core operating business and, therefore, are not an indication of our future earnings performance. As such, we also believe it is more meaningful for gains and losses on ship sales and ship impairments, net to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these items. Accordingly, we changed our previously reported net cruise costs per ALBD and net cruise costs excluding fuel per ALBD for the six months ended May 31, 2013 from \$127.76 to \$127.71 and from \$96.77 to \$96.72, respectively. Additionally, we also changed our previously reported non-GAAP net income for the three and six months ended May 31, 2013 from \$72 million to \$57 million and from \$137 million to \$124 million, respectively. Furthermore, we changed our previously reported non-GAAP earnings per share for the three and six months ended May 31, 2013 from \$0.09 to \$0.07 and from \$0.18 to \$0.16, respectively. These changes were made to exclude gains and losses on ship sales, net to be consistent with our treatment of these types of charges.

In addition, because our EAA cruise brands utilize the euro, sterling and Australian dollar to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report these non-GAAP financial measures assuming the 2014 periods currency exchange rates have remained constant with the 2013 periods rates, or on a "constant dollar basis," in order to remove the impact of changes in exchange rates on the translation of our EAA brands. We believe that this is a useful measure since it facilitates a comparative view of the changes in our business in a fluctuating currency exchange rate environment.

Under U.S. GAAP, the realized and unrealized gains and losses on fuel derivatives not qualifying as fuel hedges are recognized currently in earnings. We believe that unrealized gains and losses on fuel derivatives are not an indication of our earnings performance since they relate to future periods and may not ultimately be realized in our future earnings. Therefore, we believe it is more meaningful for the unrealized gains and losses on fuel derivatives to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these unrealized gains and losses.

We have not included in our earnings guidance the impact of unrealized gains and losses on fuel derivatives because these unrealized amounts involve a significant amount of uncertainty, and we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on a non-GAAP basis only. As a result, we did not present a reconciliation between forecasted non-GAAP diluted earnings per share guidance and forecasted U.S. GAAP diluted earnings per share guidance, since we do not believe that the reconciliation information would be meaningful.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The presentation of our non-GAAP financial information is not intended to be considered in isolation from, as substitute for, or superior to the financial information prepared in accordance with U.S. GAAP. There are no specific rules for determining our non-GAAP current and constant dollar financial measures and, accordingly, they are susceptible to varying calculations, and it is possible that they may not be exactly comparable to the like-kind information presented by other companies, which is a potential risk associated with using these measures to compare us to other companies.

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Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues, without rounding, by ALBDs as follows (dollars in millions, except yields):

	Three Months Ended May 31,		
	2014	2014 Constant Dollar	2013
Passenger ticket revenues	\$ 2,698	\$ 2,630	\$ 2,613
Onboard and other revenues	905	891	839
Gross cruise revenues	3,603	3,521	3,452
Less cruise costs			
Commissions, transportation and other	(520)	(505)	(506)
Onboard and other	(115)	(112)	(115)
	(635)	(617)	(621)
Net passenger ticket revenues	2,178	2,125	2,107
Net onboard and other revenues	790	779	724
Net cruise revenues	\$ 2,968	\$ 2,904	\$ 2,831
ALBDs	18,872,035	18,872,035	17,993,002
Gross revenue yields	\$ 190.92	\$ 186.57	\$ 191.84
% decrease vs. 2013	(0.5)%	(2.7)%	
Net revenue yields	\$ 157.27	\$ 153.87	\$ 157.33
% decrease vs. 2013	0.0%	(2.2)%	
Net passenger ticket revenue yields	\$ 115.40	\$ 112.59	\$ 117.09
% decrease vs. 2013	(1.4)%	(3.8)%	
Net onboard and other revenue yields	\$ 41.87	\$ 41.28	\$ 40.24
% increase vs. 2013	4.1%	2.6%	

Consolidated gross and net cruise costs and net cruise costs excluding fuel per ALBD were computed by dividing the gross and net cruise costs and net cruise costs excluding fuel, without rounding, by ALBDs as follows (dollars in millions, except costs per ALBD):

	Three Months Ended May 31,		
	2014	2014 Constant Dollar	2013
Cruise operating expenses	\$ 2,533	\$ 2,488	\$ 2,471
Cruise selling and administrative expenses	502	492	447
Gross cruise costs	3,035	2,980	2,918
Less cruise costs included above			
Commissions, transportation and other	(520)	(505)	(506)
Onboard and other	(115)	(112)	(115)
Gain on ship sale and ship impairment, net	15	14	-
Net cruise costs	2,415	2,377	2,297
Less fuel	(527)	(527)	(555)
Net cruise costs excluding fuel	\$ 1,888	\$ 1,850	\$ 1,742
ALBDs	18,872,035	18,872,035	17,993,002
Gross cruise costs per ALBD	\$ 160.80	\$ 157.90	\$ 162.19
% decrease vs. 2013	(0.9)%	(2.6)%	
Net cruise costs per ALBD	\$ 127.95	\$ 125.94	\$ 127.68
% increase (decrease) vs. 2013	0.2%	(1.4)%	
Net cruise costs excluding fuel per ALBD	\$ 100.00	\$ 97.99	\$ 96.81
% increase vs. 2013	3.3%	1.2%	

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Non-GAAP fully diluted earnings per share was computed as follows (in millions, except per share data):

	Three Months Ended May 31,	
	2014	2013
Net income - diluted		
U.S. GAAP net income	\$ 106	\$ 41
(Gains) on ship sales and ship impairment, net	(15)(a)	(15)(b)
Unrealized (gains) losses on fuel derivatives, net	(11)	31
Non-GAAP net income	<u>\$ 80</u>	<u>\$ 57</u>
Weighted-average shares outstanding - diluted	<u>778</u>	<u>777</u>
Earnings per share - diluted		
U.S. GAAP earnings per share	\$ 0.14	\$ 0.05
(Gains) on ship sales and ship impairment, net	(0.02)	(0.02)
Unrealized (gains) losses on fuel derivatives, net	(0.02)	0.04
Non-GAAP earnings per share	<u>\$ 0.10</u>	<u>\$ 0.07</u>

- (a) Represents a \$37 million gain from the sale of *Costa Voyager*, partially offset by an impairment charge of \$22 million related to *Grand Celebration*.
(b) Represents the gain recognized in our Tour and Other segment from the sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.

Net cruise revenues increased by \$137 million, or 4.8%, to \$3.0 billion in 2014 from \$2.8 billion in 2013. Our 4.9% capacity increase in ALBDs, which accounted for \$138 million, and the increase due to the net currency impact, which accounted for \$64 million, were partially offset by a 2.2% decrease in constant dollar net revenue yields, which accounted for \$65 million. The 2.2% decrease in net revenue yields on a constant dollar basis was caused by a 3.8% decrease in net passenger ticket revenue yields, partially offset by a 2.6% increase in net onboard and other revenue yields. The 3.8% decrease in net passenger ticket revenue yields was caused by a 7.6% decrease from our North America brands, partially offset by a 2.1% increase from our EAA brands. The decrease in our North America brands' net passenger ticket revenue yields was driven by the promotional pricing environment for the Caribbean resulting from the large increase in industry capacity, and the increase in our EAA brands' net passenger ticket revenue yields was driven by better-than-expected improvements from our Continental European brands. Gross cruise revenues increased by \$151 million, or 4.4%, to \$3.6 billion in 2014 from \$3.5 billion in 2013 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$146 million, or 8.4%, to \$1.9 billion in 2014 from \$1.7 billion in 2013. The increase was caused by our 4.9% capacity increase in ALBDs, which accounted for \$85 million, the net currency impact, which accounted for \$38 million and a 1.2% increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for \$22 million.

The 1.2% increase in constant dollar net cruise costs excluding fuel per ALBD was caused by:

- \$24 million - higher dry-dock and other ship repair and maintenance expenses;
- \$9 million - higher advertising spend and
- \$25 million - various other operating expenses, net.

These increases were partially offset by:

- \$36 million - nonrecurrence in 2014 of the additional costs and expenses related to the 2013 voyage disruptions.

Fuel costs decreased by \$28 million, or 5.0%, to \$527 million in 2014 from \$555 million in 2013. This was caused by lower fuel consumption per ALBD, which accounted for \$35 million, and lower fuel prices, which accounted for \$20 million, partially offset by our 4.9% capacity increase in ALBDs, which accounted for \$27 million.

Gross cruise costs increased by \$117 million, or 4.0%, to \$3.0 billion in 2014 from \$2.9 billion in 2013 for principally the same reasons as discussed above.

Six Months Ended May 31, 2014 (“2014”) Compared to Six Months Ended May 31, 2013 (“2013”)

Revenues

Consolidated

Cruise passenger ticket revenues made up 75% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$72 million, or 1.3%, and remained at \$5.4 billion in both 2014 and 2013.

This increase was caused by:

- \$177 million – 3.3% capacity increase in ALBDs;
- \$92 million – net currency impact and
- \$25 million – increase in air transportation revenues from guests who purchased their tickets from us.

These increases were partially offset by:

- \$156 million – decrease in cruise ticket pricing and
- \$58 million – 1.1 percentage point decrease in occupancy.

The remaining 25% of 2014 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$72 million, or 4.3%, to \$1.8 billion in 2014 from \$1.7 billion in 2013. This increase was primarily due to our 3.3% capacity increase in ALBDs, which accounted for \$55 million, and the net currency impact, which accounted for \$15 million, partially offset by a 1.1 percentage point decrease in occupancy, which accounted for \$18 million. Onboard and other revenues included concession revenues of \$499 million in 2014 and \$506 million in 2013.

North America Brands

Cruise passenger ticket revenues made up 72% of our 2014 total revenues. Cruise passenger ticket revenues decreased slightly by \$28 million and remained at \$3.1 billion in both 2014 and 2013. This decrease was driven by a decrease in cruise ticket pricing, which accounted for \$116 million, and a 2.4 percentage point decrease in occupancy, which accounted for \$72 million, partially offset by our 5.5% capacity increase in ALBDs, which accounted for \$171 million. Our cruise ticket pricing decrease was driven by the promotional pricing environment for the Caribbean resulting from the large increase in industry capacity.

The remaining 28% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$75 million, or 6.7%, to \$1.2 billion in 2014 from \$1.1 billion in 2013. This increase was primarily due to our 5.5% capacity increase in ALBDs, which accounted for \$61 million, and higher other third-party revenues, which accounted for \$19 million, partially offset by a 2.4 percentage point decrease in occupancy, which accounted for \$26 million. Onboard and other revenues included concession revenues of \$329 million in 2014 and \$331 million in 2013.

EAA Brands

Cruise passenger ticket revenues made up 82% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$102 million, or 4.5%, to \$2.3 billion in 2014 from \$2.2 billion in 2013.

This increase was caused by:

- \$92 million – net currency impact;
- \$32 million – increase in air transportation revenues from guests who purchased their tickets from us and
- \$19 million – slight percentage point increase in occupancy.

These increases were partially offset by:

- \$40 million – decrease in cruise ticket pricing.

The remaining 18% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$9 million, or 1.7%, to \$525 million in 2014 from \$516 million in 2013. This increase was caused by an increase in net currency impact, which accounted for \$15 million. Onboard and other revenues included concession revenues of \$170 million in 2014 and \$175 million in 2013.

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Costs and Expenses

Consolidated

Operating costs and expenses increased by \$65 million, or 1.3%, to \$5.2 billion in 2014 from \$5.1 billion in 2013.

This increase was caused by:

- \$167 million – 3.3% capacity increase in ALBDs;
- \$62 million – net currency impact;
- \$32 million – higher dry-dock and other ship repair and maintenance expenses;
- \$22 million – impairment charge related to *Grand Celebration* and
- \$15 million – nonrecurrence in 2014 of a gain in our Tour and Other segment from the 2013 sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.

These increases were partially offset by:

- \$62 million – lower fuel consumption per ALBD;
- \$46 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions;
- \$39 million – lower fuel prices;
- \$37 million – gain from the sale of *Costa Voyager*;
- \$32 million – decreases in commissions, transportation and other related expenses driven by lower cruise ticket pricing, partially offset by increases in air transportation costs related to guests who purchased their tickets from us and
- \$20 million – 1.1 percentage point decrease in occupancy.

Selling and administrative expenses increased by \$117 million, or 13%, to \$1.0 billion in 2014 from \$908 million in 2013. The increase was principally due to higher advertising spend, which accounted for \$49 million, our 3.3% capacity increase in ALBDs, which accounted for \$30 million, and the net currency impact, which accounted for \$13 million.

Depreciation and amortization expenses increased by \$34 million, or 4.4%, to \$814 million in 2014 from \$780 million in 2013.

Our total costs and expenses as a percentage of revenues increased to 96.9% in 2014 from 95.8% in 2013.

North America Brands

Operating costs and expenses increased by \$87 million, or 2.9%, to \$3.1 billion in 2014 from \$3.0 billion in 2013.

This increase was caused by:

- \$165 million – 5.5% capacity increase in ALBDs;
- \$39 million – nonrecurrence in 2014 of an intersegment transaction, which was fully offset in our Cruise Support segment;
- \$24 million – higher dry-dock and other ship repair and maintenance expenses and
- \$30 million – various other operating expenses, net.

These increases were partially offset by:

- \$46 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions;
- \$37 million – decreases in commissions, transportation and other related expenses driven by lower cruise ticket pricing and a decrease in air transportation costs related to guests who purchased their tickets from us;
- \$35 million – lower fuel consumption per ALBD;
- \$29 million – lower fuel prices and
- \$24 million – 2.4 percentage point decrease in occupancy.

Selling and administrative expenses increased by \$63 million, or 12%, to \$577 million in 2014 from \$514 million in 2013. The increase was caused by higher advertising spend, which accounted for \$43 million, and our 5.5% capacity increase in ALBDs, which accounted for \$28 million.

Our total costs and expenses as a percentage of revenues increased to 97.0% in 2014 from 94.1% in 2013.

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EAA Brands

Operating costs and expenses of \$2.0 billion in 2014 were essentially flat compared to 2013.

There were decreases caused by:

- \$37 million – gain from the sale of *Costa Voyager*;
- \$30 million – lower fuel consumption per ALBD;
- \$11 million – lower fuel prices and
- \$35 million – various other operating expenses, net.

These decreases were almost fully offset by:

- \$62 million – net currency impact;
- \$27 million – increase in air transportation costs related to guests who purchased their tickets from us and
- \$22 million – impairment charge related to *Grand Celebration*.

Selling and administrative expenses increased by \$34 million, or 10%, to \$365 million in 2014 from \$331 million in 2013. The increase was driven by the net currency impact, which accounted for \$13 million, and higher advertising spend, which accounted for \$7 million.

Our total costs and expenses as a percentage of revenues decreased to 93.6% in 2014 from 95.6% in 2013.

Operating Income

Our consolidated operating income decreased by \$70 million, or 24%, to \$227 million in 2014 from \$297 million in 2013. Our North America brands' operating income decreased by \$121 million, or 49%, to \$128 million in 2014 from \$249 million in 2013, and our EAA brands' operating income increased by \$62 million, or 51%, to \$184 million in 2014 from \$122 million in 2013. These changes were primarily due to the reasons discussed above.

Nonoperating Expense

Net interest expense decreased by \$18 million, or 11%, to \$143 million in 2014 from \$161 million in 2013. Net losses on fuel derivatives decreased by \$53 million, or 90%, to \$6 million in 2014 from \$59 million in 2013.

Key Performance Non-GAAP Financial Indicators

Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues, without rounding, by ALBDs as follows (dollars in millions, except yields):

	Six Months Ended May 31,		
	2014	2014 Constant Dollar	2013
Passenger ticket revenues	\$ 5,425	\$ 5,332	\$ 5,353
Onboard and other revenues	1,755	1,740	1,683
Gross cruise revenues	7,180	7,072	7,036
Less cruise costs			
Commissions, transportation and other	(1,141)	(1,116)	(1,123)
Onboard and other	(228)	(225)	(242)
	(1,369)	(1,341)	(1,365)
Net passenger ticket revenues	4,284	4,216	4,230
Net onboard and other revenues	1,527	1,515	1,441
Net cruise revenues	\$ 5,811	\$ 5,731	\$ 5,671
ALBDs	37,158,340	37,158,340	35,972,237
Gross revenue yields	\$ 193.23	\$ 190.33	\$ 195.59
% decrease vs. 2013	(1.2)%	(2.7)%	
Net revenue yields	\$ 156.39	\$ 154.23	\$ 157.64
% decrease vs. 2013	(0.8)%	(2.2)%	
Net passenger ticket revenue yields	\$ 115.29	\$ 113.47	\$ 117.58
% decrease vs. 2013	(1.9)%	(3.5)%	
Net onboard and other revenue yields	\$ 41.10	\$ 40.76	\$ 40.06
% increase vs. 2013	2.6%	1.7%	

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Consolidated gross and net cruise costs and net cruise costs excluding fuel per ALBD were computed by dividing the gross and net cruise costs and net cruise costs excluding fuel, without rounding, by ALBDs as follows (dollars in millions, except costs per ALBD):

	Six Months Ended May 31,		
	2014	2014 Constant Dollar	2013
Cruise operating expenses	\$ 5,106	\$ 5,044	\$ 5,057
Cruise selling and administrative expenses	1,021	1,008	904
Gross cruise costs	6,127	6,052	5,961
Less cruise costs included above			
Commissions, transportation and other	(1,141)	(1,116)	(1,123)
Onboard and other	(228)	(225)	(242)
Gains (losses) on ship sales and ship impairment, net	15	14	(2)
Net cruise costs	4,773	4,725	4,594
Less fuel	(1,050)	(1,050)	(1,115)
Net cruise costs excluding fuel	\$ 3,723	\$ 3,675	\$ 3,479
ALBDs	37,158,340	37,158,340	35,972,237
Gross cruise costs per ALBD	\$ 164.89	\$ 162.86	\$ 165.71
% decrease vs. 2013	(0.5)%	(1.7)%	
Net cruise costs per ALBD	\$ 128.45	\$ 127.14	\$ 127.71
% increase (decrease) vs. 2013	0.6%	(0.4)%	
Net cruise costs excluding fuel per ALBD	\$ 100.18	\$ 98.86	\$ 96.72
% increase vs. 2013	3.6%	2.2%	

Non-GAAP fully diluted earnings per share was computed as follows (in millions, except per share data):

	Six Months Ended May 31,	
	2014	2013
Net income - diluted		
U.S. GAAP net income	\$ 91	\$ 78
(Gains) on ship sales and ship impairment, net	(15)(a)	(13)(b)
Unrealized losses on fuel derivatives, net	7	59
Non-GAAP net income	\$ 83	\$ 124
Weighted-average shares outstanding - diluted	778	777
Earnings per share - diluted		
U.S. GAAP earnings per share	\$ 0.12	\$ 0.10
(Gains) on ship sales and ship impairment, net	(0.02)	(0.02)
Unrealized losses on fuel derivatives, net	0.01	0.08
Non-GAAP earnings per share	\$ 0.11	\$ 0.16

(a) Represents a \$37 million gain from the sale of *Costa Voyager*, partially offset by an impairment charge of \$22 million related to *Grand Celebration*.

(b) Caused by a \$15 million gain recognized in our Tour and Other segment from the sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.

Net cruise revenues increased by \$140 million, or 2.5%, to \$5.8 billion in 2014 from \$5.7 billion in 2013. Our 3.3% capacity increase in ALBDs, which accounted for \$187 million, and the increase due to the net currency impact, which accounted for \$80 million, were partially offset by a 2.2% decrease in constant dollar net revenue yields, which accounted for \$127 million. The 2.2% decrease in net revenue yields on a constant dollar basis was caused by a 3.5% decrease in net passenger ticket revenue yields, partially offset by a 1.7% increase in net onboard and other revenue yields. The 3.5% decrease in net passenger ticket revenue yields was caused by a 5.6% net yield decrease from our North America brands, which was driven by the promotional pricing environment for the Caribbean resulting from the large increase in industry capacity, and a slight net yield decrease from our EAA brands. The 1.7% increase in net onboard and other revenue yields was caused by both our North America and EAA brands. Gross cruise revenues increased by \$144 million, or 2.0%, to \$7.2 billion in 2014 from \$7.0 billion in 2013 for largely the same reasons as discussed above.

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Net cruise costs excluding fuel increased by \$244 million, or 7.0%, to \$3.7 billion in 2014 from \$3.5 billion in 2013. The increase was caused by our 3.3% capacity increase in ALBDs, which accounted for \$115 million, a 2.2% increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for \$78 million, and the net currency impact, which accounted for \$49 million.

The 2.2% increase in constant dollar net cruise costs excluding fuel per ALBD was caused by:

- \$49 million – higher advertising spend;
- \$32 million – higher dry-dock and other ship repair and maintenance expenses and
- \$43 million – various other operating expenses, net.

These increases were partially offset by:

- \$46 million – nonrecurrence in 2014 of the additional costs and expenses related to the 2013 voyage disruptions.

Fuel costs decreased by \$65 million, or 5.8%, to \$1.0 billion in 2014 from \$1.1 billion in 2013. This was caused by lower fuel consumption per ALBD, which accounted for \$62 million, and lower fuel prices, which accounted for \$39 million, partially offset by our 3.3% capacity increase in ALBDs, which accounted for \$37 million.

Gross cruise costs increased by \$166 million, or 2.8%, to \$6.1 billion in 2014 from \$6.0 billion in 2013 for principally the same reasons as discussed above.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital, while maintaining a strong balance sheet. Our ability to generate significant operating cash flows allows us to internally fund all of our capital investments. Over time, we expect to have higher levels of free cash flow, which we intend to return to shareholders in the form of additional dividends and opportune share buybacks. We are also committed to maintaining our strong investment grade credit ratings. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability in most financial credit market environments to obtain debt financing, as needed. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, those noted under “Cautionary Note Concerning Factors That May Affect Future Results.” If our long-term senior unsecured credit ratings were to be downgraded, our access to, and cost of, debt financing may be negatively impacted.

At May 31, 2014, we had a working capital deficit of \$5.8 billion. This deficit included \$3.7 billion of current customer deposits, which represent the passenger revenues we collect within a year in advance of sailing dates and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our May 31, 2014 working capital deficit also included \$1.6 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our May 31, 2014 working capital deficit balance, our non-GAAP adjusted working capital deficit was \$522 million. Our business model, along with our unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future.

At November 30, 2013, the U.S. dollar was \$1.63 to sterling, \$1.36 to the euro and \$0.91 to the Australian dollar. Had these November 30, 2013 currency exchange rates been used to translate our May 31, 2014 non-U.S. dollar functional currency operations’ assets and liabilities instead of the May 31, 2014 U.S. dollar exchange rates of \$1.67 to sterling, \$1.36 to the euro and \$0.93 to the Australian dollar, our total assets and liabilities would have been lower by \$119 million and \$37 million, respectively.

Sources and Uses of Cash

Our business provided \$1.7 billion of net cash from operations during the six months ended May 31, 2014, an increase of \$117 million, or 7.5%, compared to \$1.6 billion for the same period in 2013. This increase was caused by less cash being used for our working capital needs, partially offset by less cash being provided from our operating results.

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During the six months ended May 31, 2014, our expenditures for capital projects were \$1.3 billion, of which \$782 million was spent on our ongoing new shipbuilding program, principally for *Regal Princess*. In addition to our new shipbuilding program, we had capital expenditures of \$398 million for ship improvements and replacements and \$150 million for information technology, buildings and improvements and other assets. Furthermore, during the six months ended May 31, 2014, we sold *Costa Voyager* and received \$42 million in cash proceeds.

During the six months ended May 31, 2014, we borrowed a net \$448 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period. In addition, during the six months ended May 31, 2014 we repaid \$1.4 billion of long-term debt, including early repayments of \$339 million of two bank loans and \$409 million of two export credit facilities. Furthermore, during the six months ended May 31, 2014, we borrowed \$829 million of new long-term debt under an export credit facility and a bank loan. Finally, during the six months ended May 31, 2014, we paid cash dividends of \$388 million.

Future Commitments and Funding Sources

Our contractual cash obligations as of May 31, 2014 have changed compared to November 30, 2013 primarily as a result of our debt borrowings and repayments and new ship payments as noted above under “Sources and Uses of Cash.”

The year-over-year percentage increases in our capacity for the third and fourth quarters of 2014 are expected to be 2.2% and 2.7%, respectively. The year-over-year percentage increases in our annual capacity for 2014, 2015 and 2016 are currently expected to be 2.9%, 2.5% and 4.7%, respectively. These percentage increases are expected to result primarily from contracted new ships entering service, partially offset by *Costa Voyager* and *Seabourn Pride* having left the fleet in November 2013 and April 2014, respectively, *Grand Holiday* leaving the fleet by the end of 2014 and *Seabourn Legend* and *Seabourn Spirit* leaving the fleet by May 2015.

At May 31, 2014, as adjusted for our Facility that was entered into in June 2014, we had liquidity of \$5.7 billion. Our liquidity consisted of \$75 million of cash and cash equivalents, which excludes \$268 million of cash used for current operations, \$2.7 billion available for borrowing under our revolving credit facilities, net of our commercial paper borrowings, and an undrawn bank loan, and \$3.0 billion under our committed future financings, which are comprised of ship export credit facilities. Of this \$3.0 billion, \$0.5 billion, \$1.0 billion and \$1.4 billion are scheduled to be funded in 2014, 2015 and 2016, respectively. At May 31, 2014, as adjusted for our Facility, substantially all of our revolving credit facilities were scheduled to mature in 2019, except for \$300 million that matures in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants as described in Note 5 – “Unsecured Debt” in the annual consolidated financial statements, which is included within our 2013 Form 10-K. At May 31, 2014, we believe we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

At May 31, 2014, 66% and 34% (69% and 31% at November 30, 2013) of our debt was U.S. dollar- and euro-denominated, respectively, including the effect of foreign currency swaps.

During the six months ended May 31, 2014, we entered into zero cost collar fuel derivatives for 4.5 million barrels of Brent to cover a portion of our estimated fuel consumption for 2017 and 2018. See “Note 4 - Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements for additional discussion of these fuel derivatives. At May 31, 2014, the estimated fair value of our outstanding fuel derivative contracts was an asset of \$37 million.

During June 2014, we entered into foreign currency zero cost collars that are designated as cash flow hedges for the remaining portion of P&O Cruises (UK) *Britannia*'s euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling rate of £0.81 to the euro, or \$305 million, and a weighted-average floor rate of £0.79 to the euro, or \$298 million.

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For a further discussion of our hedging strategies and market risks, see “Note 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations within our 2013 Form 10-K.

Item 4. Controls and Procedures.

A. Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our President and Chief Executive Officer and our Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of May 31, 2014, that they are effective as described above.

B. Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended May 31, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the case of *Scimone v. Carnival Corp.*, on April 2, 2014 a hearing was held on defendants’ motion to dismiss based on forum selection clause relating to the claims of the 17 U.S. plaintiffs. At that time, the Court orally granted defendants’ motion. The Court has not yet signed the proposed order of dismissal filed by defendants. The case was originally filed on July 5, 2012 in the Circuit Court serving Miami-Dade County, Florida, naming as defendants Carnival Corporation, Carnival Corporation & plc, Costa Cruise Lines, Inc., Costa Crociere S.p.A. and Joseph Farcus P.A. The plaintiffs allege claims for negligence, product liability, professional negligence and intentional tort stemming from the January 2012 *Costa Concordia* incident. The complaint seeks economic and compensatory damages, attorneys’ fees, costs and interest.

Item 1A. Risk Factors.

The risk factors that affect our business and financial results are discussed in “Item 1A. Risk Factors,” included in the 2013 Form 10-K, and there has been no material change to these risk factors since the 2013 Form 10-K filing. We wish to caution the reader that the risk factors discussed in “Item 1A. Risk Factors,” included in the 2013 Form 10-K, and those described elsewhere in this report or other Securities and Exchange Commission filings, could cause future results to differ materially from those stated in any forward-looking statements. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

A. Repurchase Authorizations

In September 2007, our Boards of Directors authorized, subject to certain restrictions, the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the “Repurchase Program”). In January 2013, the Boards of Directors increased the remaining \$165 million under the Repurchase Program back to \$1 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time. During the six months ended May 31, 2014, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program has been \$975 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs described below. At June 24, 2014, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2015 annual general meeting or October 16, 2015. Depending on market conditions and other factors, we may purchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently.

B. Stock Swap Programs

We use the Stock Swap programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program.

In the event Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell shares of Carnival Corporation common stock through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in October 2008, Carnival Corporation was authorized to issue and sell up to 19.2 million shares of its common stock in the U.S. market and had 18.1 million shares remaining at June 24, 2014. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act of 1933.

In the event Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Corporation or Carnival Investments Limited, a subsidiary of Carnival Corporation, through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in January 2013, Carnival Corporation or Carnival Investments Limited was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and had 32.0 million shares remaining at June 24, 2014. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

During the six months ended May 31, 2014, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap programs.

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Item 6. Exhibits.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			<u>Filed/ Furnished Herewith</u>
		<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	
<u>Articles of incorporation and by-laws</u>					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation.	8-K	3.1	4/17/03	
3.2	Third Amended and Restated By-Laws of Carnival Corporation.	8-K	3.1	4/20/09	
3.3	Articles of Association of Carnival plc.	8-K	3.3	4/20/09	
3.4	Memorandum of Association of Carnival plc.	8-K	3.2	4/20/09	
<u>Material contracts</u>					
10.1*	Form of Performance-Based Restricted Stock Unit Agreement for the Carnival Corporation 2011 Stock Plan.				X
10.2*	Form of Performance-Based Restricted Stock Unit Agreement for the Carnival plc 2005 Employee Share Plan.				X
10.3*	Carnival plc 2014 Employee Share Plan.				X
<u>Statement regarding computations of ratios</u>					
12	Ratio of Earnings to Fixed Charges.				X
<u>Rule 13a-14(a)/15d-14(a) Certifications</u>					
31.1	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.3	Certification of President and Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.4	Certification of Chief Financial Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<u>Section 1350 Certifications</u>					
32.1**	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2**	Certification of Chief Financial Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.3**	Certification of President and Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.4**	Certification of Chief Financial Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

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Item 6. Exhibits.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			<u>Filed/ Furnished Herewith</u>
		<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	
<u>Interactive Data File</u>					
101	The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended May 31, 2014, as filed with the Securities and Exchange Commission on July 2, 2014 formatted in XBRL, are as follows:				
	(i) the Consolidated Statements of Income for the three and six months ended May 31, 2014 and 2013;				X
	(ii) the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended May 31, 2014 and 2013;				X
	(iii) the Consolidated Balance Sheets at May 31, 2014 and November 30, 2013;				X
	(iv) the Consolidated Statements of Cash Flows for the six months ended May 31, 2014 and 2013 and				X
	(v) the notes to the consolidated financial statements, tagged in summary and detail.				X

* Indicates a compensation plan.

** These items are furnished and not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARNIVAL CORPORATION

By: /s/ Arnold W. Donald
Arnold W. Donald
President and Chief Executive Officer

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer

Date: July 2, 2014

CARNIVAL PLC

By: /s/ Arnold W. Donald
Arnold W. Donald
President and Chief Executive Officer

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer

Date: July 2, 2014

**FORM OF PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT
FOR THE CARNIVAL CORPORATION 2011 STOCK PLAN**

THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated as of [GRANT DATE] (the "Date of Grant") is made by and between Carnival Corporation, a corporation organized under the laws of Republic of Panama (the "Company"), and [PARTICIPANT NAME] (the "Participant").

WHEREAS, the Company has adopted [PLAN NAME] (the "Plan"), pursuant to which restricted stock units may be granted in respect of shares of the Company's common stock, par value \$0.01 per share ("Stock"); and

WHEREAS, the Compensation Committee of the Company (the "Committee") has determined that it is in the best interests of the Company and its stockholders to grant the restricted stock units provided for herein to the Participant subject to the terms set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Units.

(a) Grant. The Company hereby grants to the Participant a target number of restricted stock units (the "RSUs") of [NUMBER] (the "Target Amount"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU represents the right to receive payment in respect of one share of Stock as of the Settlement Date (as defined below), to the extent the Participant earns and is vested in such RSUs as of the Settlement Date, subject to the terms of this Agreement and the Plan. The RSUs are subject to the restrictions described herein, including forfeiture under the circumstances described in Section 3 hereof (the "Restrictions"). The Restrictions shall lapse and the RSUs shall vest and become nonforfeitable in accordance with Section 2 and Section 3 hereof.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and his legal representative in respect of any questions arising under the Plan or this Agreement. In the event there is any inconsistency between the provisions of the Plan and this Agreement, the provisions of the Plan shall govern.

(c) Acceptance of Agreement. Unless the Participant notifies the Company's Global Human Resources Department in writing to ownership@carnival.com within 10 days after delivery of this Agreement that the Participant does not wish to accept this Agreement, the

Participant will be deemed to have accepted this Agreement and will be bound by the terms of the Agreement and the Plan.

2. Terms and Conditions.

(a) Performance Target.

(i) Subject to the Participant's continued employment or service with the Company, a specified percentage of the RSUs shall vest if both (A) the Participant remains in continuous employment or continuous service with the Company through the Settlement Date as defined in Sub-section (b) below, and (B) the Company achieves, at a minimum, the threshold level of performance with respect to the performance goals set forth on Exhibit A (the "Performance Targets"). Unless provided otherwise by the Committee, the Participant shall be deemed to not be in continuous employment or continuous service if the Participant's status changes from employee to non-employee, or vice-versa. The actual number of RSUs that may vest may range from zero to 200% of the Target Amount based on the extent to which the Performance Targets are achieved, and may be further adjusted up or down by up to 25% based upon the Company's Relative Total Shareholder Return (as defined on Exhibit A) at the end of the 3-year performance cycle as set forth on Exhibit A, in accordance with the methodology set out on Exhibit A, subject to a maximum payout cap of 200%. (I) if the Company does not achieve the minimum Performance Targets as set out on Exhibit A, then no RSUs shall vest and this grant of RSUs shall be cancelled in its entirety, and (II) no vesting shall occur unless and until the Committee certifies that the Performance Targets have been met and determined the Company's Relative Total Shareholder Return (the "Certification").

(ii) At any time following the Date of Grant, the Committee shall make adjustments or modifications to the Performance Targets and the calculation of the Performance Targets as it determines, in its sole discretion, are necessary in order to avoid dilution or enlargement of the intended benefits to be provided to the Participant under this Agreement, to reflect the following events: (A) asset write-downs; (B) litigation or claim judgments or settlements; (C) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (D) any reorganization and restructuring programs; (E) extraordinary nonrecurring items as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year; (F) acquisitions or divestitures; (G) foreign exchange gains and losses; (H) discontinued operations and nonrecurring charges; (I) a change in the Company's fiscal year; and/or (J) any other specific, unusual or nonrecurring events.

(b) Settlement. The obligation to make payments and distributions with respect to RSUs shall be satisfied through the issuance of one share of Stock for each vested RSU, less applicable withholding taxes (the "settlement"), and the settlement of the RSUs may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The RSUs shall be settled as soon as practicable after the end of the three-year performance cycle and Certification (as applicable, the "Settlement Date"), but in no event later than March 15 of the year following the calendar year in which Certification occurs, except as otherwise specified in Section 4(a). Notwithstanding the foregoing, the payment dates set forth in this Section 2(b) have been specified for the purpose of complying with the provisions of Section 409A of the Code ("Section 409A"). To the extent payments are made during the periods permitted under Section 409A (including any applicable periods before or after the specified payment dates set forth in

this Section 2(b)), the Company shall be deemed to have satisfied its obligations under the Plan and shall be deemed not to be in breach of its payments obligations hereunder.

(c) Dividends and Voting Rights. Each RSU subject to this grant shall be credited with dividend equivalents equal to the dividends (including extraordinary dividends if so determined by the Committee) declared and paid to other shareholders of the Company in respect of one share of Stock. Dividend equivalents shall not bear interest. On the Settlement Date, such dividend equivalents in respect of each vested RSU shall be settled by delivery to the Participant of a number of shares of Stock equal to the quotient obtained by dividing (i) the aggregate accumulated value of such dividend equivalents by (ii) the Fair Market Value of a share of Stock on the date that is 14 days prior to the applicable vesting date, rounded down to the nearest whole share, less any applicable withholding taxes. No dividend equivalents shall be accrued for the benefit of the Participant with respect to record dates occurring prior to the Date of Grant, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the RSUs. The Participant shall have no voting rights with respect to the RSUs or any dividend equivalents.

3. Termination of Employment or Service with the Company.

(a) Termination by the Company for Cause. If the Participant's employment or service with the Company terminates for Cause, then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

(b) Death or Disability. If the Participant's employment or service with the Company terminates due to the Participant's death or is terminated by the Company due to the Participant's Disability, then the Participant shall be deemed to have vested on the date of termination in a number of RSUs equal to the product of (i) the Target Amount of RSUs multiplied by (ii) a fraction, the numerator of which is the number of days elapsed during the period commencing on [BEGINNING YEAR] through and including the date of termination, and the denominator of which is the total number of days in the performance cycle, rounded down to the nearest whole RSU, and the remaining unvested portion of the RSUs shall terminate on the date of termination of employment or service. The vested RSUs (and any associated dividend equivalents) shall be settled in accordance with Section 2(b) and 2(c), respectively.

(c) Other Termination. If the Participant's employment or service with the Company terminates for any reason other than as otherwise described in the foregoing provisions of this Section 3 (whether due to voluntary termination, Retirement, termination by the Company without Cause, or otherwise), then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

Except as otherwise provided in Section 3(b), in no event shall any RSUs be settled unless and until both (i) at least the threshold Performance Targets are achieved, and (ii) the Certification occurs.

4. Miscellaneous.

(a) Compliance with Legal Requirements. The granting and settlement of the RSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable federal, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. If the settlement of the RSUs would be

prohibited by law or the Company's dealing rules, the settlement shall be delayed until the earliest date on which the settlement would not be so prohibited.

(b) Transferability. Unless otherwise provided by the Committee in writing, the RSUs shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company; provided, that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(c) Tax Withholding. All distributions under the Plan are subject to withholding of all applicable federal, state, local and foreign taxes, and the Committee may condition the settlement of the RSUs on satisfaction of the applicable withholding obligations. The Company, Carnival plc or any Affiliate of the Company or Carnival plc has the right, but not the obligation, to withhold or retain any Shares or other property deliverable to the Participant in connection with the grant of RSUs or from any compensation or other amounts owing to the Participant the amount (in cash, Shares or other property) of any required tax withholding in respect of the Shares and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(d) Clawback/Forfeiture.

(i) In the case of fraud, negligence, intentional or gross misconduct or other wrongdoing on the part of Participant (or any other event or circumstance set forth in any clawback policy implemented by the Company, including, without limitation, any clawback policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) that results in a material restatement of the Company's issued financial statements, such Participant will be required to reimburse the Company for all or a portion, as determined by the Committee in its sole discretion, of any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs with respect to any fiscal year in which the Company's financial results are negatively impacted by such restatement. The Participant agrees to and shall be required to repay any such amount to the Company within 30 days after the Company demands repayment. In addition, if the Company is required by law to include an additional "clawback" or "forfeiture" provision to outstanding awards, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or forfeiture provision shall also apply to this Agreement as if it had been included on the Date of Grant and the Company shall promptly notify the Participant of such additional provision. In addition, if a Participant has engaged or is engaged in Detrimental Activity after the Participant's employment or service with the Company or its subsidiaries has ceased, then the Participant, within 30 days after written demand by the Company, shall return any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs.

(ii) For purposes of this Agreement, "Detrimental Activity" means any of the following: (i) unauthorized disclosure of any confidential or proprietary information of the Combined Group, (ii) any activity that would be grounds to terminate the Participant's employment or service with the Combined Group for Cause, (iii) whether in writing or orally, maligning, denigrating or disparaging the Combined Group or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective

past or present activities, or otherwise publishing (whether in writing or orally) statements that tend to portray any of the aforementioned persons or entities in an unfavorable light, or (iv) the breach of any noncompetition, nonsolicitation or other agreement containing restrictive covenants, with the Combined Group. For purposes of the preceding sentence the phrase “the Combined Group” shall mean “any member of the Combined Group or any Affiliate”.

(e) No Rights as Stockholder. The Participant shall not be deemed for any purpose to be the owner of any shares of Stock subject to the RSUs. The Company shall not be required to set aside any fund for the payment of the RSUs.

(f) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(g) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant’s address indicated by the Company’s records, or if to the Company, at the Company’s principal executive office.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(i) No Rights to Continued Employment. Nothing in the Plan or in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever. The rights and obligations of the Participant under the terms and conditions of the Participant’s office or employment shall not be affected by this Agreement. The Participant waives all and any rights to compensation and damages in consequence of the termination of the Participant’s office or employment with any member of the Combined Group or any of its Affiliates for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise, or may arise, from the Participant’s ceasing to have rights under or the Participant’s entitlement to the RSUs under this Agreement as a result of such termination or from the loss or diminution in value of such rights or entitlements. In the event of conflict between the terms of this Section 4(i) and the Participant’s terms of employment, this Section will take precedence.

(j) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the Participant’s estate shall be deemed to be the Participant’s beneficiary.

(k) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(l) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent of the Participant in accordance with the Plan.

(m) Governing Law; JURY TRIAL WAIVER. This Agreement shall be construed and interpreted in accordance with the laws of the State of Florida without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Florida. **THE PARTIES EXPRESSLY AND KNOWINGLY WAIVE ANY RIGHT TO A JURY TRIAL IN THE EVENT ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT IS LITIGATED OR HEARD IN ANY COURT.**

(n) Data Protection. By accepting the grant of the RSUs the Participant agrees and consents:

(i) to the collection, use, processing and transfer by the Company of certain personal information about the Participant, including the Participant's name, home address and telephone number, date of birth, other employee information, details of the RSUs granted to the Participant, and of Stock issued or transferred to the Participant pursuant to this Agreement ("Data"); and

(ii) to the Company transferring Data to any subsidiary or Affiliate of the Company for the purposes of implementing, administering and managing this Agreement; and

(iii) to the use of such Data by any person for such purposes; and

(iv) to the transfer to and retention of such Data by third parties in connection with such purposes.

(o) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day first written above.

By: /s/ Jerry Montgomery
Jerry Montgomery
Senior Vice President,
Global Human Resources

Performance Target and Relative Total Shareholder Return Vesting Matrix

The percentage of the Target Amount of RSUs that shall vest will be based upon the extent to which the Combined Group's non-GAAP annual earnings before interest and taxes ("EBIT"), as adjusted for 75% of year over year fuel price changes for each of the three fiscal years in the [PERFORMANCE PERIOD DATES] performance cycle ("Performance Cycle") exceeds the Combined Group's [ANNUAL BASELINE EBIT] (75% weighting); (ii) the extent to which the Combined Group's non-GAAP return on invested capital ("ROIC") at the end of the Performance Cycle compares to the performance goals for such period (25% weighting); and (iii) as modified at the end of the Performance Cycle for the Company's Relative Total Shareholder Return, in accordance with this Exhibit.

[PERFORMANCE-BASED CRITERIA FOR AWARD]

**FORM OF PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT
FOR THE CARNIVAL PLC 2005 EMPLOYEE SHARE PLAN**

THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated as of [GRANT DATE] (the "Date of Grant") is made by and between Carnival plc, a corporation organized under the laws of England and Wales (the "Company"), and [PARTICIPANT NAME] (the "Participant").

WHEREAS, the Company has adopted the [PLAN NAME] (the "Plan"), pursuant to which restricted stock units may be granted in respect of the Company's ordinary shares, par value \$1.66 per share ("Stock"); and

WHEREAS, the Compensation Committee of the Company (the "Committee") has determined that it is in the best interests of the Company and its stockholders to grant the restricted stock units provided for herein to the Participant subject to the terms set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Units.

(a) Grant. The Company hereby grants to the Participant a target number of restricted stock units (the "RSUs") of [NUMBER] (the "Target Amount"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU represents the right to receive payment in respect of one share of Stock as of the Settlement Date (as defined below), to the extent the Participant earns and is vested in such RSUs as of the Settlement Date, subject to the terms of this Agreement and the Plan. The RSUs are subject to the restrictions described herein, including forfeiture under the circumstances described in Section 3 hereof (the "Restrictions"). The Restrictions shall lapse and the RSUs shall vest and become nonforfeitable in accordance with Section 2 and Section 3 hereof.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and his legal representative in respect of any questions arising under the Plan or this Agreement. In the event there is any inconsistency between the provisions of the Plan and this Agreement, the provisions of the Plan shall govern.

(c) Acceptance of Agreement. Unless the Participant notifies the Company's Global Human Resources Department in writing to ownership@carnival.com within 10 days after delivery of this Agreement that the Participant does not wish to accept this Agreement, the Participant will be deemed to have accepted this Agreement and will be bound by the terms of the Agreement and the Plan.

2. Terms and Conditions.

(a) Performance Target.

(i) Subject to the Participant's continued employment or service with the Company, a specified percentage of the RSUs shall vest if both (A) the Participant remains in continuous employment or continuous service with the Company through the Settlement Date as defined in Sub-section (b) below, and (B) the Company achieves, at a minimum, the threshold level of performance with respect to the performance goals set forth on Exhibit A (the "Performance Targets"). Unless provided otherwise by the Committee, the Participant shall be deemed to not be in continuous employment or continuous service if the Participant's status changes from employee to non-employee, or vice-versa. The actual number of RSUs that may vest may range from zero to 200% of the Target Amount based on the extent to which the Performance Targets are achieved, and may be further adjusted up or down by up to 25% based upon the Company's Relative Total Shareholder Return (as defined on Exhibit A) at the end of the 3-year performance cycle as set forth on Exhibit A, in accordance with the methodology set out on Exhibit A, subject to a maximum payout cap of 200%. (I) if the Company does not achieve the minimum Performance Targets as set out on Exhibit A, then no RSUs shall vest and this grant of RSUs shall be cancelled in its entirety, and (II) no vesting shall occur unless and until the Committee certifies that the Performance Targets have been met and determined the Company's Relative Total Shareholder Return (the "Certification").

(ii) At any time following the Date of Grant, the Committee shall make adjustments or modifications to the Performance Targets and the calculation of the Performance Targets as it determines, in its sole discretion, are necessary in order to avoid dilution or enlargement of the intended benefits to be provided to the Participant under this Agreement, to reflect the following events: (A) asset write-downs; (B) litigation or claim judgments or settlements; (C) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (D) any reorganization and restructuring programs; (E) extraordinary nonrecurring items as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year; (F) acquisitions or divestitures; (G) foreign exchange gains and losses; (H) discontinued operations and nonrecurring charges; (I) a change in the Company's fiscal year; and/or (J) any other specific, unusual or nonrecurring events.

(b) Settlement. The obligation to make payments and distributions with respect to RSUs shall be satisfied through the issuance of one share of Stock for each vested RSU, less applicable withholding taxes (the "settlement"), and the settlement of the RSUs may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The RSUs shall be settled as soon as practicable after the end of the three-year performance cycle and Certification (as applicable, the "Settlement Date"), but in no event later than March 15 of the year following the calendar year in which Certification occurs. Notwithstanding the foregoing, the payment dates set forth in this Section 2(b) have been specified for the purpose of complying with the provisions of Section 409A of the Code ("Section 409A"). To the extent payments are made during the periods permitted under Section 409A (including any applicable periods before or after the specified payment dates set forth in this Section 2(b)), the Company shall be deemed to have satisfied its obligations under the Plan and shall be deemed not to be in breach of its payments obligations hereunder.

(c) Dividends and Voting Rights. Each RSU subject to this grant shall be credited with dividend equivalents equal to the dividends (including extraordinary dividends if so determined by the Committee) declared and paid to other shareholders of the Company in respect of one share of Stock. Dividend equivalents shall not bear interest. On the Settlement Date, such dividend equivalents in respect of each vested RSU shall be settled by delivery to the Participant of a number of shares of Stock equal to the quotient obtained by dividing (i) the aggregate accumulated value of such dividend equivalents by (ii) the Fair Market Value of a share of Stock on the date that is 14 days prior to the applicable vesting date, rounded down to the nearest whole share, less any applicable withholding taxes. No dividend equivalents shall be accrued for the benefit of the Participant with respect to record dates occurring prior to the Date of Grant, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the RSUs. The Participant shall have no voting rights with respect to the RSUs or any dividend equivalents.

3. Termination of Employment or Service with the Company.

(a) Termination by the Company for Cause. If the Participant's employment or service with the Company terminates for Cause, then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

(b) Death or Disability. If the Participant's employment or service with the Company terminates due to the Participant's death or is terminated by the Company due to the Participant's Disability, then the Participant shall be deemed to have vested on the date of termination in a number of RSUs equal to the product of (i) the Target Amount of RSUs multiplied by (ii) a fraction, the numerator of which is the number of days elapsed during the period commencing on [BEGINNING YEAR] through and including the date of termination, and the denominator of which is the total number of days in the performance cycle, rounded down to the nearest whole RSU, and the remaining unvested portion of the RSUs shall terminate on the date of termination of employment or service. The vested RSUs (and any associated dividend equivalents) shall be settled in accordance with Section 2(b) and 2(c), respectively.

(c) Other Termination. If the Participant's employment or service with the Company terminates for any reason other than as otherwise described in the foregoing provisions of this Section 3 (whether due to voluntary termination, Retirement, termination by the Company without Cause, or otherwise), then all outstanding RSUs shall immediately terminate on the date of termination of employment or service.

Except as otherwise provided in Section 3(b), in no event shall any RSUs be settled unless and until both (i) at least the threshold Performance Targets are achieved, and (ii) the Certification occurs.

4. Miscellaneous.

(a) Compliance with Legal Requirements. The granting and settlement of the RSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable federal, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. If the settlement of the RSUs would be prohibited by law or the Company's dealing rules, the settlement shall be delayed until the earliest date on which the settlement would not be so prohibited.

(b) Transferability. Unless otherwise provided by the Committee in writing, the RSUs shall not be transferable by the Participant other than by will or the laws of descent and distribution.

(c) Tax Withholding. All distributions under the Plan are subject to withholding of all applicable federal, state, local and foreign taxes, and the Committee may condition the settlement of the RSUs on satisfaction of the applicable withholding obligations.

(d) Clawback/Forfeiture.

(i) In the case of fraud, negligence, intentional or gross misconduct or other wrongdoing on the part of Participant (or any other event or circumstance set forth in any clawback policy implemented by the Company, including, without limitation, any clawback policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) that results in a material restatement of the Company's issued financial statements, such Participant will be required to reimburse the Company for all or a portion, as determined by the Committee in its sole discretion, of any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs with respect to any fiscal year in which the Company's financial results are negatively impacted by such restatement. The Participant agrees to and shall be required to repay any such amount to the Company within 30 days after the Company demands repayment. In addition, if the Company is required by law to include an additional "clawback" or "forfeiture" provision to outstanding awards, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or forfeiture provision shall also apply to this Agreement as if it had been included on the Date of Grant and the Company shall promptly notify the Participant of such additional provision. In addition, if a Participant has engaged or is engaged in Detrimental Activity after the Participant's employment or service with the Company or its subsidiaries has ceased, then the Participant, within 30 days after written demand by the Company, shall return any income or gain realized on the settlement of the RSUs or the subsequent sale of shares of Stock acquired upon settlement of the RSUs.

(ii) For purposes of this Agreement, "Detrimental Activity" means any of the following: (i) unauthorized disclosure of any confidential or proprietary information of the Combined Group, (ii) any activity that would be grounds to terminate the Participant's employment or service with the Combined Group for Cause, (iii) whether in writing or orally, maligning, denigrating or disparaging the Combined Group or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publishing (whether in writing or orally) statements that tend to portray any of the aforementioned persons or entities in an unfavorable light, or (iv) the breach of any noncompetition, nonsolicitation or other agreement containing restrictive covenants, with the Combined Group. For purposes of the preceding sentence the phrase "the Combined Group" shall mean "any member of the Combined Group or any Affiliate".

(e) No Rights as Stockholder. The Participant shall not be deemed for any purpose to be the owner of any shares of Stock subject to the RSUs.

(f) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(g) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant's address indicated by the Company's records, or if to the Company, at the Company's principal executive office.

(h) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(i) No Rights to Employment. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever. The rights and obligations of the Participant under the terms and conditions of the Participant's office or employment shall not be affected by this Agreement. The Participant waives all and any rights to compensation and damages in consequence of the termination of the Participant's office or employment with any member of the Combined Group or any of its Affiliates for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise, or may arise, from the Participant's ceasing to have rights under or the Participant's entitlement to the RSUs under this Agreement as a result of such termination or from the loss or diminution in value of such rights or entitlements. In the event of conflict between the terms of this Section 4(i) and the Participant's terms of employment, this Section will take precedence.

(j) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the Participant's estate shall be deemed to be the Participant's beneficiary.

(k) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(l) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 9 of the Plan.

(m) Governing Law. This Agreement and any non-contractual obligations arising under or in connections with this Agreement shall be governed by, and construed in accordance with, the laws of England. All disputes arising out of or in connection with this Agreement shall be subject to the exclusive jurisdiction of the courts of England and Wales.

(n) Data Protection. By accepting the grant of the RSUs the Participant agrees and consents:

(i) to the collection, use, processing and transfer by the Company of certain personal information about the Participant, including the Participant's name, home address and telephone number, date of birth, other employee information, details of the RSUs granted to the Participant, and of Stock issued or transferred to the Participant pursuant to this Agreement ("Data"); and

(ii) to the Company transferring Data to any subsidiary or Affiliate of the Company for the purposes of implementing, administering and managing this Agreement; and

(iii) to the use of such Data by any person for such purposes; and

(iv) to the transfer to and retention of such Data by third parties in connection with such purposes.

(o) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day first written above.

CARNIVAL PLC

By: /s/ Jerry Montgomery
Jerry Montgomery
Senior Vice President,
Global Human Resources

Performance Target and Relative Total Shareholder Return Vesting Matrix

The percentage of the Target Amount of RSUs that shall vest will be based upon the extent to which the Combined Group's non-GAAP annual earnings before interest and taxes ("EBIT"), as adjusted for 75% of year over year fuel price changes for each of the three fiscal years in the [PERFORMANCE PERIOD DATES] performance cycle ("Performance Cycle") exceeds the Combined Group's [ANNUAL BASELINE EBIT] (75% weighting); (ii) the extent to which the Combined Group's non-GAAP return on invested capital ("ROIC") at the end of the Performance Cycle compares to the performance goals for such period (25% weighting); and (iii) as modified at the end of the Performance Cycle for the Company's Relative Total Shareholder Return, in accordance with this Exhibit.

[PERFORMANCE-BASED CRITERIA FOR AWARD]

CARNIVAL PLC 2014 EMPLOYEE SHARE PLAN

Purpose. The purpose of the Carnival plc 2014 Employee Share Plan is to provide a means through which the members of the plc Group may attract and retain key personnel, and to provide a means whereby employees and executive directors of members of the plc Group can acquire and maintain an interest in Shares, or be paid incentive compensation, measured by reference to the value of Shares, thereby strengthening their commitment to the welfare of members of the plc Group and aligning their interests with those of the holders of Shares. It is intended that the Plan will be an employees' share scheme within the meaning of section 1166 of the Companies Act 2006.

1. Definitions. The following definitions shall be applicable throughout the Plan:

(a) "ADRs" means American Depositary Receipts evidencing American Depositary Shares deposited by the Company with a depository pursuant to a depository agreement.

(b) "Affiliate" means (i) any person or entity that directly or indirectly Controls, is Controlled by or is under common Control with the Company or Carnival Corporation and/or (ii) to the extent provided by the Committee, any person or entity in which the Company or Carnival Corporation has a significant interest.

(c) "Approved Option" means an Option granted under the HMRC approved share plan contained in the Appendix to this Plan.

(d) "Award" means, individually or collectively, any Incentive Stock Option, Nonqualified Stock Option, Unapproved Option, Approved Option, Stock Appreciation Right, Restricted Shares, Restricted Share Unit and Other Share-Based Award granted under the Plan.

(e) "Board" means the Board of Directors of the Company (or any duly appointed committee thereof).

(f) "Capital Reorganisation" means any variation in the share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation, or reduction).

(g) "Carnival Corporation" means Carnival Corporation, a corporation organised under the laws of the Republic of Panama and any successor thereto.

(h) "Cause" means, in the case of a particular Award, unless the applicable Award agreement states otherwise:

(i) a member of the plc Group having "cause" to terminate a Participant's employment, as defined in any employment or other agreement between the Participant and the plc Group in effect at the time of such termination; or

(ii) in the absence of any such employment or other agreement (or the absence of any definition of "cause" or term of similar import therein):

(A) the Participant has failed to reasonably perform his or her duties to the plc Group, or has failed to follow the lawful instructions of the Board or his or her direct superiors, in each case other than as a result of his or her incapacity due to physical or mental illness or injury, that could reasonably be expected to result in harm (whether financially, reputationally or otherwise) to the Combined Group;

(B) the Participant has engaged or is about to engage in conduct harmful (whether financially, reputationally or otherwise) to the Combined Group;

- (C) the Participant having been convicted of, or pleaded guilty to, a crime involving as a material element fraud or dishonesty;
- (D) the wilful misconduct or gross neglect of the Participant that could reasonably be expected to result in harm (whether financially, reputationally or otherwise) to the Combined Group;
- (E) the wilful violation by the Participant of the Combined Group's written policies that could reasonably be expected to result in harm (whether financially, reputationally or otherwise) to the Combined Group;
- (F) the Participant's fraud or misappropriation, embezzlement or misuse of funds or property belonging to the Combined Group (other than good faith expense account disputes);
- (G) the Participant's act of personal dishonesty which involves personal profit in connection with the Participant's employment with the plc Group; or
- (H) the wilful breach by the Participant of fiduciary duty owed to the plc Group,

provided, however, that the Participant shall be provided a 10-day period to cure any of the events or occurrences described in the immediately preceding clause (A) hereof, to the extent capable of cure during such 10-day period. References in the preceding sentence to the "plc Group" or to the "Combined Group" shall be deemed to refer to any member of the plc Group or the Combined Group, as the case may be. Any determination of whether Cause exists shall be made by the Committee in its sole discretion.

(i) "Change in Control" shall, in the case of a particular Award, unless the applicable Award agreement states otherwise or contains a different definition of "Change in Control," be deemed to occur upon:

(i) a person (either alone or together with any person acting in concert with him) obtaining Control of the Company as a result of a general offer or otherwise for the whole of the share capital of the Company (other than those shares which are already owned by him and/or any person acting in concert with him);

(ii) a person (either alone or together with any person acting in concert with him) acquiring 50% or more (on a fully diluted basis) of either:

(a) the then outstanding Shares taking into account as outstanding for this purpose such Shares as are issuable upon the exercise of options or warrants, the conversion of convertible shares or debt and the exercise of any similar right to acquire such Shares (the "**Outstanding Shares**"); or

(b) the combined voting power of the then outstanding voting shares or securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**");

and for the purposes of this Plan an event falling within sub-paragraphs (i) or (ii) of this definition shall be referred to as an **Acquisition**; provided, however, that for purposes of this Plan, the following Acquisitions shall not constitute a Change of Control:

(A) any acquisition by the Company or any Affiliate;

(B) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliate;

(C) any acquisition by Marilyn B. Arison, Micky Arison, Shari Arison, Michael Arison or their spouses or lineal descendents, any trust established for the benefit of any of the aforementioned Arison family members, or any person directly or indirectly controlling,

controlled by or under common control with any of the aforementioned Arison family members or any trust established for the benefit of any of the aforementioned Arison family members or any charitable trust or non-profit entity established by any person or entity described in this sub-paragraph (C);

(D) any acquisition by any person which falls within the proviso to paragraph (v) below or sub-paragraphs (A), (B) or (C) of paragraph (vii) below; or

(E) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant) (persons described in clauses (A), (B), (C), (D) and (E) being referred to hereafter as “Excluded Persons”);

(iii) individuals who, during any consecutive 12-month period, constitute the Board (the “Incumbent Directors”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement or annual report and accounts of the Company in which such person is nominated for election by shareholders, without written objection to such nomination) shall be an Incumbent Director and for the purposes of this Plan an event falling within this sub-paragraph (iii) shall be referred to as a **Board Change**;

(iv) a person becoming entitled or required under sections 979 to 985 of the Companies Act 2006 to acquire Shares (a “**Compulsory Acquisition Procedure**”);

(v) a Court directing that a meeting of the holders of Shares be convened pursuant to section 896 of the Companies Act 2006 for the purposes of considering a scheme of arrangement of the Company or its amalgamation with any other company or companies and the scheme of arrangement being approved by the shareholders’ meeting or sanctioned by the Court (as the Committee may determine) (the “**Relevant Condition**”) provided, however, that the Committee may determine that the scheme of arrangement shall not constitute a Change of Control if the purpose and effect of the scheme of arrangement is to create a new holding company for the Company, such company having substantially the same shareholders with the same proportionate shareholdings as the Company had immediately prior to the scheme of arrangement, and for the purposes of this Plan an event falling within this sub-paragraph (v) shall be referred to as a **Scheme of Arrangement**;

(vi) notice being duly given of a resolution for the voluntary winding-up of the Company (a “**Voluntary Winding Up**”);

(vii) the completion of a reorganization, recapitalization, merger, consolidation, share exchange or similar form of corporate transaction involving the Company (a “Business Combination”), or sale, transfer or other disposition of all or substantially all of the business or assets of the Company to an entity that is not an Affiliate of the Company (a “Sale”), that in each case requires the approval of the Company’s shareholders (whether for such Business Combination or Sale or the issue of securities in such Business Combination or Sale), unless immediately following such Business Combination or Sale:

(A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination or the entity which has acquired all or substantially all of the business or assets of the Company in a Sale (in either case, the “Surviving Company”), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the board of directors (or the analogous governing body) of the Surviving Company (the “Parent Company”), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination or Sale (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination or Sale),

and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination or Sale;

(B) no Person (other than any Excluded Person or any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company); and

(C) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the completion of the Business Combination or Sale were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination or Sale,

and for the purposes of this Plan a transaction falling within this sub-paragraph (vii) shall be referred to as a **Corporate Transaction**.

Notwithstanding the foregoing, the Committee may determine that a transaction or series of transactions pursuant to which (x) the Company is acquired by or otherwise becomes a subsidiary of or merges, consolidates or amalgamates with Carnival Corporation or (y) Carnival Corporation is acquired by or otherwise becomes a subsidiary of or merges, consolidates or amalgamates with the Company, shall not be a Change in Control.

(j) "Code" means the US Internal Revenue Code of 1986, as amended, and any successor thereto. Reference in the Plan to any section of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulations or guidance.

(k) "Combined Group" means the Company and Carnival Corporation.

(l) "Committee" means the Compensation Committee of the Board or subcommittee thereof or, if no such Compensation Committee or subcommittee thereof exists, the Board. Unless the Board determines otherwise, each member of the Committee shall, at the time he takes any action with respect to an Award under the Plan, be an Eligible Director. However, the mere fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award which is otherwise validly granted under the Plan.

(m) "Company," means Carnival plc, a company incorporated under the laws of England and Wales.

(n) The term "Control" (including, with correlative meaning, the terms "controlled by" and "under common Control with"), as applied to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting or other securities, by contract or otherwise.

(o) "Date of Grant" means the date on which the granting of an Award is authorised, or such other date as may be specified in such authorization or, if there is no such date, the date indicated on the applicable Award agreement.

(p) "Dealing Day" means any day on which the London Stock Exchange is open for the transaction of business.

(q) "Detrimental Activity" means any of the following: (i) unauthorised disclosure of any confidential or proprietary information of the Combined Group, (ii) any activity that would be grounds to terminate the

Participant's employment with the Combined Group for Cause, (iii) whether in writing or orally, maligning, denigrating or disparaging the Combined Group or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publishing (whether in writing or orally) statements that tend to portray any of the aforementioned persons or entities in an unfavorable light, or (iv) the breach of any noncompetition, nonsolicitation or other agreement containing restrictive covenants, with the Combined Group. For purposes of the preceding sentence the phrase "the Combined Group" shall mean "any member of the Combined Group or any Affiliate".

(r) "Disability" means, unless in the case of a particular Award the applicable Award agreement states otherwise, a member of the Combined Group or an Affiliate having cause to terminate a Participant's employment on account of "disability," as defined in any then-existing employment or other similar agreement between the Participant and a member of the Combined Group or an Affiliate or, in the absence of such an employment or other similar agreement, a Participant's total disability as defined below and (in the case of a US Participant to the extent required by Code Section 409A) determined in a manner consistent with Code Section 409A and the regulations thereunder:

(i) The Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(ii) A Participant will be deemed to have suffered a Disability if determined to be totally disabled by the relevant social security authority. In addition, the Participant will be deemed to have suffered a Disability if determined to be disabled in accordance with a disability insurance program maintained by the Company.

(s) "Discretionary Share Plan" means an Employee Share Plan in which participation is solely at the discretion of the Board or the Committee.

(t) "Effective Date" means April 17, 2014, if the Plan is approved by the shareholders of the Company at the annual meeting of shareholders held on such day.

(u) "Eligible Director" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and (ii) an "independent director" under the rules of the New York Stock Exchange or any securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, or a person meeting any similar requirement under any successor rule or regulation.

(v) "Employee" means any employee (including an executive director) of a member of the plc Group whose terms of service require him to devote substantially the whole of his working time to the affairs of a member of the Combined Group or an Affiliate.

(w) "Employee Share Plan" means any share option plan or other employees' share incentive plan established by the Company.

(x) "Exchange Act" means the US Securities Exchange Act of 1934, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Exchange Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

(y) "Exercise Price" has the meaning given such term in Section 7(c) of the Plan.

(z) "Fair Market Value" means, on a given date:

(i) for so long as the Shares are traded on the London Stock Exchange, the closing middle market quotation for a Share as derived from the Daily Official List of the London Stock Exchange for that day; or

(ii) subject to (i) above, its market value determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and in the case of any Award under which Shares are to be issued, the nominal value of a Share.

(aa) "HMRC" means H.M. Revenue & Customs.

(bb) "ICTA" means the United Kingdom Income and Corporation Taxes Act 1988.

(cc) "ITEPA" means the United Kingdom Income Tax (Earnings and Pensions) Act 2003.

(dd) "Incentive Stock Option" means an Option granted to a US Participant in the Plan which is designated by the Committee as an incentive stock option as described in Section 422 of the Code and otherwise meets the requirements set forth in the Plan.

(ee) "the London Stock Exchange" means London Stock Exchange plc or any recognised investment exchange for the purposes of the UK Financial Services and Markets Act 2000 which may take over the functions of the London Stock Exchange plc.

(ff) "Model Code" means the UKLA's Model Code for Securities Transactions by Directors of Listed Companies.

(gg) "Nonqualified Stock Option" means an Option granted to a US Participant in the Plan which is not designated by the Committee as an Incentive Stock Option.

(hh) "Option" means an Award granted under Section 7 being either an Incentive Share Option, a Nonqualified Share Option, an Unapproved Option or an Approved Option.

(ii) "Option Holder" means any individual who holds a subsisting Option (including, where the context permits, the legal personal representative of a deceased Option Holder).

(jj) "Option Period" means such period commencing on the Date of Grant and not exceeding ten years, as the Committee may be determine under Section 7(g) and (h) in respect of an Option or portions of an Option.

(kk) "Other Share-Based Award" means an Award granted under Section 10 of the Plan.

(ll) "Participant" means an Employee who pursuant to Section 5 of the Plan has been selected by the Committee to participate in the Plan and to receive an Award.

(mm) "Performance Criteria" shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Award under the Plan.

(nn) "Performance Goals" shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria.

(oo) "Performance Period" shall mean the one or more periods of time of not less than 12 months, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of an Award.

(pp) "Person" has the meaning given such term in the definition of "Change in Control".

(qq) “Plan” means this Carnival PLC 2014 Employee Share Plan, as amended.

(rr) “the plc Group” means the Company and the Subsidiaries and member of the plc Group shall be construed accordingly.

(ss) “Registered Holder” means any person or persons nominated by the Committee to hold Restricted Shares on behalf of a Participant.

(tt) “Released Unit” shall have the meaning given such term in Section 9(g).

(uu) “Restricted Period” means the period of time determined by the Committee during which an Award is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.

(vv) “Restricted Shares” means Shares, subject to forfeiture and certain specified restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of the Plan.

(ww) “Restricted Share Unit” means an unfunded and unsecured promise to deliver Shares, cash, other securities or other property, subject to certain restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of the Plan.

(xx) “Retirement” means a termination of employment with a member of the Combined Group and all Affiliates by a Participant on or after the Participant’s Retirement Age.

(yy) “Retirement Age” means, unless determined otherwise by the Committee, attainment of the earlier of (i) age 65 with at least five years of employment with a member of the Combined Group and/or its Affiliates or (ii) age 60 with at least 15 years of employment with a member of the Combined Group and/or its Affiliates.

(zz) “SAR Period” has the meaning given such term in Section 8(c) of the Plan.

(aaa) “Securities Act” means the US Securities Act of 1933, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Securities Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

(bbb) “Shares” means fully paid and irredeemable ordinary shares in the capital of the Company or shares representing those shares following any Capital Reorganisation. References to Shares in relation to the granting, operation or satisfaction of any Award include, if the Committee so decides, reference to ADRs.

(ccc) “Stock Appreciation Right” or “SAR” means an Award granted under Section 8 of the Plan.

(ddd) “Strike Price” has the meaning given such term in Section 8(b) of the Plan.

(eee) “Subsidiary” means any subsidiary of the Company, as defined in Section 1159 of the Companies Act 2006, of which the Company has Control.

(fff) “Substitute Award” has the meaning given such term in Section 5(c).

(ggg) “UKLA” means the United Kingdom Listing Authority.

(hhh) “Unapproved Option” means an Option granted to a Participant other than a US Participant under the Plan which is not designated by the Committee as an Approved Option.

(iii) “US Participant” means a Participant who is a US citizen or US tax resident subject to taxation in the United States.

2. Effective Date; Duration and Shareholder Approval. The Plan shall be effective as of the Effective Date. The expiration date of the Plan, on and after which date no Awards may be granted hereunder, shall be the tenth anniversary of the Effective Date; provided, however, that such expiration shall not affect Awards then outstanding, and the terms and conditions of the Plan shall continue to apply to such Awards.

3. Administration. (a) The Committee shall administer the Plan. The majority of the members of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present or acts approved in writing by a majority of the Committee shall be deemed the acts of the Committee. To the extent required to comply with the provisions of Rule 16b-3 promulgated under the Exchange Act (if the Board is not acting as the Committee under the Plan), or any exception or exemption under the rules of the London Stock Exchange or any other securities exchange or inter-dealer quotation system on which the Shares (or ADRs or common stock of Carnival Corporation) are listed or quoted, as applicable, it is intended that each member of the Committee shall, at the time he or she takes any action with respect to an Award under the Plan, be an Eligible Director. However, the fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award granted or action taken by the Committee that is otherwise validly granted or taken under the Plan.

(b) Subject to the provisions of the Plan and applicable law, the Committee shall have the sole and plenary authority, in addition to other express powers and authorizations conferred on the Committee by the Plan, to:

(i) designate Participants;

(ii) determine the type or types of Awards to be granted to a Participant;

(iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Awards;

(iv) determine the terms and conditions of any Award;

(v) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property or cancelled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended;

(vi) determine whether, to what extent and under what circumstances the delivery of cash, Shares, other securities, other Awards or other property and other amounts payable with respect to an Award shall be deferred, either automatically or at the election of the Participant or the Committee;

(vii) interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan;

(viii) establish, amend, suspend or waive any rules and regulations and appoint such agents as the Committee shall deem appropriate for the proper administration of the Plan; and

(ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) Except to the extent prohibited by applicable law or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which the Shares or any successor securities of the Company are listed or traded, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time. Without limiting the generality of the foregoing, the Committee may delegate to one or more officers of any member of the Combined Group or any Affiliate the authority to act on behalf of the Committee with respect to any matter, right, obligation or election which is the responsibility of or which is allocated to the Committee herein, and which may be so delegated as a matter of law.

(d) The Committee shall have the authority to amend the Plan (including by the adaptation of appendices or subplans) and/or the terms and conditions relating to an Award to the extent necessary to permit participation in the Plan by Employees who are located outside of the United Kingdom on terms and conditions comparable to those afforded to Employees located within the United Kingdom; provided, however, that no such action shall be taken without shareholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan.

(e) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or any documents evidencing Awards granted pursuant to the Plan shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons or entities, including, without limitation, each member of the Combined Group, each Affiliate, any Participant, any holder or beneficiary of any Award and any shareholder.

(f) Notwithstanding anything to the contrary contained in the Plan, the Board may, in its sole discretion, at any time and from time to time, grant Awards and administer the Plan with respect to such Awards. Any such actions by the Board shall be subject to the applicable rules of the London Stock Exchange or any other securities exchange or inter-dealer quotation system on which the Shares are listed or quoted. In any such case, the Board shall have all the authority granted to the Committee under the Plan.

4. Grant of Awards; Shares Subject to the Plan; Limitations. (a) The Committee may from time to time grant Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units and/or Other Share-Based Awards to one or more Employees.

(b) Awards granted under the Plan shall be subject to the following limitations: (i) subject to Section 11 of the Plan, grants of Options or SARs in respect of no more than 3,000,000 Shares may be made to any individual Participant during any period of 36 consecutive months; (ii) subject to Section 11 of the Plan, no more than 1,000,000 Shares may be delivered in respect of an Award subject to performance conditions to any individual Participant for a single fiscal year during a Performance Period (or with respect to each single fiscal year in the event a Performance Period extends beyond a single fiscal year), or in the event such Award subject to performance conditions is paid in cash, other securities, other Awards or other property, no more than the Fair Market Value of such Shares on the last day of the Performance Period to which such Award relates; and (iii) the maximum amount that can be paid to any individual Participant for a single fiscal year during a Performance Period (or with respect to each single fiscal year in the event a Performance Period extends beyond a single fiscal year) pursuant to an award subject to performance conditions that is denominated in cash shall be \$10,000,000.

(c) (i) no Award to subscribe for Shares shall be granted to the extent that the aggregate number of Shares that could be issued pursuant to that Award and any other Awards granted at the same time when added to the number of Shares that:

(a) could be issued on the exercise or vesting of any other subsisting share options or awards granted during the preceding ten years under the Plan or any other Employee Share Plan; and

(b) have been issued on the exercise or vesting of any share options or awards granted during the preceding ten years under the Plan or any other Employee Share Plan; and

(c) have been issued during the preceding ten years under any Employee Share Plan or any profit sharing or other employee share incentive plan established by the Company,

would exceed 10% of the ordinary share capital of the Company for the time being in issue.

(ii) no Award to subscribe for Shares shall be granted to the extent that the aggregate number of Shares that could be issued pursuant to that Award and any other Awards granted at the same time when added to the number of Shares that:

(a) could be issued on the exercise or vesting of any other subsisting share options or awards granted during the preceding ten years under the Plan or any other Discretionary Share Plan; and

(b) have been issued on the exercise or vesting of any share options or awards granted during the preceding ten years under the Plan or any other Discretionary Share Plan; and

(c) have been issued during the preceding ten years under any Discretionary Share Plan established by the Company;

would exceed 5% of the ordinary share capital of the Company for the time being in issue.

(d) Shares delivered by the Company in settlement of Awards may be authorised and unissued Shares, Shares held in the treasury of the Company, Shares purchased on the open market or by private purchase or a combination of the foregoing.

(e) Awards may, in the sole discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity directly or indirectly acquired by the Company or with which the Company combines (“Substitute Awards”). Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding options intended to qualify as “incentive stock options” within the meaning of Section 422 of the Code shall be counted against the aggregate number of Shares available for Awards of Incentive Stock Options under the Plan. Subject to applicable stock exchange requirements, available shares under a shareholder approved plan of an entity directly or indirectly acquired by the Company or with which the Company combines (as appropriately adjusted to reflect the acquisition or combination transaction) may be used for Awards under the Plan and shall not reduce the number of Shares available for delivery under the Plan.

(f) Any member of the plc Group may provide money to the trustees of any trust or any other person to enable them or him to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent not prohibited by section 678 of the Companies Act 2006.

5. Eligibility. Participation shall be limited to Employees who have received written notification from the Committee or from a person designated by the Committee, that they have been selected to participate in the Plan.

6. Options. (a) Generally. The Committee is authorised to grant one or more Approved Options, Unapproved Options, Incentive Share Options or Nonqualified Share Options to any Employee. Each Option so granted shall be subject to the conditions set forth in this Section 7 and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award agreement.

(b) NQSO and Incentive Options. All Options granted under the Plan to US Participants shall be Nonqualified Stock Options unless the applicable Award agreement expressly states that the Option is intended to be an Incentive Stock Option. Incentive Stock Options shall be granted only to US Participants who are employees of a member of the plc Group, and no Incentive Stock Option shall be granted to any Employee who is ineligible to receive an Incentive Stock Option under the Code. No Option shall be treated as an Incentive Stock Option unless the Plan has been approved by the shareholders of the Company in a manner intended to comply with the shareholder approval requirements of Section 422(b)(1) of the Code, provided, that any Option intended to be an Incentive Stock Option shall not fail to be effective solely on account of a failure to obtain such

approval, but rather such Option shall be treated as a Nonqualified Stock Option unless and until such approval is obtained. In the case of an Incentive Stock Option, the terms and conditions of such grant shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code. If for any reason an Option intended to be an Incentive Stock Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option or portion thereof shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan.

(c) Exercise Price. The Exercise Price per Share for each Option shall be set by the Committee at the Date of Grant but shall not be less than the Fair Market Value of a Share on the Date of Grant and, if the Shares are to be issued, the nominal value of a Share. Any modification to the Exercise Price of an outstanding Option shall be subject to the prohibition on repricing set forth in the proviso to Section 13(b).

(d) Tax conditions. An Option may be granted subject to such conditions for payment of taxation, employees' National Insurance contributions and employer's National Insurance contributions liability as the Committee may determine (including without limitation the right to sell on an Option Holder's behalf sufficient Shares to satisfy any taxation, National Insurance or other social security contributions) and if any condition is imposed relating to the assumption, payment or reimbursement by the Option Holder of employer's National Insurance contributions liability, such conditions shall comply with any applicable legislation or regulations and the Company shall be entitled to waive in whole or in part the Option Holder's obligation in respect of such liability.

(e) Performance Goals. The Committee shall determine prior to the Date of Grant whether any Performance Goals shall apply to the vesting of an Option and if so these shall be set out in the applicable Award agreement.

(f) Model Code. The Committee shall not grant Options at any time when it would be prohibited from doing so by the Model Code (or the Company's dealing code).

(g) Vesting and Expiration. Options shall vest and become exercisable in such manner and on such date or dates as the Committee may determine at the Date of Grant and set out in a vesting schedule (a "**Vesting Schedule**") in the applicable Award agreement. The Committee may determine that an Option may vest in full on one date only or may vest partially as to different portions on different dates so that an Option may have one Option Period or a number of Option Periods applying to determine when each portion shall vest. Subject to Section 13, Options shall lapse on the earlier of:

(i) the expiry of the Option Period; and

(ii) the Option Holder being declared bankrupt or entering into any general composition with or for the benefit of his creditors including a voluntary arrangement under the Insolvency Act 1986;

provided, however, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of such Option other than with respect to exercisability; provided, further, that if the Option Period (other than in the case of an Incentive Stock Option) would expire at a time when trading in the Shares is prohibited by the Company's insider trading policy (or Company-imposed "blackout period"), the Option Period shall be automatically extended until the 30th day following the expiration of such prohibition; provided, however, that in no event shall the Option Period exceed ten years from the Date of Grant or five years from the Date of Grant in the case of an Incentive Stock Option granted to a US Participant who on the Date of Grant owns share representing more than 10% of the voting power of all classes of share capital of the Company or any Affiliate. If an Option is exercisable in instalments, such instalments or portions thereof which vest and become exercisable shall remain exercisable until the Option lapses but subject to any earlier lapse provisions under Sections 7(h) and 12.

(h) Exercise and Lapse of Options - Cessation of Employment. Unless otherwise stated in the applicable Award agreement, an Option shall expire earlier than the end of the Option Period in the following circumstances:

(i) If prior to the end of the Option Period, the Participant's employment with each member of the Combined Group and all Affiliates is terminated without Cause or by the Participant for any reason other than Retirement, the Option shall expire on the earlier of the last day of the Option Period or the date that is three months after the date of such termination; provided, however, that any Participant whose employment with a member of the Combined Group or any Affiliate is terminated and who is subsequently rehired or reengaged by a member of the Combined Group or any Affiliate within three months following such termination and prior to the expiration of the Option shall be treated as if his employment had not terminated. In the event of a termination described in this clause (i), the Option shall remain exercisable by the Participant until its expiration only to the extent the Option was exercisable at the time of such termination.

(ii) If the Participant dies or his employment is terminated on account of Disability prior to the end of the Option Period and while still in the employment of a member of the Combined Group or an Affiliate, or dies following a termination described in clause (i) above but prior to the expiration of an Option, the Option shall expire on the earlier of the last day of the Option Period or the date that is one year after the date of death or cessation on account of Disability of the Participant, as applicable. In such event, the Option shall remain exercisable by the Participant or his or her beneficiary determined in accordance with Section 14(g), as applicable, until its expiration only to the extent the Option was exercisable by the Participant at the time of such event.

(iii) If the Participant ceases employment with a member of the Combined Group or any Affiliates due to a termination for Cause, the Option shall expire immediately upon such cessation of employment.

(iv) If the Participant's employment ceases by reason of Retirement prior to the end of the Option Period, the Option shall (i) expire at the end of the Option Period and (ii) continue vesting in accordance with the Vesting Schedule set forth in the Award agreement, without regard to any requirement in such Vesting Schedule that the Participant remain employed with a member of the Combined Group or an Affiliate as a condition to vesting.

(v) If the Participant's employment ceases on account of Disability at a time when the Participant has attained the age and service requirements for Retirement, the Participant shall receive the better of the treatment under clause (ii) and clause (iv) above.

(vi) For the avoidance of doubt, an Option exercisable under Sections (i) to (v) may lapse at an earlier date by virtue of Section 12 and may not be exercised after the expiry of the Option Period.

(vii) For the purposes of this Section 7 a female Option Holder shall not be treated as ceasing to be an employee of a member of the Combined Group or an Affiliate if absent from work wholly or partly because of pregnancy or confinement until she ceases to be entitled to exercise any statutory or contractual right to return to work.

(viii) Where any exercise of an Option under this Section 7 would be prohibited by law or the Model Code (or the Company's dealing rules) the period during which the Option Holder may exercise his Options shall be extended by an additional period equal to the length of the period of prohibition but not beyond the expiry of the Option Period.

(i) Other Terms and Conditions. Each Option granted under the Plan shall be evidenced by an Award agreement. Immediately prior to the granting of any Options, the Committee may, in its absolute discretion, enter into a deed poll recording its intention to be bound by the share option certificates to be issued to the Option Holder in respect of such Option. Except as specifically provided otherwise in an Award agreement, each Option granted under the Plan shall be subject to the following terms and conditions:

(i) Each Option or portion thereof that is exercisable shall be exercisable for the full amount or for any part thereof.

(ii) Each Share acquired through the exercise of an Option shall be treated as fully paid up at the time of issue or transfer. Each Option shall cease to be exercisable, as to any Share, when the Participant purchases the Share or when the Option expires.

(iii) Options shall not be transferable by the Participant except by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by the Participant.

(iv) each Option shall vest and become exercisable by the Participant in accordance with the Vesting Schedule established by the Committee and set forth in the Award agreement;

(v) at the time of any exercise of an Option, a Participant must take whatever action is reasonably required by the Committee to ensure compliance with applicable securities laws; and

(vi) Except as specifically provided otherwise in an Award agreement, any Participant who is classified as a "shipboard employee," and who has not otherwise evidenced a specific intent to permanently terminate his employment with each member of the Combined Group and all Affiliates (as reasonably determined by the Committee) shall not be considered to have terminated employment with each member of the Combined Group and all Affiliates until a six-month period has expired from his signing off of a ship without physically signing on to another ship.

(j) Method of Exercise and Form of Payment. No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the Exercise Price therefore is received by the Company or the Participant has made arrangements acceptable to the Company for the payment of the Option Price. Options which have become exercisable may be exercised by delivery of written notice (or electronic notice or telephonic instructions to the extent provided by the Committee) of exercise to the Company or its designee (including a third party administrator) in accordance with the terms of the Option accompanied by payment of, or an understanding to pay, the Exercise Price. The Exercise Price shall be payable (i) in cash, check, cash equivalent and/or Shares valued at the Fair Market Value at the time the Option is exercised (including, pursuant to procedures approved by the Committee, by means of attestation of ownership of a sufficient number of Shares in lieu of actual delivery of such shares to the Company or such other method as determined by the Committee); provided, that such Shares are not subject to any pledge or other security interest; or (ii) by such other method as the Committee may permit in its sole discretion, including without limitation: (A) in other property having a fair market value on the date of exercise equal to the Exercise Price or (B) if there is a public market for the Shares at such time, by means of a broker-assisted "cashless exercise" pursuant to which the Company is delivered (including telephonically to the extent permitted by the Committee) a copy of irrevocable instructions to a stockbroker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the Exercise Price or (C) a "net exercise" procedure effected by withholding the minimum number of Shares otherwise deliverable in respect of an Option that are needed to pay the Exercise Price and all applicable required withholding taxes.

(k) Notification upon Disqualifying Disposition of an Incentive Stock Option. Each Participant awarded an Incentive Stock Option under the Plan shall notify the Company in writing immediately after the date he or she makes a disqualifying disposition of any Shares acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including, without limitation, any sale) of such Shares before the later of (A) two years after the Date of Grant of the Incentive Stock Option or (B) one year after the date of exercise of the Incentive Stock Option. The Company may, if determined by the Committee and in accordance with procedures established by the Committee, retain possession, as agent for the applicable Participant, of any Shares acquired pursuant to the exercise of an Incentive Stock Option until the end of the period described in the preceding sentence, subject to complying with any instructions from such Participant as to the sale of such Share.

(l) Compliance With Laws, etc. Notwithstanding the foregoing, in no event shall a Participant be permitted to exercise an Option in a manner which the Committee determines would violate any applicable law or the applicable rules and regulations of the London Stock Exchange or the UKLA or of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or traded.

(m) Incentive Stock Option Grants to 10% Shareholders. Notwithstanding anything to the contrary in this Section 7, if an Incentive Stock Option is granted to a Participant who owns shares representing more than ten percent of the voting power of all classes of share capital of the Company or of a Subsidiary or a parent of the Company, the Option Period shall not exceed five years from the Date of Grant of such Option and the Option Price shall be at least 110 percent of the Fair Market Value (on the Date of Grant) of the Shares subject to the Option.

(n) \$100,000 Per Year Limitation for Incentive Stock Options. To the extent the aggregate Fair Market Value (determined as of the Date of Grant) of Shares for which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company) exceeds \$100,000, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options.

7. Stock Appreciation Rights. (a) Generally. Each SAR granted under the Plan shall be evidenced by an Award agreement. Each SAR so granted shall be subject to the conditions set forth in this Section 8, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award agreement. Any Option granted under the Plan may include tandem SARs. The Committee also may award SARs to Employees independent of any Option.

(b) Strike Price. Except as otherwise provided by the Committee in the case of Substitute Awards, the strike price ("Strike Price") per Share for each SAR shall not be less than 100% of the Fair Market Value of such share (determined as of the Date of Grant). Notwithstanding the foregoing, a SAR granted in tandem with (or in substitution for) an Option previously granted shall have a Strike Price equal to the Exercise Price of the corresponding Option. Any modification to the Strike Price of an outstanding SAR shall be subject to the prohibition on repricing set forth in Section 13(b).

(c) Vesting and Expiration. A SAR granted in connection with an Option shall become exercisable and shall expire according to the same vesting schedule and expiration provisions as the corresponding Option. A SAR granted independent of an Option shall vest and become exercisable and shall expire in such manner and on such date or dates determined by the Committee and shall expire after such period, not to exceed ten years, as may be determined by the Committee (the "SAR Period"); provided, that if the SAR Period would expire at a time when trading in the Shares is prohibited by a member of the Combined Group's insider trading policy (or a member of the Combined Group's-imposed "blackout period"), the SAR Period shall be automatically extended until the 30th day following the expiration of such prohibition.

Unless otherwise stated in the applicable Award agreement, a SAR shall expire earlier than the end of the SAR Period in the following circumstances:

(i) If prior to the end of the SAR Period, the Participant's employment with each member of the Combined Group and all Affiliates is terminated without Cause or by the Participant for any reason other than Retirement, the SAR shall expire on the earlier of the last day of the SAR Period or the date that is three months after the date of such termination; provided, however, that any Participant whose employment with a member of the Combined Group or any Affiliate is terminated and who is subsequently rehired or reengaged by a member of the Combined Group or any Affiliate within three months following such termination and prior to the expiration of the SAR shall be treated as if his employment had not terminated. In the event of a termination described in this clause (i), the SAR shall remain exercisable by the Participant until its expiration only to the extent the SAR was exercisable at the time of such termination.

(ii) If the Participant dies or his employment is terminated on account of Disability prior to the end of the SAR Period and while still in the employment of a member of the Combined Group or an Affiliate, or dies following a termination described in clause (i) above but prior to the expiration of an SAR, the SAR shall expire on the earlier of the last day of the SAR Period or the date that is one year after the date of death or cessation on account of Disability of the Participant, as applicable. In such

event, the SAR shall remain exercisable by the Participant or his or her beneficiary determined in accordance with Section 14(g), as applicable, until its expiration only to the extent the SAR was exercisable by the Participant at the time of such event.

(iii) If the Participant ceases employment with a member of the Combined Group or any Affiliates due to a termination for Cause, the SAR shall expire immediately upon such cessation of employment.

(iv) If the Participant's employment ceases by reason of Retirement prior to the end of the SAR Period, the SAR shall (i) expire at the end of the SAR Period and (ii) continue vesting in accordance with the Vesting Schedule set forth in the Award agreement, without regard to any requirement in such Vesting Schedule that the Participant remain employed with a member of the Combined Group or an Affiliate as a condition to vesting.

(v) If the Participant's employment ceases on account of Disability at a time when the Participant has attained the age and service requirements for Retirement, the Participant shall receive the better of the treatment under clause (ii) and clause (iv) above.

(d) Method of Exercise. SARs which have become exercisable may be exercised by delivery of written notice (or electronic notice or telephonic instructions to the extent provided by the Committee) of exercise to the Company or its designee (including a third party administrator) in accordance with the terms of the Award, specifying the number of SARs to be exercised and the date on which such SARs were awarded.

(e) Payment. Upon the exercise of a SAR, a member of the plc Group shall pay to the Participant an amount equal to the number of shares subject to the SAR that are being exercised multiplied by the excess, if any, of the Fair Market Value of one Share on the exercise date over the Strike Price, less an amount equal to any income and employment taxes, National Insurance or other social security contributions required to be withheld. A member of the plc Group shall pay such amount in cash, in Shares valued at Fair Market Value, or any combination thereof, as determined by the Committee.

(f) Substitution of SARs for Nonqualified Stock Options. The Committee shall have the authority in its sole discretion to substitute, without the consent of the affected Participant or any holder or beneficiary of SARs, SARs settled in Shares (or settled in shares or cash in the sole discretion of the Committee) for outstanding Nonqualified Stock Options, provided that (i) the substitution shall not otherwise result in a modification of the terms of any such Nonqualified Stock Option, (ii) the number of Shares underlying the substituted SARs shall be the same as the number of Shares underlying such Nonqualified Stock Options and (iii) the Strike Price of the substituted SARs shall be equal to the Exercise Price of such Nonqualified Stock Options; provided, however, that if, in the opinion of the Company's auditors, the foregoing provision creates adverse accounting consequences for a member of the Combined Group, such provision shall be considered null and void.

8. Restricted Shares and Restricted Share Units. (a) Generally. The Committee shall have the authority:

(i) to grant Restricted Share Awards and Restricted Share Unit Awards to Employees;

(ii) to issue or transfer Restricted Shares to Registered Holders on behalf of Participants; and

(iii) to establish terms, conditions and restrictions applicable to such Restricted Shares and Restricted Share Units, including the Restricted Period, which may differ with respect to each Participant, the time or times at which Restricted Shares or Restricted Share Units shall become vested and the number of Shares or units to be covered by each grant and whether the Award shall be subject to Performance Goals.

Each Restricted Share and Restricted Share Unit grant shall be subject to the conditions set forth in this Section 9, and to such other conditions not inconsistent with the Plan as determined by the Committee and may be reflected in the applicable Award agreement. No Restricted Share Awards or Restricted Share Unit Awards shall be granted at any time when the Committee is prohibited from doing so by the Model Code (or the Company's dealing rules).

(b) Holding of Restricted Shares. The Committee may require a Participant granted a Restricted Share Award to execute and deliver to the Company a Restricted Share Agreement with respect to the Restricted Shares setting forth the restrictions applicable to such Restricted Shares. The Committee shall determine the terms of such Restricted Share Agreement and in particular whether:

- (i) the Restricted Shares shall be held in escrow rather than delivered to the Participant pending the release of the applicable restrictions, in which case the Committee may require the Participant to additionally execute and deliver to the Company an escrow agreement satisfactory to the Company; or
- (ii) the Restricted Shares shall be registered in the name of the nominated Registered Holder during the Restricted Period; or
- (iii) other arrangements shall apply to the holding of Restricted Shares during the Restricted Period, the terms of such arrangements being consistent with the terms of this Plan.

(c) Rights of a Participant: Subject to the restrictions set forth in this Section 9 and the applicable Restricted Share Agreement, the Participant generally shall have the rights and privileges of a shareholder as to such Restricted Shares, including without limitation the right to direct the Registered Holder how to vote such Restricted Shares. Subject to Section 14(c), at the discretion of the Committee, cash dividends and share dividends with respect to the Restricted Shares may be either currently paid to the Participant or withheld by the Company or the Registered Holder for the Participant's account, and interest may be credited on the amount of cash dividends withheld at a rate and subject to such terms as determined by the Committee. The cash dividends or share dividends so withheld by the Committee and attributable to any particular Restricted Shares (and earnings thereon, if applicable) shall be distributed to the Participant upon the release of restrictions on such Restricted Shares. To the extent Restricted Shares are forfeited, any share certificates issued to the Participant evidencing such shares shall be returned to the Company, and all rights of the Participant to such shares and as a shareholder with respect thereto, including, but not limited to, the right to any cash dividends and share dividends, shall terminate without further obligation on the part of the Company.

(d) Restricted Share Units: The terms and conditions of a grant of a Restricted Share Unit Award will be reflected in a written Restricted Share Unit Award Agreement. The Committee may determine that a Restricted Share Unit Award be granted in the form of a nil cost option or a conditional or contingent right to acquire shares. Where a Restricted Share Unit Award is granted in the form of a nil cost option, any reference to the Restricted Period expiring in respect of Restricted Share Units shall be construed as meaning that a Participant may call for the Restricted Share Units within the period determined by the Committee. A Participant shall not have any beneficial interest in any Shares during the Restricted Period as a result of being granted a Restricted Share Unit Award. The Company will not be required to set aside a fund for the payment of any such Award. At the discretion of the Committee, each Restricted Share Unit (representing one Share) awarded to a Participant may be credited with cash and share dividends paid in respect of one Share ("Dividend Equivalents"). Subject to Section 14(c), at the discretion of the Committee, Dividend Equivalents may be either currently paid to the Participant or withheld by the Company for the Participant's account, and interest may be credited on the amount of cash Dividend Equivalents withheld at a rate and subject to such terms as determined by the Committee. Dividend Equivalents credited to a Participant's account and attributable to any particular Restricted Share Unit (and earnings thereon, if applicable) shall be distributed to the Participant upon settlement of such Restricted Share Unit and, if such Restricted Share Unit is forfeited, the Participant shall have no right to such Dividend Equivalents.

(e) Restrictions; Forfeiture: (i) Restricted Shares comprised in a Restricted Share Award awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period and the attainment of any other vesting criteria established by the Committee, and to such other terms and conditions as may be set forth in the applicable Restricted Share Agreement: (A) the Participant shall not be entitled to delivery of the share certificate; (B) the Restricted Shares shall be subject to the restrictions on transferability set forth in the Restricted Share Agreement; (C) the Shares shall be subject to forfeiture to the extent provided in the applicable Restricted Share Award Agreement. In the event of any forfeiture all rights of the Participant to such Restricted Shares and as a shareholder shall terminate without further obligation on the part of the Company.

(ii) Restricted Share Units awarded to any Participant shall be subject to (1) forfeiture until the expiration of the Restricted Period and the attainment of any other vesting criteria established by the Committee, to the extent provided in these Rules and the applicable Restricted Share Unit Agreement. In the event of any forfeiture, all rights of the Participant to such Restricted Share Units shall terminate without further obligation on the part of the Company and (2) such other terms and conditions as may be set forth in the applicable Restricted Share Unit Agreement.

(iii) The Committee shall have the authority to remove any or all of the restrictions on the Restricted Shares and Restricted Share Units whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the date of the Restricted Share Award or Restricted Share Unit Award, such action is appropriate.

(f) Restricted Period: The Restricted Period applicable to Restricted Shares and Restricted Share Units comprised in an Award shall commence on the Date of Grant and shall expire from time to time as to that part of the Restricted Shares and Restricted Share Units indicated in a schedule (the "**Vesting Schedule**") established by the Committee and set out in the applicable Restricted Share Agreement or Restricted Share Unit Agreement.

(g) Delivery of Restricted Shares and Settlement of Restricted Share Units. (i) Upon the expiration of the Restricted Period with respect to any Restricted Shares covered by a Restricted Share Award, the restrictions set forth in these Rules and the applicable Restricted Share Agreement shall be of no further force or effect with respect to such Restricted Shares, except as set forth in the applicable Restricted Share Agreement. Dividends, if any, that may have been withheld by the Committee and attributable to any particular Restricted Share (and the interest thereon, if any) shall be distributed to the Participant in cash or, at the sole discretion of the Committee, in Shares having a Fair Market Value (on the date of distribution) equal to the amount of such dividends, upon the release of restrictions on such Restricted Share.

(ii) Unless otherwise provided by the Committee in an Award agreement, upon the expiration of the Restricted Period and the attainment of any other vesting criteria established by the Committee, with respect to any outstanding Restricted Share Units covered by a Restricted Share Unit Award, the Company shall deliver to the Participant, or his or her beneficiary, without charge, one Share (or other securities or other property, as applicable) for each such outstanding Restricted Share Unit which has not then been forfeited and with respect to which the Restricted Period has expired and any other such vesting criteria are attained ("Released Unit"); provided, however, that the Committee may, in its sole discretion, elect to (i) pay cash or part cash and part Shares in lieu of delivering only Shares in respect of such Released Units or (ii) defer the delivery of Shares (or cash or part Shares and part cash, as the case may be) beyond the expiration of the Restricted Period if such extension would not cause adverse tax consequences (whether under Section 409A of the Code or otherwise). If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the Fair Market Value of the Shares as of the date on which the Restricted Period lapsed with respect to such Restricted Share Units. Dividend Equivalent payments due in accordance with Section 9(d) shall be payable at the same time as the underlying Restricted Share Units are settled following the release of restrictions on such Restricted Share Units.

(h) Tax Conditions: Restricted Share Awards and Restricted Share Unit Awards may be granted subject to such conditions for payment of tax and employees' National Insurance contributions and employer's National Insurance contributions as the Committee may determine, including that, with respect to Awards of Restricted Shares which qualify as employment related restricted securities under Chapter 2 of Part VII of ITEPA, any member of the plc Group may require a Participant to enter into an election under section 430 or section 431 of ITEPA.

9. Other Share-Based Awards. The Committee may issue unrestricted Shares, rights to receive grants of Awards at a future date, the grant of securities convertible into Shares, the grant of other Awards denominated in Shares (including, without limitation, performance shares, or performance units), or valued with reference to

Shares, under the Plan to Employees, alone or in tandem with other Awards, in such amounts as the Committee shall from time to time in its sole discretion determine. Each Other Share-Based Award granted under the Plan shall be evidenced by an Award agreement. Each Other Share-Based Award so granted shall be subject to such conditions not inconsistent with the Plan as may be reflected in the applicable Award agreement including, without limitation, the payment by the Participant of the Fair Market Value of such Shares on the Date of Grant.

10. Changes in Capital Structure and Similar Events. In the event of any:

(a) Capital Reorganisation;

(b) Corporate Transaction; or

(c) the implementation by the Company of a demerger, or the payment by the Company of a dividend in specie or a super dividend or other transaction or any change in applicable laws or any change in circumstances which in the opinion of the Committee (acting fairly and reasonably and taking into account any criteria it may consider to be relevant) would materially affect (whether by increasing or reducing) the current or future value of an Award,

then the Committee shall make any such adjustments in such manner as it may deem equitable, including without limitation, any or all of the following:

(i) adjusting any or all of (A) the number of Shares or other securities of the Company (or number and kind of other securities or other property) which may be delivered in respect of Awards or with respect to which Awards may be granted under the Plan (including, without limitation, adjusting any or all of the limitations under Section 5 of the Plan) and (B) the terms of any outstanding Award, including, without limitation, (1) the number of Shares or other securities of the Company (or number and kind of other securities or other property) subject to outstanding Awards or to which outstanding Awards relate, (2) the Exercise Price with respect to any Award or (3) any applicable performance measures (including, without limitation, Performance Criteria and Performance Goals);

(ii) providing for a substitution or assumption of Awards (or awards of an acquiring company), accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time (which shall not be required to be more than ten (10) days) for Participants to exercise outstanding Awards prior to the occurrence of such event (and any such Award not so exercised shall terminate upon the occurrence of such event); and

(iii) cancelling any one or more outstanding Awards and causing to be paid to the holders thereof, in cash, Shares, other securities or other property, or any combination thereof, the value of such Awards, if any, as determined by the Committee (which if applicable may be based upon the price per Share received or to be received by other shareholders of the Company in such event), including without limitation, in the case of an outstanding Option or SAR, a cash payment in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price or Strike Price of such Option or SAR, respectively (it being understood that, in such event, any Option or SAR having a per share Exercise Price or Strike Price equal to, or in excess of, the Fair Market Value of a Share subject thereto may be canceled and terminated without any payment or consideration therefor);

provided, however, that:

(i) in the case of any “equity restructuring” (within the meaning of the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor pronouncement thereto) (“ASC 718”)), the Committee shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring;

(ii) except as otherwise determined by the Committee, any adjustment in Incentive Stock Options under this Section 11 (other than any cancellation of Incentive Stock Options) shall be made only to the extent not constituting a “modification” within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 11 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Any such adjustment shall be conclusive and binding for all purposes;

(iii) except as provided in this sub-paragraph (iii), no adjustment may have the effect of reducing the Exercise Price of any Option to less than the nominal value of a Share. Where an Option subsists over both issued and unissued Shares, any such adjustment may only be made if the reduction of the Exercise Price of Options over both issued and unissued Shares can be made to the same extent. Any adjustment to the Exercise Price of Options over unissued Shares shall only be made if and to the extent that the Committee shall be authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercisable exceeds the adjusted Exercise Price. The Company may apply such sum in paying up such amount on such Shares and so that, on exercise of any Option in respect of which such reduction shall have been made, the Company shall capitalise such sum (if any) and apply the same in paying up such amount as aforesaid; and

(iv) any adjustment in Incentive Share Options under this Section 11 shall be made only to the extent not constituting a “modification” within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 11 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act.

11. Effect of Change of Control: Except to the extent a particular Award agreement or Award agreement otherwise provides:

(a) In the event a Participant’s employment with the Combined Group is terminated by the Combined Group without Cause (and other than due to death or Disability) on or within 12 months following a Change of Control, notwithstanding any provision of the Plan to the contrary, all Options and SARs held by such Participant shall become immediately exercisable with respect to 100 percent of the Shares subject to such Options and SARs, and the Restricted Period shall expire immediately with respect to 100 percent of the Restricted Shares and Restricted Share Units and any other Awards held by such Participant (including a waiver of any applicable Performance Goals); provided that in the event the vesting or exercisability of any Award would otherwise be subject to the achievement of performance conditions, a portion of any such Award that shall become fully vested and immediately exercisable shall be based on (a) actual performance through the date of termination as determined by the Committee or (b) if the Committee determines that measurements of actual performance cannot be reasonably assessed, the assumed achievement of target performance as determined by the Committee.

(b) In addition, in the event of a Change of Control, the Committee may in its discretion and upon at least 10 days’ advance notice to the affected persons, cancel any outstanding Award and pay to the holders thereof, in cash or shares, or any combination thereof, the value of such Awards based upon the price per Share received or to be received by other shareholders of the Company in the event. Notwithstanding the above, the Committee shall, in the case of US Participants, exercise such discretion over any Award subject to Code Section 409A at the time such Award is granted.

(c) The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of Participants’ rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

12. Amendments and Termination. (a) Amendment and Termination of the Plan. The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; provided, that no amendment to the advantage of Employees or may be made to:

- (i) the definition of *Employee* in Section 2;
- (ii) the limitations on the number of Shares subject to the Plan;
- (iii) the basis for determining an Executive's entitlement to Shares under the Plan;
- (iv) the terms of Shares to be provided under the Plan;
- (v) the adjustment provisions of Section 11 of the Plan; or
- (vi) the Option Price applicable to an Option (other than in the circumstances permitted in Section 11),

without the prior approval of the Company in general meeting except in the case of minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Employees or any member of the Combined Group.

(b) Amendment of Award Agreements. The Committee may, to the extent consistent with the terms of any applicable Award agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted or the associated Award agreement, prospectively or retroactively (including after a Participant's termination of employment with the Company); provided, that without shareholder approval, except as otherwise permitted under Section 11 of the Plan, (i) no amendment or modification may reduce the Exercise Price of any Option or the Strike Price of any SAR, (ii) the Committee may not cancel any outstanding Option or SAR and replace it with a new Option or SAR (with a lower Exercise Price or Strike, as the case may be) or other Award or cash and (iii) the Committee may not take any other action which is considered a "repricing" for the purposes of the shareholder approval rules of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or quoted.

provided, further, that any such amendment that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of or sanction of a majority of Participants who, having been notified of the proposed amendment express their views. For this purpose a majority is determined by reference to the position if the affected Participants exercised their Options in full or the Restricted Period in respect of their Award expired, and they became entitled to all the Shares which would fall to be allotted, transferred or released upon exercise in full of all outstanding Options and expiry of the Restricted Period. Notwithstanding the foregoing, no amendment shall be made to proviso (iii) of this Section 13(b) without shareholder approval.

(c) Notwithstanding any other provision of the Plan, the Committee may establish appendices to the Plan for the purpose of granting Approved Options to Employees who are primarily liable to tax in the United Kingdom and Awards to Employees who are or may become primarily liable to tax outside the United Kingdom on their remuneration, subject to such modifications as may be necessary or desirable to take account of overseas tax, exchange control or securities laws provided that any shares made available under such appendices shall count towards the limits set out in Section 5.

(d) Benefits under the Plan shall not be pensionable.

13. General. (a) Award Agreements.

- (i) Each Award under the Plan shall be evidenced by an Award agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules

applicable thereto, including without limitation, the effect on such Award of the death, Disability or termination of employment of a Participant, or of such other events as may be determined by the Committee. For purposes of the Plan, an Award agreement may be in any such form (written or electronic) as determined by the Committee (including, without limitation, a Board or Committee resolution, an employment agreement, a notice, a certificate or a letter) evidencing the Award. The Committee need not require an Award agreement to be signed by the Participant or a duly authorised representative of the Company.

(ii) Awards granted to a Participant under the Plan also may be subject to such other provisions (whether or not applicable to Awards granted to any other Participant) as the Committee determines appropriate including, without limitation, provisions to assist the Participant in financing the acquisition of Shares upon the exercise of Options (provided that the Committee determines that providing such financing does not violate the US Sarbanes-Oxley Act of 2002 and applicable UK law), provisions for the forfeiture of or restrictions on resale or other disposition of Shares acquired under any Award, provisions giving the Company the right to repurchase Shares acquired under any Award in the event the Participant elects to dispose of such Shares, provisions allowing the Participant to elect to defer the receipt of Shares upon the exercise of Awards for a specified period or until a specified event, and provisions to comply with any applicable securities laws or tax withholding requirements. Any such provisions shall be reflected in the applicable Award agreement.

(b) Nontransferability. Each Award shall be exercisable only by a Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's legal guardian or representative. No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against each member of the plc Group or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(c) Dividends and Dividend Equivalents. The Committee in its sole discretion may provide a Participant as part of an Award with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Committee in its sole discretion, including without limitation, payment directly to the Participant, withholding of such amounts by the Company subject to vesting of the Award or reinvestment in additional Shares, Restricted Shares or other Awards; provided, that no dividends or dividend equivalents shall be payable in respect of outstanding (i) Options or SARs or (ii) unearned Awards subject to performance conditions (other than or in addition to the passage of time) (although dividend equivalents may be accumulated in respect of unearned Awards and paid as soon as administratively practicable (but not more than 60 days) after such Awards are earned and become payable or distributable).

(d) Tax Withholding. (i) A Participant may be required to pay to a member of the Combined Group, and each member of the Combined Group shall have the right and is hereby authorised to withhold from any Shares or other property deliverable under any Award or from any compensation or other amounts owing to a Participant the amount (in cash, Shares or other property) of any required tax withholding and payroll taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(ii) Without limiting the generality of the above, the Committee may, in its sole discretion, permit a Participant to satisfy, in whole or in part, the foregoing withholding liability (but no more than the minimum required withholding liability if using method (B) or (C) of this subsection) by:

(A) payment in cash;

(B) delivery of Shares owned by the Participant with a Fair Market Value equal to such withholding liability;

(C) having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the Award a number of Shares with a Fair Market Value equal to such withholding liability; or

(D) authorising the Company to arrange the sale of sufficient Shares to generate proceeds sufficient to discharge any withholding liability.

(e) No Claim to Awards; No Rights to Continued Employment; Waiver. No employee of a member of a Combined Group or an Affiliate, or other person, shall have any claim or right to be granted an Award under the Plan or, having been selected for the grant of an Award, to be selected for a grant of any other Award. There is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of a member of the Combined Group or an Affiliate, nor shall it be construed as giving any Participant any rights to continued service on the Board. A member of the Combined Group or any of its Affiliates may at any time dismiss a Participant from employment (lawfully or unlawfully), free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or any Award agreement. By accepting an Award under the Plan, a Participant shall thereby be deemed to have waived any claim to continued exercise or vesting of an Award or to damages or severance entitlement related to non-continuation of the Award beyond the period provided under the Plan or any Award agreement, except to the extent of any provision to the contrary in any written employment contract or other agreement between a member of the Combined Group and its Affiliates and the Participant, whether any such agreement is executed before, on or after the Date of Grant.

(f) Terms of employment. The rights and obligations of an Employee under the terms and conditions of his office or employment shall not be affected by his participation in the Plan or any right he may have to participate in the Plan. An individual who participates in the Plan waives all and any rights to compensation and damages in consequence of the termination of his office or employment with any company for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise, or may arise, from his ceasing to have rights under or his entitlement to an Award under the Plan as a result of such termination or from the loss or diminution in value of such rights or entitlements. In the event of conflict between the terms of this Section 14(f) and the Employee's terms of employment, this Section will take precedence.

(g) Designation and Change of Beneficiary. Each Participant may file with the Company a written designation of one or more persons as the beneficiary(ies) who shall be entitled to receive the amounts payable with respect to an Award, if any, due under the Plan upon his or her death. A Participant may, from time to time, revoke or change his or her beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by a Participant, the beneficiary shall be deemed to be his or her spouse (or domestic partner if such status is recognized by the Company according to the procedures established by the Company and in such jurisdiction), or if the Participant is otherwise unmarried at the time of death, his or her estate. After receipt of Options in accordance with this paragraph, beneficiaries will only be able to exercise such Options in accordance with Section 7(h) (ii) of this Plan.

(h) Termination of Employment. Except as otherwise provided in an Award agreement or an employment, severance, consulting, letter or other agreement with a Participant, unless determined otherwise by the Committee at any point following such event, neither a temporary absence from employment due to illness, vacation or leave of absence (including, without limitation, a call to active duty for military service through a reserve unit) nor a transfer from employment with a member of the Combined Group to employment with

another member of the Combined Group or an Affiliate (or vice-versa) shall be considered a termination of employment of such Participant with a member of the Combined Group or an Affiliate.

(i) No Rights as a Shareholder. Except as otherwise specifically provided in the Plan or any Award agreement, no person shall be entitled to the privileges of ownership in respect of Shares which are subject to Awards hereunder until such Shares have been issued or delivered to that person.

(j) Government and Other Regulations. (i) The obligation of the Company to settle Awards in Shares or other consideration shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any provision in the Plan to the contrary, the Committee reserves the right to add any additional terms or provisions to any Award granted under the Plan that it in its sole discretion deems necessary or advisable in order that such Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

(ii) The Committee may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Shares from the public markets, the Company's issuance of Shares to the Participant, the Participant's acquisition of Shares from the Company and/or the Participant's sale of Shares to the public markets, illegal, impracticable or inadvisable. If the Committee determines to cancel all or any portion of an Award in accordance with the foregoing, the Company shall pay to the Participant an amount equal to the excess of (A) the aggregate Fair Market Value of the shares of Shares subject to such Award or portion thereof canceled (determined as of the applicable exercise date, or the date that the shares would have been vested or delivered, as applicable), over (B) the aggregate Exercise Price (in the case of an Option) or any amount payable as a condition of delivery of Shares (in the case of any other Award). Such amount shall be delivered to the Participant as soon as practicable following the cancellation of such Award or portion thereof.

(k) No Section 83(b) Elections Without Consent of Company. No election under Section 83(b) of the Code or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award agreement or by action of the Committee in writing prior to the making of such election. If a Participant, in connection with the acquisition of Shares under the Plan or otherwise, is expressly permitted to make such election and the Participant makes the election, the Participant shall notify the Company of such election within ten days of filing notice of the election with the US Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to Section 83(b) of the Code or other applicable provision.

(l) Payments to Persons Other Than Participants. If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative or a beneficiary designation form has been filed with the Company) may, if the Committee so directs the Company, be paid to his or her spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(m) Nonexclusivity of the Plan. Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of share options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

(n) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on the one

hand, and a Participant or other person or entity, on the other hand. No provision of the Plan or any Award shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(o) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in acting or failing to act, as the case may be, and shall not be liable for having so acted or failed to act in good faith, in reliance upon any report made by the independent public accountant of the Combined Group and its Affiliates and/or any other information furnished in connection with the Plan by any agent of the Combined Group or the Committee or the Board, other than himself.

(p) Relationship to Other Benefits. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Combined Group except as otherwise specifically provided in such other plan.

(q) Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of England. All disputes arising out of or in connection with the rules shall be subject to the exclusive jurisdiction of the courts of England and Wales.

(r) Severability. If any provision of the Plan or any Award or Award agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or entity or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, person or entity or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(s) Obligations Binding on Successors. The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

(t) 409A of the Code. (i) Notwithstanding any provision of the Plan to the contrary, it is intended that, to the extent this Plan applies to US Participants, the provisions of this Plan comply with Section 409A of the Code, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any other plan maintained by the Company (including any taxes and penalties under Section 409A of the Code), and neither any member of the Combined Group nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties. With respect to any Award that is considered “deferred compensation” subject to Section 409A of the Code, references in the Plan to “termination of employment” (and substantially similar phrases) shall mean “separation from service” within the meaning of Section 409A of the Code. For purposes of Section 409A of the Code, each payment that may be made in respect of any Award granted under the Plan is designated as a separate payment.

(ii) Notwithstanding anything in the Plan to the contrary, if a Participant is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, no payments in respect of any Awards

that are “deferred compensation” subject to Section 409A of the Code shall be made to such Participant prior to the date that is six months after the date of such Participant’s “separation from service” (as defined in Section 409A of the Code) or, if earlier, the Participant’s date of death. Following any applicable six month delay, all such delayed payments will be paid in a single lump sum on the earliest date permitted under Section 409A of the Code that is also a business day.

(iii) Unless otherwise provided by the Committee, in the event that the timing of payments in respect of any Award (that would otherwise be considered “deferred compensation” subject to Section 409A of the Code) would be accelerated upon the occurrence of (A) a Change in Control, no such acceleration shall be permitted unless the event giving rise to the Change in Control satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code and any Treasury Regulations promulgated thereunder or (B) a Disability, no such acceleration shall be permitted unless the Disability also satisfies the definition of “Disability” pursuant to Section 409A of the Code and any Treasury Regulations promulgated thereunder.

(u) Clawback/Forfeiture. Notwithstanding anything to the contrary contained herein, an Award agreement may provide that the Committee may in its sole discretion cancel such Award if the Participant, without the consent of a member of the Combined Group, while employed by a member of the Combined Group or any Affiliate or after termination of such employment, violates a non-competition, non-solicitation or non-disclosure covenant or agreement or otherwise has engaged in or engages in Detrimental Activity that is in conflict with or adverse to the interest of a member of the Combined Group or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. The Committee may also provide in an Award agreement that if the Participant otherwise has engaged in or engages in any activity referred to in the preceding sentence, the Participant will forfeit any gain realized on the vesting or exercise of such Award, and must repay the gain to the Company. The Committee may also provide in an Award agreement that if the Participant receives any amount in excess of what the Participant should have received under the terms of the Award for any reason (including without limitation by reason of a financial restatement, mistake in calculations or other administrative error), then the Participant shall be required to repay any such excess amount to the Company.

(v) Expenses; Gender; Titles and Headings. The expenses of administering the Plan shall be borne by the plc Group. Masculine pronouns and other words of masculine gender shall refer to both men and women. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control. Words in the singular shall include the plural and words in plural shall include the singular.

APPENDIX

HMRC approved part of the Scheme

In relation to any Employee whose remuneration is subject to taxation in the UK and to whom the Committee wishes to grant Approved Options, the following provisions relating to Options shall apply:

- (A) Sections 1 to 14 of the Plan shall apply to the grant of Approved Options under this Appendix subject to the modifications contained in the following paragraphs.
- (B) This Appendix shall not apply to Awards of Restricted Shares, Restricted Share Units, Stock Appreciation Rights or Other Share-Based Awards and, accordingly, Sections 8 to 12 shall not apply to this Appendix.
- (C) The definition of **Employee** in Section 2 shall be construed so that:
 - (1) no Option may be granted under this Appendix to a director of any member of the plc Group unless such director is required to devote not less than 25 hours per week to the affairs of the plc Group; and
 - (2) no Option may be granted under this Appendix to an employee (including one who is a director) who is ineligible to participate in the Plan by virtue of paragraph 9 of Schedule 4 to ITEPA.
- (D) Part (b) of the definition of Fair Market Value shall not apply to the grant of Options under this Appendix. In its place, a new paragraph (b) shall be inserted as follows:

“(b) subject to (a) above, the value as agreed between HMRC and the Company in writing in advance of the Date of Grant;”
- (E) The definition of **Shares** shall be subject to the condition that they satisfy paragraphs 16 to 20 of Schedule 4 to ITEPA. For the avoidance of doubt, Options may not be granted over ADRs under this Appendix.
- (F) In addition to its powers under Section 4, the Committee may make such amendments to this Appendix without the approval of shareholders in general meeting as are necessary or desirable to obtain or maintain HMRC approval of this Appendix.
- (G) Any Option granted under this Appendix may only be exercised by an Option Holder who is not ineligible to participate in the Plan by virtue of paragraph 9 of Schedule 4 to ITEPA.
- (H) Section 4(b)(v) shall not apply to the grant of Options under this Appendix.
- (I) Section 4(b)(vi) shall not apply to the grant of Options under this Appendix.
- (J) Any correction pursuant to Section 4(b)(vii) to an Option granted under this Appendix shall be subject to the exercise of the amendment power under Section 13, as modified by this Appendix.
- (K) Section 6 shall not apply to the grant of Options under this Appendix. In its place a new Section 6 shall be inserted as follows:

“6. ELIGIBILITY

6.1 No Employee shall be granted an Option unless:

 - (a) he has received written notification from the Committee, or from a person designated by the Committee, that he has been selected to participate in the Plan; and
 - (b) immediately following such grant the aggregate Fair Market Value of the Shares which he may acquire by exercise of the Option and any Shares which he may acquire by exercise of any other options granted under the Plan or any other approved CSOP scheme (within the meaning of section 521(4) of ITEPA) established by the plc Group will not exceed £30,000 or such other amount as may be specified pursuant to paragraph 6 of Schedule 4 to ITEPA and for this purpose Fair Market Value shall be determined on the date on which the relevant Option is granted.”

(L) Section 7(d) shall not apply to the grant of Options under this Appendix. In its place a new Section 7(d) shall be inserted as follows:

“Conditions of Exercise

(d) The exercise of an Option may be subject to such conditions for payment of taxation, employees’ National Insurance contributions and employer’s National Insurance contributions liability as the Committee may determine (including without limitation the right to sell on an Option Holder’s behalf sufficient Shares to satisfy any taxation or National Insurance contributions) and if any condition is imposed relating to the assumption, payment or reimbursement by the Option Holder of employer’s National Insurance contributions liability, such conditions shall comply with any applicable legislation or regulations and the Company shall be entitled to waive in whole or in part the Option Holder’s obligation in respect of such liability.”

(M) Section 7(e) shall not apply to the grant of Options under this Appendix. In its place a new Section 7(e) shall be inserted as follows:

“Performance Goals

(e) The Committee shall determine prior to the Date of Grant whether any Performance Goals shall apply to the vesting of an Option and if so these shall be set out in the applicable Award agreement or share option certificate. Any Performance Goals applied by the Committee must be objective. If events subsequently occur which cause the Committee to consider that a different Performance Goal would be a fairer measure of the performance of the job-holder, an amendment may be made to the extent that the Committee reasonably consider would result in the Performance Goal being no more nor less difficult to satisfy than it would have been without such amendment.”

(N) The provisos to Section 7(g) shall not apply to Options granted under this Appendix.

(O) Section 7(i)(iii) shall not apply to the grant of Options under this Appendix. In its place a new Section 7(i)(iii) shall be inserted as follows:

“Options shall not be transferable by the Participant other than to the Option Holder’s personal representative on his death and shall be exercisable during the Participant’s lifetime by him alone;”

(P) Section 11 shall be amended so that the Committee shall not have power to adjust Options granted under this Appendix in the circumstances envisaged by (b) or (c) of Section 11, nor to adjust the type of Shares subject to an Option. Any adjustment pursuant to Section 11 to an Option granted under this Appendix shall not take effect without the prior approval of HMRC.

(Q) Section 12(b) shall not apply to Options granted under this Appendix.

(R) New Sections 12(d) and (e) shall be inserted as follows:

“Roll-over of Options

(d) If any event occurs which falls within sub-section (i), (iv) or (v) of the definition of Change of Control, each Participant who holds an Option granted under this Appendix may at any time within the appropriate period (which expression shall be construed in accordance with paragraph 26(3) of Schedule 4 of ITEPA), by agreement with the acquiring company, release any Option which has not lapsed (the “**Old Option**”) in consideration of the grant to him of an option (the “**New Option**”) which (in accordance with Section 12(e) below) is equivalent to the Old Option but relates to shares in a different company (whether the acquiring company itself or another company falling within paragraph 27(2)(b) of Schedule 4 of ITEPA) (the “**New Grantor**”).

(e) The New Option shall not be regarded for the purposes of Section 12(d) as equivalent to the Old Option unless the conditions set out in paragraph 27(4) of Schedule 4 of ITEPA are satisfied and, in relation to the New Option, the provisions of the Plan shall be construed as if:

- (i) the New Option were an option granted under the Plan at the same time as the Old Option;
- (ii) references to any Performance Goals were references to such new Performance Goals (if any) relating to the business of the New Grantor or any member of the New Grantor's group as the Committee may consider are appropriate in the circumstances;
- (iii) references to the Company in Sections 2 to 12 and in the definition of plc Group were references to the New Grantor;
- (iv) references to Shares were references to shares in the New Grantor."

(S) Options granted under this Appendix may be exercised by delivery of written notice of exercise (or electronic notice or telephonic instructions to the extent provided by the Committee) accompanied by payment of, or an undertaking to pay, the aggregate Exercise Price). The Exercise Price shall be payable in cash. Section 7(j) shall be modified accordingly.

(T) Section 14(a)(ii) shall not apply to Options granted under this Appendix. In its place, a new Section 14(a)(ii) shall be inserted as follows:

"Additional Provisions of an Award

(ii) Awards granted to a Participant under the Plan may also be subject to such other provisions (whether or not applicable to other Awards granted to any such Participant) as the Committee determines appropriate to be offered to a Participant to assist the Participant in financing the acquisition of Shares upon the exercise of Options (provided that such financing does not violate the US Sarbanes-Oxley Act of 2002 and applicable UK law). Any such arrangements are subject to the prior approval of HMRC"

(U) Section 14(b) shall not apply to Options granted under this Appendix.

(V) Section 14(c) shall not apply to Options granted under this Appendix.

(W) Section 14(d) shall not apply to the grant of Options under this Appendix. In its place a new Section 14(d) shall be inserted as follows:

"Tax Withholding

(i) Subject to Section 14(d)(ii) below, a Participant may be required to pay to a member of the Combined Group, and each member of the Combined Group shall have the right and is hereby authorised to withhold from any Shares or other property deliverable under any Award or from any compensation or other amounts owing to a Participant, the amount (in cash) of any required tax withholding and payroll taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(ii) Prior to the exercise of an Option, the Committee shall offer a Participant the opportunity to elect to satisfy, in whole or in part, any withholding liability by the methods set out in this subsection (but no more than the minimum required withholding liability if using method (b) or (c) of this subsection):

- (a) payment in cash;
- (b) delivery of Shares owned by the Participant with a Fair Market Value equal to such withholding liability;
- (c) authorising the Company to arrange the sale of sufficient Shares to generate proceeds sufficient to discharge any withholding liability.

In the event that the Participant fails to satisfy the liability within 7 days, the Committee shall be authorised to arrange the sale of sufficient Shares to generate proceeds sufficient to discharge."

-
- (X) Section 14(g) shall not apply to Options granted under this Appendix.
 - (Y) The second sentence of Section 14(j)(i) and the whole of Section 14(j)(ii) shall not apply to Options granted under this Appendix.
 - (Z) Section 14(l) shall not apply to Options granted under this Appendix.
 - (AA) Sections 14(u) and (v) shall not apply to Options granted under this Appendix.
 - (BB) At a time when this Appendix is approved by HMRC, and if such approved status is to be maintained, no amendment to any key feature (as defined by paragraph 30(4) of Schedule 4 to ITEPA) of the rules of the Plan or this Appendix may take effect as regards this Appendix without the prior approval of HMRC (and if such approved status is not to be maintained, the Company shall notify HMRC of the relevant amendment).
 - (CC) All Shares allotted or transferred upon the exercise of an Option granted under this Appendix shall rank pari passu in all respects with the Shares in issue at the date of exercise save as regards any rights attaching to such Shares by reference to a record date prior to the date of exercise.

CARNIVAL CORPORATION & PLC
Ratio of Earnings to Fixed Charges
(in millions, except ratios)

	Six Months Ended	
	May 31,	
	2014	2013
Net income	\$ 91	\$ 78
Income tax expense, net	2	2
Income before income taxes	<u>93</u>	<u>80</u>
Fixed charges		
Interest expense, net	143	161
Interest portion of rent expense (a)	10	9
Capitalized interest	<u>11</u>	<u>7</u>
Total fixed charges	<u>164</u>	<u>177</u>
Fixed charges not affecting earnings		
Capitalized interest	<u>(11)</u>	<u>(7)</u>
Earnings before fixed charges	<u>\$ 246</u>	<u>\$ 250</u>
Ratio of earnings to fixed charges	<u>1.5</u>	<u>1.4</u>

(a) Represents one-third of rent expense, which we believe to be representative of the interest portion of rent expense.

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 2, 2014

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 2, 2014

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 2, 2014

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 2, 2014

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2014 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: July 2, 2014

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2014 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: July 2, 2014

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2014 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: July 2, 2014

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2014 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: July 2, 2014

By: /s/ David Bernstein
David Bernstein
Chief Financial Officer