

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, 2006

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-9610

Commission file number: 1-15136

Carnival Corporation  
(Exact name of registrant as specified in its charter)

Carnival plc  
(Exact name of registrant as specified in its charter)

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

England and Wales  
(State or other jurisdiction of incorporation or organization)

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

98-0357772  
(I.R.S. Employer Identification No.)

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

Carnival House, 5 Gainsford Street,  
London SE1 2NE, United Kingdom  
(Address of principal executive offices)  
(Zip Code)

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

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 are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large Accelerated filers   
Accelerated filers  Non-Accelerated filers

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

At June 26, 2006 Carnival Corporation had outstanding 626,743,467 shares of Common Stock, \$.01 par value.

At June 26, 2006, Carnival plc had outstanding 212,698,642 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 626,743,467 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CARNIVAL CORPORATION & PLC  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(in millions, except per share data)

	<u>Six Months</u> <u>Ended May 31,</u>		<u>Three Months</u> <u>Ended May 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(Notes 1 & 2)		(Notes 1 & 2)	
<b>Revenues</b>				
Cruise				
Passenger tickets	\$3,930	\$3,746	\$2,020	\$1,903
Onboard and other	1,139	1,110	600	566
Other	56	58	42	47
	<u>5,125</u>	<u>4,914</u>	<u>2,662</u>	<u>2,516</u>
<b>Costs and Expenses</b>				
Operating				
Cruise				
Commissions, transportation and other	813	803	405	380
Onboard and other	198	193	101	96
Payroll and related	560	547	288	278
Food	311	304	159	151
Fuel	461	302	247	169
Other ship operating	740	704	383	374
Other	53	53	37	40
Total	<u>3,136</u>	<u>2,906</u>	<u>1,620</u>	<u>1,488</u>
Selling and administrative	720	678	354	342
Depreciation and amortization	472	446	240	224
	<u>4,328</u>	<u>4,030</u>	<u>2,214</u>	<u>2,054</u>
<b>Operating Income</b>	<u>797</u>	<u>884</u>	<u>448</u>	<u>462</u>
<b>Nonoperating (Expense) Income</b>				
Interest income	12	9	5	6
Interest expense, net of capitalized interest	(151)	(168)	(75)	(82)
Other (expense) income, net	(16)	8	(1)	2
	<u>(155)</u>	<u>(151)</u>	<u>(71)</u>	<u>(74)</u>
<b>Income Before Income Taxes</b>	642	733	377	388
<b>Income Tax (Expense) Benefit, Net</b>	<u>(11)</u>	<u>3</u>	<u>3</u>	<u>—</u>
<b>Net Income</b>	<u>\$ 631</u>	<u>\$ 736</u>	<u>\$ 380</u>	<u>\$ 388</u>
<b>Earnings Per Share</b>				
Basic	<u>\$ 0.78</u>	<u>\$ 0.92</u>	<u>\$ 0.47</u>	<u>\$ 0.48</u>
Diluted	<u>\$ 0.77</u>	<u>\$ 0.89</u>	<u>\$ 0.46</u>	<u>\$ 0.47</u>
<b>Dividends Per Share</b>	<u>\$ 0.50</u>	<u>\$ 0.35</u>	<u>\$ 0.25</u>	<u>\$ 0.20</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)

<b>ASSETS</b>	<b>May 31, <u>2006</u></b>	<b>November 30, <u>2005</u> (Notes 1 &amp; 2)</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 570	\$ 1,178
Short-term investments	13	9
Trade and other receivables, net	405	430
Inventories	278	250
Prepaid expenses and other	<u>240</u>	<u>254</u>
Total current assets	<u>1,506</u>	<u>2,121</u>
<b>Property and Equipment, Net</b>	22,772	21,312
<b>Goodwill</b>	3,290	3,206
<b>Trademarks</b>	1,308	1,282
<b>Other Assets</b>	<u>428</u>	<u>428</u>
	<u>\$ 29,304</u>	<u>\$28,349</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 767	\$ 300
Current portion of long-term debt	217	1,042
Convertible debt subject to current put option	218	283
Accounts payable	411	477
Accrued liabilities and other	946	1,032
Customer deposits	<u>2,953</u>	<u>2,051</u>
Total current liabilities	<u>5,512</u>	<u>5,185</u>
<b>Long-Term Debt</b>	6,045	5,727
<b>Other Long-Term Liabilities and Deferred Income</b>	652	554
<b>Contingencies (Note 5)</b>		
<b>Shareholders' Equity</b>		
Common stock of Carnival Corporation; \$.01 par value; 1,960 shares authorized; 640 shares at 2006 and 639 shares at 2005 issued	6	6
Ordinary shares of Carnival plc; \$1.66 par value; 226 shares authorized; 213 shares at 2006 and 212 shares at 2005 issued	353	353
Additional paid-in capital	7,418	7,381
Retained earnings	10,369	10,141
Unearned stock compensation		(13)
Accumulated other comprehensive income	473	159
Treasury stock; 10 at 2006 and 2 shares at 2005 of Carnival Corporation and 42 shares of Carnival plc at 2006 and 2005, at cost	<u>(1,524)</u>	<u>(1,144)</u>
Total shareholders' equity	<u>17,095</u>	<u>16,883</u>
	<u>\$ 29,304</u>	<u>\$28,349</u>

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

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

	<u>Six Months Ended May 31,</u>	
	<u>2006</u>	<u>2005</u>
		(Notes 1 & 2)
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 631	\$ 736
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	472	446
Share-based compensation	34	7
Non-cruise investment write-down	10	
Accretion of original issue discount	5	11
Other	(1)	3
Changes in operating assets and liabilities		
Receivables	38	(97)
Inventories	(22)	(15)
Prepaid expenses and other	(8)	(60)
Accounts payable	(75)	(21)
Accrued and other liabilities	(64)	21
Customer deposits	865	730
Net cash provided by operating activities	<u>1,885</u>	<u>1,761</u>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(1,483)	(1,109)
Purchases of short-term investments	(4)	(556)
Sales of short-term investments		270
Other, net	3	2
Net cash used in investing activities	<u>(1,484)</u>	<u>(1,393)</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayments of long-term debt	(959)	(786)
Purchases of treasury stock	(473)	(30)
Proceeds from (repayments of) short-term borrowings, net	431	(89)
Dividends paid	(404)	(241)
Proceeds from issuance of long-term debt	352	823
Proceeds from exercise of stock options	36	37
Other	(1)	(1)
Net cash used in financing activities	<u>(1,018)</u>	<u>(287)</u>
Effect of exchange rate changes on cash and cash equivalents	9	(3)
Net (decrease) increase in cash and cash equivalents	<u>(608)</u>	<u>78</u>
Cash and cash equivalents at beginning of period	1,178	643
Cash and cash equivalents at end of period	<u>\$ 570</u>	<u>\$ 721</u>

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

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

**NOTE 1 - Basis of Presentation**

Carnival Corporation is incorporated in Panama, and Carnival plc is incorporated in England and Wales. Carnival Corporation and Carnival plc operate as a dual listed company ("DLC"), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation's articles of incorporation and by-laws and Carnival plc's memorandum of association and articles of association. The two companies have retained their separate legal identities; however, they operate as if they were a single economic enterprise.

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

The accompanying consolidated balance sheet at May 31, 2006, the consolidated statements of operations for the six and three months ended May 31, 2006 and 2005 and the consolidated statements of cash flows for the six months ended May 31, 2006 and 2005 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 2005 joint Annual Report on Form 10-K. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

Our sale to passengers of air and other transportation to and from our ships and the related cost of purchasing this service is recorded as cruise passenger ticket revenues and cruise transportation costs, respectively, in the accompanying Consolidated Statements of Operations. The proceeds that we collect on behalf of independently owned shore excursion operators and other onboard concessionaires, net of the amounts remitted to them, are recorded as concession revenues, on a net basis, in onboard and other cruise revenues. Transportation and shore excursion revenues and costs are recognized upon completion for voyages with durations of ten nights or less, and on a pro rata basis for voyages in excess of ten nights.

We have reclassified certain statements of operations, cash flows and balance sheet prior period amounts to conform them to the current period presentation primarily as a result of our adopting a new chart of accounts in conjunction with our initial implementation in the 2006 second quarter of a new worldwide accounting system. During the implementation of our global chart of accounts we identified certain classification differences among our operating subsidiaries. Accordingly, we have recorded appropriate reclassifications in the prior periods to improve comparability.

**NOTE 2 - Dry-docking**

During the second quarter of 2006 we elected to change our method of accounting for dry-dock costs from the deferral method, under which we amortized our deferred dry-dock costs over the estimated period of benefit between dry-docks, to the direct expense method, under which we expense all dry-dock costs as incurred. We believe the direct method is preferable as it eliminates the significant amount of time and subjectivity that is needed in determining which costs and activities related to dry-docking should be deferred. In connection with adopting this change in accounting policy, we elected to early adopt Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections", which requires that we report changes in accounting policy by retrospectively applying new policies to all prior periods presented, unless it is impractical to determine the prior period impacts. Accordingly, we have adjusted our previously reported financial information for all periods presented for this change in dry-dock policy. The effects of this change in accounting policy were as follows (in millions, except for earnings per share):

Consolidated Statement of Operations

	Six Months Ended May 31,					
	2006			2005		
	<u>Deferral Method(a)</u>	<u>Direct Method(b)</u>	<u>Effect of Change</u>	<u>Deferral Method(a)</u>	<u>Direct Method</u>	<u>Effect of Change</u>
Other ship operating expenses	\$ 691	\$ 740	\$ 49	\$ 687	\$ 704	\$ 17
Net income	\$ 680	\$ 631	\$ (49)	\$ 753	\$ 736	\$ (17)
Earnings per share						
Basic	<u>\$ 0.84</u>	<u>\$ 0.78</u>	<u>\$ (0.06)</u>	<u>\$ 0.94</u>	<u>\$ 0.92</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ 0.83</u>	<u>\$ 0.77</u>	<u>\$ (0.06)</u>	<u>\$ 0.91</u>	<u>\$ 0.89</u>	<u>\$ (0.02)</u>

	Three Months Ended May 31,					
	2006			2005		
	<u>Deferral Method(b)</u>	<u>Direct Method</u>	<u>Effect of Change</u>	<u>Deferral Method(a)</u>	<u>Direct Method</u>	<u>Effect of Change</u>
Other ship operating expenses	\$ 363	\$ 383	\$ 20	\$ 354	\$ 374	\$ 20
Net income	\$ 400	\$ 380	\$ (20)	\$ 408	\$ 388	\$ (20)
Earnings per share						
Basic	<u>\$ 0.50</u>	<u>\$ 0.47</u>	<u>\$ (0.03)</u>	<u>\$ 0.51</u>	<u>\$ 0.48</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ 0.48</u>	<u>\$ 0.46</u>	<u>\$ (0.02)</u>	<u>\$ 0.49</u>	<u>\$ 0.47</u>	<u>\$ (0.02)</u>

Consolidated Balance Sheets

	May 31, 2006			November 30, 2005		
	<u>Deferral Method(b)</u>	<u>Direct Method</u>	<u>Effect of Change</u>	<u>Deferral Method(a)</u>	<u>Direct Method</u>	<u>Effect of Change</u>
Prepaid expenses and other				\$ 343	\$ 254	\$ (89)
Other assets	\$ 569	\$ 428	\$ (141)			
Retained earnings	\$10,510	\$10,369	\$ (141)	\$10,233	\$10,141	\$ (92)

(a) In order to simplify comparisons, the amounts shown under the previously reported deferral method have been adjusted to include the reclassifications that were made as a result of our adopting a new chart of accounts (see Note 1).

(b) The amounts disclosed under the deferral method for the six and three month periods ended May 31, 2006 and at May 31, 2006 are based on the estimated effect of not changing our dry-dock accounting method to the direct expense method for these current periods. Accordingly, these estimated current period amounts have not been previously reported, but are being disclosed in accordance with the requirements of SFAS No. 154.

In addition, retained earnings at November 30, 2004 decreased by \$88 million to \$8.54 billion from \$8.62 billion, as a result of this change in accounting method.

NOTE 3 - Share-Based Compensation

Effective December 1, 2005, we adopted the provisions of SFAS No. 123(revised 2004), "Share-Based Payment" ("SFAS No. 123(R)") using the modified prospective application transition method. Under this method, the share-based compensation cost recognized beginning December 1, 2005 includes compensation cost for (i) all share-based payments granted prior to, but not vested as of, December 1, 2005, based on the grant date fair value originally estimated in accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), and (ii) all share-based payments granted subsequent to November 30, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Compensation cost under SFAS No. 123(R) is recognized ratably using the straight-line attribution method over the expected vesting period or to the retirement eligibility date, if less than the vesting period, when vesting is not contingent upon any future performance. In addition, pursuant to SFAS No. 123(R), we are required to estimate the amount of expected forfeitures, which we estimate based on historical pre-vesting forfeiture experience, when calculating compensation cost, instead of accounting for

forfeitures as incurred, which was our previous method. As of December 1, 2005, the cumulative effect of adopting the estimated forfeiture method was not significant. The effect of adopting SFAS 123(R) has been to reduce our net income by approximately \$27 million and \$11 million and our basic and diluted earnings per share by \$0.03 and \$0.01 for the six and three months ended May 31, 2006, respectively. Prior periods are not restated under this transition method.

Prior to December 1, 2005, we accounted for share-based compensation in accordance with the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS No. 123. We elected to use the intrinsic value method of accounting for employee and director share-based compensation expense for our noncompensatory employee and director stock option awards and did not recognize compensation expense for the issuance of options with an exercise price equal to or greater than the market price of the underlying common stock/ordinary shares at the date of grant. Had we elected to adopt the fair value approach as prescribed by SFAS No. 123, which charges earnings for the estimated fair value of stock options, our pro forma net income and pro forma earnings per share for 2005 would have been as follows (in millions, except per share amounts):

	<u>Six Months Ended</u> <u>May 31, 2005</u>	<u>Three Months Ended</u> <u>May 31, 2005</u>
Net income, as reported	\$736	\$388
Share-based compensation expense included in net income, as reported	6	3
Total share-based compensation expense determined under the fair value-based method for all awards	<u>(35)</u>	<u>(18)</u>
Pro forma net income for basic earnings per share	707	373
Interest on dilutive convertible notes	<u>25</u>	<u>12</u>
Pro forma net income for diluted earnings per share	<u>\$732</u>	<u>\$385</u>
Earnings per share		
Basic		
As reported	<u>\$0.92</u>	<u>\$0.48</u>
Pro forma	<u>\$0.88</u>	<u>\$0.46</u>
Diluted		
As reported	<u>\$0.89</u>	<u>\$0.47</u>
Pro forma	<u>\$0.86</u>	<u>\$0.45</u>

### Stock Incentive Plans

We issue our share-based compensation awards under Carnival Corporation and Carnival plc stock plans, which have an aggregate of 40.7 million shares available for future grant at May 31, 2006. These plans allow us to issue stock options, restricted stock units and nonvested stock awards (collectively "incentive awards"). Incentive awards are primarily granted to management level employees and members of our Board of Directors. The plans are administered by a committee of our independent directors (the "Committee"), that determines who is eligible to participate, the number of shares for which incentive awards are to be granted and the amounts that may be exercised within a specified term. These plans allow us to fulfill our incentive award obligations using shares purchased in the open market, or with unissued or treasury shares. The total share-based compensation expense was \$34 million and \$14 million for the six and three months ended May 31, 2006, of which \$29 million and \$11 million has been included in the Consolidated Statements of Operations as selling, general and administrative expenses and \$5 million and \$3 million as cruise payroll expenses, respectively.

### Stock Option Plans

The stock option exercise price is generally set by the Committee at 100% or more of the fair market value of the underlying common stock/ordinary shares on the date the option is granted. All stock options granted during the six and three months ended May 31, 2006 and 2005 were granted at an exercise price per share equal to or greater than the fair market value of the Carnival Corporation common stock and Carnival plc ordinary shares on the date of grant. Generally employee options either vest evenly over five years or at the end of three years. Our employee options granted prior to October 2005 have a ten-year term and those

options granted thereafter have a seven-year term. Carnival Corporation director options granted subsequent to fiscal 2000 vest evenly over five years and have a ten-year term.

As permitted by SFAS No. 123 and SFAS No. 123(R), the fair values of options were estimated using the Black-Scholes option-pricing model. The Black-Scholes weighted-average values and assumptions were as follows:

	<u>Six Months ended May 31,</u>		<u>Three Months ended May 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Fair value of options at the dates of grant	<u>\$12.62</u>	<u>\$14.17</u>	<u>\$11.21</u>	<u>\$14.12</u>
Risk free interest rate(a)	<u>4.24%</u>	<u>3.89%</u>	<u>4.85%</u>	<u>4.43%</u>
Expected dividend yield	<u>2.20%</u>	<u>1.55%</u>	<u>2.57%</u>	<u>1.85%</u>
Expected volatility(b)	<u>26.5%</u>	<u>27.0%</u>	<u>26.5%</u>	<u>27.0%</u>
Expected option life (in years)(c)	<u>4.75</u>	<u>4.69</u>	<u>4.75</u>	<u>5.08</u>

- (a) The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected option life assumed at the date of grant.
- (b) In addition to the historical volatility we also consider the implied volatilities derived from our exchange traded options and convertible notes in determining our expected volatility assumption since we believe these implied market volatilities should be considered in estimating our expected future volatilities.
- (c) The average expected life was based on the contractual term of the option and expected employee exercise behavior.

A combined summary of Carnival Corporation and Carnival plc stock option activity during the six months ended May 31, 2006 was as follows:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term</u> (in years)	<u>Aggregate Intrinsic Value(a)</u> (in millions)
Outstanding at November 30, 2005	20,058,252	\$39.15		
Granted	676,512	\$58.45		
Exercised	(1,277,106)	\$29.36		
Forfeited or expired	<u>(462,532)</u>	\$40.57		
Outstanding at May 31, 2006	<u>18,995,126</u>	\$40.96	<u>6.4</u>	<u>\$91</u>
Exercisable at May 31, 2006	<u>9,482,012</u>	\$37.09		<u>\$67</u>

- (a) The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the option exercise price as of May 31, 2006.

As of the dates of exercise, the total intrinsic value of options exercised were \$31 million (\$26 million in 2005) and \$4 million (\$9 million in 2005) for the six and three months ended May 31, 2006, respectively. As of May 31, 2006, there was \$93 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 1.9 years.

#### **Nonvested Stock and Restricted Stock Units**

Nonvested stock generally has the same rights as Carnival Corporation common stock, except for transfer restrictions and forfeiture provisions. In prior periods, unearned stock compensation was recorded within shareholders' equity at the date of award based on the quoted market price of the Carnival Corporation common stock on the date of grant. Upon adoption of SFAS No. 123(R), the \$13 million of unearned stock compensation as of November 30, 2005 was required to be charged against additional paid-in capital. Nonvested stock is amortized to expense using the straight-line method from the grant date through the earlier of the vesting date or the estimated retirement eligibility date. These shares have been granted to certain



officers and non-executive board members and either have three or five-year cliff vesting or vest evenly over five years after the grant date.

In addition, Carnival Corporation and Carnival plc grant restricted stock units ("RSUs"), which do not have an exercise price, and either vest evenly over five years or at the end of three or five years after the grant date. The share-based compensation expense associated with the RSUs is based on the quoted market price of the Carnival Corporation or Carnival plc shares on the date of grant, and is expensed using the straight-line method from the grant date through the earlier of the vesting date or the employees' estimated retirement eligibility date.

During the six months ended May 31, 2006 the nonvested stock and RSUs activity was as follows:

	<u>Nonvested Stock</u>		<u>Restricted Stock Units</u>	
		<u>Weighted-Average Grant Date Fair Value</u>		<u>Weighted-Average Grant Date Fair Value</u>
	<u>Shares</u>		<u>Shares</u>	
Outstanding at November 30, 2005	966,417	\$36.28	159,117	\$44.56
Granted	110,000	\$53.71	274,022	\$52.21
Vested	(203,667)	\$30.84	(47,319)	\$30.07
Forfeited			<u>(4,874)</u>	\$51.80
Outstanding at May 31, 2006	<u>872,750</u>	\$39.74	<u>380,946</u>	\$51.89

As of May 31, 2006, there was \$25 million of total unrecognized compensation cost related to nonvested stock and RSUs. This cost is expected to be recognized over a weighted-average period of 1.8 years.

#### **NOTE 4 - Debt**

During the six months ended May 31, 2006 \$69 million of our zero-coupon convertible notes were converted into 2.1 million shares of Carnival Corporation common stock, of which 1.9 million shares were issued from treasury stock.

The Carnival Corporation common stock trigger price of \$43.05, which is required to be met in order to allow the conversion of the Carnival Corporation 2% convertible notes, was not met for the defined duration of time in the second quarter of fiscal 2006 and, accordingly, these notes are not convertible during the third quarter of fiscal 2006.

In May 2006, we borrowed \$352 million under an unsecured term loan facility, which proceeds were used to pay a portion of the Crown Princess purchase price. This facility bears interest at 4.51% and is repayable in semi-annual installments through May 2018.

#### **NOTE 5 - Contingencies**

##### **Litigation**

As of May 31, 2006, five separate actions had been filed against either Carnival Corporation or Princess Cruise Lines, Ltd. in the U.S. on behalf of some current and former crew members alleging that Carnival Cruise Lines and Princess Cruises failed to timely pay the plaintiffs for overtime and other wages due (the "Wage Actions"). These actions generally seek payment of (i) damages for breach of contract or restitution for back wages, (ii) damages under the Seaman's Wage Act and (iii) interest. In May 2006, we entered into a settlement agreement for the two cases pending against Carnival Corporation, which is subject to final court approval. There can be no assurance that such approval will be obtained. However, the court has granted preliminary approval of the settlement. The settlement agreement requires us to establish a settlement fund, the ultimate net amount of which was estimated and recorded as an expense in the first quarter of 2006. The ultimate outcomes of the remaining actions

cannot be determined at this time. However, we believe that we have meritorious defenses to these remaining claims and we intend to vigorously defend these actions.

In January 2006, an action was filed against Carnival Corporation and its subsidiaries and affiliates, and other non-affiliated cruise lines in New York on behalf of James Jacobs and a purported class of owners of intellectual property rights to musical plays and other works performed in the U.S. The plaintiffs claim infringement of copyrights to Broadway, off Broadway and other plays. The action seeks payment of (i) damages, (ii) disgorgement of alleged profits and (iii) an injunction against future infringement. In the event that an award is given in favor of the plaintiffs, the amount of damages, if any, which Carnival Corporation and its subsidiaries and affiliates would have to pay is not currently determinable. The ultimate outcome of this matter cannot be determined at this time.

In 2002 and 2004, two actions (collectively, the "Facsimile Complaints") were filed against Carnival Corporation on behalf of purported classes of persons who received unsolicited advertisements via facsimile, alleging that Carnival Corporation and other defendants distributed unsolicited advertisements via facsimile in contravention of the U.S. Telephone Consumer Protection Act. The plaintiffs seek to enjoin the sending of unsolicited facsimile advertisements and statutory damages. The advertisement referred to in the 2002 Facsimile Complaint that referenced a Carnival Cruise Line product was not sent by Carnival Corporation, but rather was distributed by a professional faxing company at the behest of a third party travel agency. The faxes involved in the 2004 case were sent to a travel agency with whom we had conducted business. We do not advertise directly to the traveling public through the use of facsimile transmission. The ultimate outcomes of the Facsimile Complaints cannot be determined at this time. However, we believe that we have meritorious defenses and we will continue to vigorously defend these actions.

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

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

### **Contingent Obligations**

At May 31, 2006, Carnival Corporation had contingent obligations totaling approximately \$1.1 billion to participants in lease out and lease back type transactions for three of its ships. At the inception of the leases, the entire amount of the contingent obligations was paid by Carnival Corporation to major financial institutions to enable them to directly pay these obligations. Accordingly, these obligations were considered extinguished, and neither the funds nor the contingent obligations have been included on our balance sheets. Carnival Corporation would only be required to make any payments under these contingent obligations in the remote event of nonperformance by these financial institutions, all of which have long-term credit ratings of AA or higher. In addition, Carnival Corporation obtained a direct guarantee from a AA rated financial institution for \$278 million of the above noted contingent obligations, thereby further reducing the already remote exposure to this portion of the contingent obligations. In certain cases, if the credit ratings of the major financial institutions who are directly paying the contingent obligations fall below AA-, then Carnival Corporation will be required to move those funds being held by those institutions to other financial institutions whose credit ratings are AA- or above. If Carnival Corporation's credit rating, which is A-, falls below BBB, it would be required to provide a standby letter of credit for \$78 million, or alternatively provide mortgages in the aggregate amount of \$78 million on two of its ships.

In the unlikely event that Carnival Corporation were to terminate the three lease agreements early or default on its obligations, it would, as of May 31, 2006, have to pay a total of \$171 million in stipulated damages. As of May 31, 2006, \$180 million of standby letters of credit have been issued by a major financial institution in order to provide further security for the payment of these contingent stipulated damages. Between 2017 and 2022, we have the right to exercise options that would terminate these three lease transactions at no cost to us.

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

#### War Risk Insurance

During the first quarter of fiscal 2006 we obtained additional war risk insurance, subject to coverage limits, deductibles and exclusions for claims such as those arising from chemical and biological attacks, to cover damage or loss to all of our 36 previously uninsured ships, including terrorist risks. Under the terms of our war risk insurance coverage, which is typical for war risk policies in the marine industry, underwriters can give seven days notice to the insured that the policies will be cancelled.

#### NOTE 6 - Comprehensive Income

Comprehensive income was as follows (in millions):

	<u>Six Months</u>		<u>Three Months</u>	
	<u>Ended May 31,</u>	<u>Ended May 31,</u>	<u>Ended May 31,</u>	<u>Ended May 31,</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net income	\$631	\$736	\$380	\$388
Items included in accumulated other comprehensive income				
Foreign currency translation adjustment	299	(177)	290	(174)
Changes related to cash flow derivative hedges	15	(6)	11	(17)
Total comprehensive income	<u>\$945</u>	<u>\$553</u>	<u>\$681</u>	<u>\$197</u>

#### NOTE 7 - Segment Information

Our cruise segment includes all of our cruise brands, which have been aggregated as a single reportable segment based on the similarity of their economic and other characteristics, including products and services they provide. Our other segment primarily represents the hotel, tour and transportation operations of Holland America Tours and Princess Tours.

Selected segment information for our cruise and other segments was as follows (in millions):

	<u>Six Months Ended May 31,</u>				
	<u>Revenues</u>	<u>Operating expenses</u>	<u>Selling and administrative</u>	<u>Depreciation and amortization</u>	<u>Operating income (loss)</u>
<b>2006</b>					
Cruise	\$5,069	\$3,083	\$698	\$456	\$832
Other	70	67	22	16	(35)
Intersegment elimination	(14)	(14)			
	<u>\$5,125</u>	<u>\$3,136</u>	<u>\$720</u>	<u>\$472</u>	<u>\$797</u>
<b>2005</b>					
Cruise	\$4,856	\$2,853	\$654	\$432	\$917
Other	72	67	24	14	(33)
Intersegment elimination	(14)	(14)			
	<u>\$4,914</u>	<u>\$2,906</u>	<u>\$678</u>	<u>\$446</u>	<u>\$884</u>
	<u>Three Months Ended May 31,</u>				
	<u>Revenues</u>	<u>Operating expenses</u>	<u>Selling and administrative</u>	<u>Depreciation and amortization</u>	<u>Operating income (loss)</u>
<b>2006</b>					
Cruise	\$2,620	\$1,583	\$343	\$232	\$462
Other	54	49	11	8	(14)
Intersegment elimination	(12)	(12)			
	<u>\$2,662</u>	<u>\$1,620</u>	<u>\$354</u>	<u>\$240</u>	<u>\$448</u>
<b>2005</b>					
Cruise	\$2,469	\$1,448	\$327	\$217	\$477
Other	60	53	15	7	(15)
Intersegment elimination	(13)	(13)			
	<u>\$2,516</u>	<u>\$1,488</u>	<u>\$342</u>	<u>\$224</u>	<u>\$462</u>

#### NOTE 8 - Earnings Per Share

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

	<u>Six Months Ended May 31,</u>		<u>Three Months Ended May 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net income	\$ 631	\$ 736	\$ 380	\$ 388
Interest on dilutive convertible notes	18	25	9	12
Net income for diluted earnings per share	<u>\$ 649</u>	<u>\$ 761</u>	<u>\$ 389</u>	<u>\$ 400</u>
Weighted-average common and ordinary shares outstanding	807	805	805	805
Dilutive effect of convertible notes	33	44	33	44
Dilutive effect of stock plans	3	6	2	5
Diluted weighted-average shares outstanding	<u>843</u>	<u>855</u>	<u>840</u>	<u>854</u>
Basic earnings per share	<u>\$0.78</u>	<u>\$0.92</u>	<u>\$0.47</u>	<u>\$0.48</u>
Diluted earnings per share	<u>\$0.77</u>	<u>\$0.89</u>	<u>\$0.46</u>	<u>\$0.47</u>

Options to purchase 3.5 million (2.2 million in 2005) and 5.5 million (2.2 million in 2005) shares for the six and three months ended May 31, 2006, respectively, were excluded from our diluted earnings per share computation since the effect of including them was anti-dilutive.

## **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 contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere 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, outlook, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can find many, but not all, of these statements by looking for words like "will," "may," "believes," "expects," "anticipates," "forecast," "future," "intends," "plans," and "estimates" and for similar expressions.

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this joint Quarterly Report on Form 10-Q. Forward-looking statements include those statements which may impact the forecasting of our earnings per share, net revenue yields, booking levels, pricing, occupancy, operating, financing and/or tax costs, fuel costs, costs per available lower berth day ("ALBD"), estimates of ship depreciable lives and residual values, outlook or business prospects. These factors include, but are not limited to, the following:

- risks associated with the DLC structure, including the uncertainty of its tax status;
- general economic and business conditions, which may impact levels of disposable income of consumers and net revenue yields for our cruise brands;
- conditions in the cruise and land-based vacation industries, including competition from other cruise ship operators and providers of other vacation alternatives and increases in capacity offered by cruise ship and land-based vacation alternatives;
- risks associated with operating internationally;
- the international political and economic climate, armed conflicts, terrorist attacks and threats thereof, availability of air service, other world events and adverse publicity, and their impact on the demand for cruises;
- accidents, unusual weather conditions or natural disasters, such as hurricanes and earthquakes and other incidents (including machinery and equipment failures, which could cause the alteration of itineraries or cancellation of a cruise or series of cruises and the impact of the spread of contagious diseases), affecting the health, safety, security and vacation satisfaction of passengers;
- changing consumer preferences, which may, among other things, adversely impact the demand for cruises;
- our ability to implement our shipbuilding programs and brand strategies and to continue to expand our business worldwide;
- our future operating cash flow may not be sufficient to fund future obligations and we may not be able to obtain financing, if necessary, on terms that are favorable or consistent with our expectations;
- our ability to attract and retain qualified shipboard crew and maintain good relations with employee unions;
- the impact of changes in operating and financing costs, including changes in foreign currency exchange rates and interest rates and fuel, food, payroll, insurance and security costs;
- the impact of pending or threatened litigation;
- changes in the environmental, health, safety, security, tax and other regulatory regimes under which we operate, including the implementation of U.S. regulations requiring U.S. citizens to obtain passports for travel to or from additional foreign destinations;
- continued availability of attractive port destinations;
- our ability to successfully implement cost reduction plans; and
- continuing financial viability of our travel agent distribution system and air service providers.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant listing rules, we expressly disclaim any obligation to disseminate, after the date of this 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.

### **Key Performance Indicators and Critical Accounting Estimates**

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

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

In addition, because a significant portion of our operations utilize the euro or sterling to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies, and decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies. Accordingly, we also monitor our two non-GAAP financial measures assuming the current period currency exchange rates have remained constant with the prior year's comparable period rates, or on a "constant dollar basis," in order to remove the impact of changes in exchange rates on our non-U.S. cruise operations. We believe that this is a useful measure indicating the actual growth of our operations in a fluctuating exchange rate environment.

On a constant dollar basis, net cruise revenues and net cruise costs would be \$4.12 billion and \$2.82 billion for the six months ended May 31, 2006 and \$2.14 billion and \$1.44 billion for the three months ended May 31, 2006, respectively. On a constant dollar basis, gross cruise revenues and gross cruise costs would be \$5.16 billion and \$3.86 billion for the six months ended May 31, 2006 and \$2.65 billion and \$1.95 billion for the three months ended May 31, 2006, respectively. In addition to our two non-GAAP financial measures discussed above, our non-U.S. cruise operations' depreciation and net interest expense were impacted by the changes in exchange rates for the six and three months ended May 31, 2006 compared to the prior periods' rates.

All the prior periods financial information presented herein have been adjusted to reflect the retrospective application of the change in our method of accounting for dry-dock costs and for certain reclassifications, as more fully discussed in Notes 1 and 2 in the accompanying financial statements.

For a discussion of our critical accounting estimates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is included in Carnival Corporation & plc's 2005 joint Annual Report on Form 10-K.

### **Outlook for the Remainder of 2006**

As of June 16, 2006 we said that we expected our diluted earnings per share for the third quarter of 2006 would be approximately \$1.45 to \$1.47 and approximately \$2.65 to \$2.75 for the 2006 full year. Our guidance was based on the then current forward fuel price curve of \$364 per metric ton for the third quarter of 2006 and \$366 per metric ton for the last half of fiscal 2006. In addition, this guidance was also based on currency exchange rates of \$1.29 to the euro and \$1.88 to sterling.

The year-over-year percentage increase in our ALBD capacity, resulting from new ships entering service, is expected to be 5.1%, 5.8% and 4.6% for the third and fourth quarters and full year of 2006, respectively, based on ships currently on order.

### **Seasonality**

Our revenue from the sale of passenger tickets is 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 net revenue yields and, accordingly, the largest share of our net income is earned during this period. The seasonality of our results is increased due to ships being taken out of service for dry-docking, which we typically schedule during non-peak demand periods. Substantially all of Holland America Tours' and Princess Tours' revenues and net income are generated from May through September in conjunction with the Alaska cruise season.

## Selected Information and Non-GAAP Financial Measures

Selected information was as follows:

	<u>Six Months Ended May 31,</u>		<u>Three Months Ended May 31,</u>	
	<u>2006(a)</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Passengers carried (in thousands)	<u>3,225</u>	<u>3,306</u>	<u>1,708</u>	<u>1,687</u>
Occupancy percentage	<u>104.8%</u>	<u>104.3%</u>	<u>105.4%</u>	<u>104.8%</u>
Fuel cost per metric ton	<u>\$ 336</u>	<u>\$ 222</u>	<u>\$ 354</u>	<u>\$ 248</u>

(a) Passengers carried in 2006 are lower than 2005 because 2006 does not include any passengers for the three ships chartered to the Military Sealift Command ("MSC") in the 2006 first quarter in connection with the Hurricane Katrina relief efforts. Occupancy percentage includes the three ships chartered to the MSC at 100% occupancy.

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

	<u>Six Months Ended May 31,</u>		<u>Three Months Ended May 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(in millions, except ALBDs and yields)			
Cruise revenues				
Passenger tickets	\$3,930	\$3,746	\$2,020	\$1,903
Onboard and other	<u>1,139</u>	<u>1,110</u>	<u>600</u>	<u>566</u>
Gross cruise revenues	5,069	4,856	2,620	2,469
Less cruise costs				
Commissions, transportation and other	(813)	(803)	(405)	(380)
Onboard and other	<u>(198)</u>	<u>(193)</u>	<u>(101)</u>	<u>(96)</u>
Net cruise revenues	<u>\$4,058</u>	<u>\$3,860</u>	<u>\$2,114</u>	<u>\$1,993</u>
ALBDs	<u>24,179,420</u>	<u>23,298,274</u>	<u>12,242,982</u>	<u>11,711,830</u>
Gross revenue yields	<u>\$209.63</u>	<u>\$208.45</u>	<u>\$214.00</u>	<u>\$210.79</u>
Net revenue yields	<u>\$167.78</u>	<u>\$165.68</u>	<u>\$172.63</u>	<u>\$170.11</u>

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

	<u>Six Months Ended May 31,</u>		<u>Three Months Ended May 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(in millions, except ALBDs and costs per ALBD)			
Cruise operating expenses	\$3,083	\$2,853	\$1,583	\$1,448
Cruise selling and administrative expenses	<u>698</u>	<u>654</u>	<u>343</u>	<u>327</u>
Gross cruise costs	3,781	3,507	1,926	1,775
Less cruise costs included in net cruise revenues				
Commissions, transportation and other	(813)	(803)	(405)	(380)
Onboard and other	<u>(198)</u>	<u>(193)</u>	<u>(101)</u>	<u>(96)</u>
Net cruise costs	<u>\$2,770</u>	<u>\$2,511</u>	<u>\$1,420</u>	<u>\$1,299</u>
ALBDs	<u>24,179,420</u>	<u>23,298,274</u>	<u>12,242,982</u>	<u>11,711,830</u>
Gross cruise costs per ALBD	<u>\$156.40</u>	<u>\$150.50</u>	<u>\$157.35</u>	<u>\$151.56</u>
Net cruise costs per ALBD	<u>\$114.54</u>	<u>\$107.73</u>	<u>\$115.98</u>	<u>\$110.87</u>



## Six Months Ended May 31, 2006 ("2006") Compared to the Six Months Ended May 31, 2005 ("2005")

### Revenues

Net cruise revenues increased \$198 million, or 5.1%, to \$4.06 billion in 2006 from \$3.86 billion in 2005. The 3.8% increase in ALBDs between 2005 and 2006 accounted for \$146 million of the increase, and the remaining \$52 million was from increased net revenue yields, which increased 1.3% in 2006 compared to 2005 (gross revenue yields increased by 0.6%). Net revenue yields increased in 2006 primarily from higher cruise ticket prices and a 0.5% increase in occupancy, partially offset by the stronger U.S. dollar relative to the euro and sterling. In addition, net revenue yield in 2005 was reduced in part by the cancellation of the higher yielding P&O Cruises Aurora world cruise. The strengthening of the U.S. dollar against the euro and sterling had an impact on our net revenue yields in 2006 because a portion of our business is transacted in those currencies. Net revenue yields as measured on a constant dollar basis increased 2.9% in 2006. Gross cruise revenues increased \$213 million, or 4.4%, in 2006 to \$5.07 billion from \$4.86 billion in 2005 for largely the same reasons as net cruise revenues.

The charter of three ships to the MSC in the first quarter of 2006 resulted in lower onboard revenues and higher cruise ticket revenues because the charters did not generate onboard revenues as the entire charter price was recorded in passenger ticket revenues. Onboard and other revenues included concession revenues of \$140 million in 2006 and \$139 million in 2005.

### Costs and Expenses

Net cruise costs increased \$259 million, or 10.3%, to \$2.77 billion in 2006 from \$2.51 billion in 2005. The 3.8% increase in ALBDs between 2005 and 2006 accounted for \$97 million of the increase, and the balance of \$162 million was from increased net cruise costs per ALBD, which increased 6.3% in 2006 compared to 2005 (gross cruise costs per ALBD increased 3.9%). Net cruise costs per ALBD increased primarily due to a \$114 increase in fuel cost per metric ton, or 51.5%, to \$336 per metric ton in 2006, which resulted in an additional \$157 million of expense, and a \$27 million increase in share-based compensation expense, which was substantially all a result of the adoption of SFAS No. 123(R) (see Note 3 in the accompanying financial statements). This increase was partially offset by a stronger U.S. dollar relative to the euro and sterling in 2006. Net cruise costs per ALBD as measured on a constant dollar basis compared to 2005 increased 8.2% in 2006. On a constant dollar basis, net cruise costs per ALBD excluding increased fuel prices increased 2.3% compared to 2005 in large part because of the adoption of the new share-based compensation accounting standard, and increases in Mexican port costs caused by hurricane damages to our port facility in Cozumel. Gross cruise costs increased \$274 million, or 7.8%, in 2006 to \$3.78 billion from \$3.51 billion in 2005 for largely the same reasons as net cruise costs.

Depreciation and amortization expense increased by \$26 million, or 5.8%, to \$472 million in 2006 from \$446 million in 2005 largely due to the 3.8% increase in ALBDs through the addition of new ships and ship improvement expenditures, partially offset by the impact of a stronger U.S. dollar.

### Nonoperating (Expense) Income

Net interest expense, excluding capitalized interest, decreased \$13 million to \$156 million in 2006 from \$169 million in 2005. This decrease was primarily due to lower average borrowings, partially offset by the impact of higher interest rates. Capitalized interest increased \$7 million during 2006 compared to 2005 due primarily to higher average levels of investment in ship construction projects.

Other expense in 2006 included a \$10 million expense for the write-down of a non-cruise investment and a \$5 million provision for a litigation reserve. Other income in 2005 included \$7 million from the settlement of litigation associated with the DLC transaction.

## **Income Taxes**

Income tax expense increased by \$14 million from 2005 to \$11 million in 2006 from a \$3 million benefit in 2005 primarily because we recorded U.S. federal and state income taxes related to the MSC charter, which ended in early March 2006.

### **Three Months Ended May 31, 2006 ("2006") Compared to the Three Months Ended May 31, 2005 ("2005")**

#### **Revenues**

Net cruise revenues increased \$121 million, or 6.1%, to \$2.11 billion in 2006 from \$1.99 billion in 2005. The 4.5% increase in ALBDs between 2005 and 2006 accounted for \$90 million of the increase, and the remaining \$31 million was from increased net revenue yields, which increased 1.5% in 2006 compared to 2005 due to higher cruise ticket prices and onboard spending and a 0.6% increase in occupancy, partially offset by the stronger U.S. dollar relative to the euro and sterling. Net revenue yields as measured on a constant dollar basis, increased 2.6% in 2006. Gross cruise revenues increased \$151 million, or 6.1%, in 2006 to \$2.62 billion from \$2.47 billion in 2005 for largely the same reasons as net cruise revenues. Onboard and other revenues included concession revenues of \$74 million in 2006 and \$70 million in 2005.

#### **Costs and Expenses**

Net cruise costs increased \$121 million, or 9.3%, to \$1.42 billion in 2006 from \$1.30 billion in 2005. The 4.5% increase in ALBDs between 2005 and 2006 accounted for \$60 million of the increase, and the balance of \$61 million was from increased net cruise costs per ALBD, which increased 4.6% in 2006 compared to 2005 (gross cruise costs per ALBD increased 3.8%). Net cruise costs per ALBD increased primarily due to a \$106 increase in fuel cost per metric ton, or 42.7%, to \$354 per metric ton in 2006, which resulted in an additional \$74 million of expense, and an \$11 million increase in share-based compensation expense, which was substantially all a result of the adoption of SFAS No. 123(R). This increase was partially offset by a stronger U.S. dollar relative to the euro and sterling in 2006. Net cruise costs per ALBD as measured on a constant dollar basis compared to 2005 increased 5.9% in 2006. On a constant dollar basis, net cruise costs per ALBD excluding increased fuel prices increased 0.5% compared to 2005 in large part because of the adoption of the new share-based compensation accounting standard, and increases in Mexican port costs caused by hurricane damages to our port facility in Cozumel. Gross cruise costs increased \$151 million, or 8.5%, in 2006 to \$1.93 billion from \$1.78 billion in 2005 for largely the same reasons as net cruise costs.

Depreciation and amortization expense increased by \$16 million, or 7.1%, to \$240 million in 2006 from \$224 million in 2005 largely due to the 4.5% increase in ALBDs through the addition of new ships and ship improvement expenditures, partially offset by the impact of a stronger U.S. dollar.

#### **Nonoperating (Expense) Income**

Net interest expense, excluding capitalized interest, decreased \$2 million to \$79 million in 2006 from \$81 million in 2005. This decrease was primarily due to lower average borrowings, partially offset by the impact of higher interest rates. Capitalized interest increased \$4 million during 2006 compared to 2005 due primarily to higher average levels of investment in ship construction projects.

## **Liquidity and Capital Resources**

#### **Sources and Uses of Cash**

Our business provided \$1.89 billion of net cash from operations during the six months ended May 31, 2006, an increase of \$124 million, or 7.0%, compared to fiscal 2005. We continue to generate substantial cash from operations and remain in a strong financial position, thus

providing us with substantial financial flexibility in meeting operating, investing and financing needs.

During the six months ended May 31, 2006, our net expenditures for capital projects were \$1.48 billion, of which \$1.23 billion was spent for our ongoing new shipbuilding program, including \$327 million and \$410 million for the final delivery payments for Holland America Line's Noordam and Princess Cruises' Crown Princess, respectively. The remaining capital expenditures consisted primarily of \$159 million for ship improvements and refurbishments, and \$98 million for Alaska tour assets, cruise port facility developments and information technology assets.

During the six months ended May 31, 2006, we borrowed \$352 million to pay part of the Crown Princess purchase price, and we repaid \$959 million of long-term debt, which included \$873 million of Costa's indebtedness. We also paid cash dividends of \$404 million during the first six months of fiscal 2006 and purchased \$473 million of Carnival Corporation common stock in open market transactions.

#### **Future Commitments and Funding Sources**

Our contractual cash obligations remained generally unchanged at May 31, 2006 compared to November 30, 2005, including ship construction contracts entered into in December 2005, except for changes in our debt and the Noordam and Crown Princess delivery payments as noted above. As of November 30, 2005, we had contractual cash obligations on our variable-rate debt, including interest swapped from a fixed-rate to a variable rate, using the forward interest rate curve for the terms of the loans, as follows (in millions): \$86, \$73, \$37, \$29, \$21 and \$37 in fiscal 2006 through 2010 and thereafter, respectively.

Subsequent to May 31, 2006, Costa Cruises entered into a new ship construction contract with Fincantieri for a 2,260 passenger ship, which has an estimated all-in cost of 420 million euros and is expected to enter service in spring 2009. In addition, in June 2006, AIDA Cruises entered into a new ship construction contract with Meyer Werft for a 2,050 passenger ship, which has an estimated all-in cost of 330 million euros and is expected to enter service in spring 2010. Finally, on June 30, 2006 we made our final delivery payment of 344 million euro for the Costa Concordia.

At May 31, 2006, we had liquidity of \$3.64 billion, which consisted of \$583 million of cash, cash equivalents and short-term investments, \$1.72 billion available for borrowing under our revolving credit facility and \$1.34 billion under committed ship financing facilities. Our revolving credit facility matures in 2010. A key to our access to liquidity is the maintenance of our strong credit ratings.

Based primarily on our historical results, current financial condition and future forecasts, we believe that our existing liquidity and cash flow from future operations will be sufficient to fund most of our expected capital projects, debt service requirements, dividend payments, working capital and other firm commitments. In addition, based on our future forecasted operating results and cash flows for fiscal 2006, we expect to be in compliance with our debt covenants during the remainder of fiscal 2006. However, our forecasted cash flow from future operations, as well as our credit ratings, may be adversely affected by various factors including, but not limited to, those factors noted under "Cautionary Note Concerning Factors That May Affect Future Results." To the extent that we are required, or choose, to fund future cash requirements, including our future shipbuilding commitments, from sources other than as discussed above, we believe that we will be able to secure such financing from banks or through the offering of debt and/or equity securities in the public or private markets. However, we cannot be certain that our future operating cash flow will be sufficient to fund future obligations or that we will be able to obtain additional financing, if necessary.

#### **Off-Balance Sheet Arrangements**

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

#### **Item 4. Controls and Procedures.**

##### **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, is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms.

Our Chief Executive Officer, Chief Operating Officer and Chief Financial and Accounting Officer have evaluated our disclosure controls and procedures and have concluded, as of May 31, 2006, that they were effective as described above.

##### **Changes in Internal Control over Financial Reporting**

During the three months ended May 31, 2006, we initiated our implementation of a new worldwide accounting system. We expect to substantially complete this implementation across all our existing reporting units over the next twelve months.

There have been no other changes in our internal control over financial reporting during the quarter ended May 31, 2006 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

#### **PART II. OTHER INFORMATION**

##### **Item 1. Legal Proceedings.**

A group of actions referred to as the Wage Actions was previously reported in our 2006 first quarter joint Quarterly Report on Form 10-Q. A settlement agreement was entered into for two of the Wage Actions pending against Carnival Corporation in the U.S. District Court for the Southern District of Florida, which is subject to final court approval. There can be no assurance that such approval will be obtained. However, the court has granted preliminary approval of the settlement. The settlement agreement requires us to establish a settlement fund.

An action referred to as the Festival Action was previously reported in our 2006 first quarter joint Quarterly Report on Form 10-Q. As previously reported, Festival was declared bankrupt in May 2004. In March 2006, the Court of First Instance of the European Communities in Luxemburg ruled that it was not necessary to issue a judgment due to the bankruptcy of Festival and terminated the case.

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

During the quarter ended May 31, 2006, purchases by Carnival Corporation of Carnival Corporation's equity securities that are registered by it pursuant to Section 12 of the Exchange Act were as follows:

<u>Period</u>	<u>Total Number of Shares Purchased in Second Quarter</u>	<u>Average Price Paid per Share</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a)</u> (in millions)
March 1, 2006 through March 31, 2006	2,710,600	\$49.06	\$481
April 1, 2006 through April 30, 2006	5,883,400	\$47.50	\$202
May 1, 2006 through May 31, 2006	<u>1,450,000</u>	\$41.75	\$141
Total	<u>10,044,000</u>	\$47.09	

(a) During 2004 the Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares commencing in 2005 subject to certain repurchase restrictions on Carnival plc shares. We completed this \$1 billion repurchase program in June 2006. All shares repurchased through May 31, 2006 were repurchased pursuant to the 2004 publicly announced program. A second \$1 billion authorization was approved by the Boards of Directors in June 2006 subject to certain restrictions. This program does not have an expiration date and may be discontinued by our Boards of Directors at any time. At June 28, 2006, the remaining availability pursuant to our 2006 share repurchase program was \$989 million.

During the six months ended May 31, 2006 \$69 million of our zero-coupon convertible notes were converted into 2.1 million shares of Carnival Corporation common stock, of which 1.9 million shares were issued from treasury stock. The issuance was exempt from registration under Section 3(a)(9) of the Securities Act of 1933, as amended.

Each share of Carnival Corporation common stock issued is paired with a trust share of beneficial interest in the P&O Princess Special Voting Trust, which holds a Special Voting Share issued by Carnival plc in connection with the DLC transaction.

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

The annual meetings of shareholders of Carnival Corporation and Carnival plc were held on April 20, 2006 (the "Annual Meetings"). On all matters which came before the Annual Meetings, holders of Carnival Corporation common stock and Carnival plc ordinary shares were entitled to one vote for each share held. Proxies for 702,417,464 shares entitled to vote were received in connection with the Annual Meetings.

The matters which were submitted to Carnival Corporation's and Carnival plc's shareholders for approval at the Annual Meetings and the tabulation of the votes with respect to each such matter were as follows:

#### **Director Elections**

<b>Resolution/Proposal</b>	<b>For</b>	<b>Against/ Withheld(a)</b>	<b>Abstained</b>
To re-elect Micky Arison as a director of Carnival Corporation and Carnival plc	683,677,818	17,220,746	1,518,899

<b>Resolution/Proposal</b>	<b>For</b>	<b>Against/ Withheld(a)</b>	<b>Abstained</b>
To re-elect Ambassador Richard G. Capen, Jr. as a director of Carnival Corporation and Carnival plc	688,437,648	10,153,934	3,825,881
To re-elect Robert H. Dickinson as a director of Carnival Corporation and Carnival plc	683,286,990	17,535,791	1,594,682
To re-elect Arnold W. Donald as a director of Carnival Corporation and Carnival plc	688,416,088	9,859,547	4,141,828
To re-elect Pier Luigi Foschi as a director of Carnival Corporation and Carnival plc	691,252,413	9,474,009	1,691,042
To re-elect Howard S. Frank as a director of Carnival Corporation and Carnival plc	692,413,784	8,593,484	1,410,195
To re-elect Richard J. Glasier as a director of Carnival Corporation and Carnival plc	689,943,345	8,464,189	4,009,929
To re-elect Baroness Hogg as a director of Carnival Corporation and Carnival plc	697,941,763	4,428,903	46,797
To re-elect A. Kirk Lanterman as a director of Carnival Corporation and Carnival plc	678,315,785	15,354,268	8,747,411
To re-elect Modesto A. Maidique as a director of Carnival Corporation and Carnival plc	686,522,978	12,017,358	3,877,127
To re-elect Sir John Parker as a director of Carnival Corporation and Carnival plc	697,870,251	4,524,117	23,095
To re-elect Peter G. Ratcliffe as a director of Carnival Corporation and Carnival plc	695,886,405	4,844,178	1,686,880

<b>Resolution/Proposal</b>	<b>For</b>	<b>Against/ Withheld(a)</b>	<b>Abstained</b>
To re-elect Stuart Subotnick as a director of Carnival Corporation and Carnival plc	686,352,943	12,117,589	3,946,932
To re-elect Uzi Zucker as a director of Carnival Corporation and Carnival plc	689,837,118	9,456,893	3,123,453

(a) A vote "Withheld" by a shareholder of Carnival Corporation is deemed to be a vote against the resolutions re-electing directors.

#### **Other Matters**

<b>Resolution/Proposal</b>	<b>For</b>	<b>Against</b>	<b>Abstained/ Withheld(b)</b>	<b>Broker Non-Votes</b>
To re-appoint the UK firm of PricewaterhouseCoopers LLP as independent auditors for Carnival plc and to ratify the selection of the U.S. firm of PricewaterhouseCoopers LLP as the independent registered certified public accounting firm for Carnival Corporation	697,014,000	3,362,566	2,040,896	0
To authorize the audit committee of the board of directors of Carnival plc to agree the remuneration of the independent auditors	699,435,655	884,971	2,096,835	0
To receive the UK accounts of Carnival plc and the reports of the directors and the auditors of Carnival plc for the financial year ended November 30, 2005	688,618,720	5,467,626	8,331,114	0
To approve directors' remuneration report of Carnival plc for the financial year ended November 30, 2005	687,376,821	12,071,331	2,968,259	0
To approve limits on the authority to allot shares by Carnival plc	695,266,744	4,951,645	2,198,521	0
To approve the disapplication of pre-emption rights for Carnival plc shares	691,550,709	8,606,272	2,259,430	0
To approve a general authority for Carnival plc to buy back Carnival plc ordinary shares in the open market	697,926,819	2,277,493	2,213,149	0

(b) An "Abstained" vote by a shareholder of Carnival Corporation means "Withheld" for this purpose (a vote neither for nor against the resolution).

**Item 6. Exhibits.**

- 3.1 Third Amended and Restated Articles of Incorporation of Carnival Corporation, incorporated by reference to Exhibit No. 3.1 to the joint Current Report on Form 8-K of Carnival Corporation and Carnival plc filed on April 17, 2003.
- 3.2 Amended and Restated By-laws of Carnival Corporation, incorporated by reference to Exhibit No. 3.2 to the joint Current Report on Form 8-K of Carnival Corporation and Carnival plc filed on April 17, 2003.
- 3.3 Articles of Association of Carnival plc, incorporated by reference to Exhibit No. 3.3 to the joint Current Report on Form 8-K of Carnival Corporation and Carnival plc filed on April 17, 2003.
- 3.4 Memorandum of Association of Carnival plc, incorporated by reference to Exhibit No. 3.4 to the joint Current Report on Form 8-K of Carnival Corporation and Carnival plc filed on April 17, 2003.
- 12 Ratio of Earnings to Fixed Charges.
- 18 Preferability letter for change in dry-dock accounting principle from PricewaterhouseCoopers LLP, dated June 29, 2006.
- 31.1 Certification of 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.
- 31.2 Certification of Chief Operating Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Executive Vice President and Chief Financial and Accounting Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.4 Certification of 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.
- 31.5 Certification of Chief Operating Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.6 Certification of Executive Vice President and Chief Financial and Accounting Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of 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.
- 32.2 Certification of Chief Operating 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.
- 32.3 Certification of Executive Vice President and Chief Financial and Accounting 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.



- 32.4 Certification of 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.
- 32.5 Certification of Chief Operating 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.
- 32.6 Certification of Executive Vice President and Chief Financial and Accounting 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.

**SIGNATURES**

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

**CARNIVAL CORPORATION**

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

By: /s/ Howard S. Frank  
Howard S. Frank  
Vice Chairman of the Board of  
Directors and Chief Operating Officer

By: /s/ Gerald R. Cahill  
Gerald R. Cahill  
Executive Vice President  
and Chief Financial and  
Accounting Officer

Dated: June 30, 2006

**CARNIVAL PLC**

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

By: /s/ Howard S. Frank  
Howard S. Frank  
Vice Chairman of the Board of  
Directors and Chief Operating Officer

By: /s/ Gerald R. Cahill  
Gerald R. Cahill  
Executive Vice President  
and Chief Financial and  
Accounting Officer

Dated: June 30, 2006

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

	<b>Six Months</b>	
	<b>Ended May 31,</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Net income	\$631	\$736
Income tax expense (benefit), net	<u>11</u>	<u>(3)</u>
Income before income taxes	<u>642</u>	<u>733</u>
Fixed charges		
Interest expense, net	151	168
Interest portion of rent expense(a)	8	8
Capitalized interest	<u>17</u>	<u>10</u>
Total fixed charges	<u>176</u>	<u>186</u>
Fixed charges not affecting earnings		
Capitalized interest	<u>(17)</u>	<u>(10)</u>
Earnings before fixed charges	<u>\$801</u>	<u>\$909</u>
Ratio of earnings to fixed charges	<u>4.6x</u>	<u>4.9x</u>

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

June 29, 2006

Board of Directors

Carnival Corporation  
3655 NW 87th Avenue  
Miami, FL 33178

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

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your joint Quarterly Report on Form 10-Q ("Form 10-Q") filing pursuant to Item 601 of Regulation S-K.

We have been provided a copy of Carnival Corporation & plc's Form 10-Q for the period ended May 31, 2006. Note 2 therein describes a change in accounting principle from recording dry-dock costs under the deferral method to the direct expense method. It should be understood that the preferability of one acceptable method of accounting over another for the accounting for dry-dock costs has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-Q, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in Carnival Corporation & plc's circumstances, the adoption of a preferable accounting principle in conformity with Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections".

We have not audited any financial statements of Carnival Corporation & plc as of any date or for any period subsequent to November 30, 2005. Accordingly, our comments are subject to change upon completion of an audit of the financial statements covering the period of the accounting change.

Very truly yours,

/S/PricewaterhouseCoopers  
PricewaterhouseCoopers LLP

I, Micky Arison, 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 officers 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 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 officers 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:
  - (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: June 30, 2006

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

I, Howard S. Frank, 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 officers 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 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 officers 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:
  - (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: June 30, 2006

By: /s/ Howard S. Frank

Howard S. Frank

Vice Chairman of the Board of

Directors and Chief Operating Officer

I, Gerald R. Cahill, 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 officers 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 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 officers 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:
  - (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: June 30, 2006

By: /s/ Gerald R. Cahill  
Gerald R. Cahill  
Executive Vice President and Chief  
Financial and Accounting Officer

I, Micky Arison, 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 officers 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 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 officers 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:
  - (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: June 30, 2006

By: /s/ Micky Arison

Micky Arison

Chairman of the Board of Directors  
and Chief Executive Officer



I, Howard S. Frank, 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 officers 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 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 officers 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:
  - (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: June 30, 2006

By: /s/ Howard S. Frank

Howard S. Frank

Vice Chairman of the Board of

Directors and Chief Operating Officer

I, Gerald R. Cahill, 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 officers 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 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 officers 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:
  - (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: June 30, 2006

By: /s/ Gerald R. Cahill  
Gerald R. Cahill  
Executive Vice President and Chief  
Financial and Accounting Officer

**Exhibit 32.1**

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 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: June 30, 2006

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

**Exhibit 32.2**

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 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: June 30, 2006

By: /s/ Howard S. Frank  
Howard S. Frank  
Vice Chairman of the Board of Directors  
and Chief Operating Officer

**Exhibit 32.3**

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 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: June 30, 2006

By: /s/ Gerald R. Cahill  
Gerald R. Cahill  
Executive Vice President and Chief  
Financial and Accounting Officer

**Exhibit 32.4**

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 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: June 30, 2006

By: /s/ Micky Arison

Micky Arison  
Chairman of the Board of Directors  
and Chief Executive Officer

**Exhibit 32.5**

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 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: June 30, 2006

By: /s/ Howard S. Frank

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

**Exhibit 32.6**

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 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: June 30, 2006

By: /s/ Gerald R. Cahill

Gerald R. Cahill  
Executive Vice President and Chief  
Financial and Accounting Officer