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 September 30, 2005

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: 1-11884

ROYAL CARIBBEAN CRUISES LTD.
(Exact name of registrant as specified in its charter)

Republic of Liberia	**98-0081645**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1050 Caribbean Way, Miami, Florida 33132
(Address of principal executive offices) (zip code)

(305) 539-6000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 209,934,900 shares of common stock outstanding as of October 14, 2005.

ROYAL CARIBBEAN CRUISES LTD.

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Item 1. Financial Statements

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share data)

	Quarter Ended September 30,	
	2005	**2004**
Passenger ticket revenues	$1,110,394	$1,021,148
Onboard and other revenues	391,821	364,959
Total revenues	1,502,215	1,386,107
Cruise operating expenses		
Commissions, transportation and other	253,496	235,153
Onboard and other	113,230	108,745
Payroll and related	129,415	124,084
Food	70,779	70,223
Other operating	277,712	249,198
Total cruise operating expenses	844,632	787,403
Marketing, selling and administrative expenses	156,107	141,035
Depreciation and amortization expenses	101,020	99,288
Operating Income	400,456	358,381
Other income (expense)		
Interest income	3,360	2,744
Interest expense, net of interest capitalized	(65,260)	(78,575)
Other income (expense)	36,155	(79)
	(25,745)	(75,910)
Net Income	$ 374,711	$ 282,471
Earnings Per Share:		
Basic	$ 1.79	$ 1.42
Diluted	$ 1.64	$ 1.26
Pro Forma Amounts (assuming change in accounting principle was applied retrospectively) (Note 2):		
Pro forma net income	$ 374,711	$ 285,039
Pro forma basic earnings per share	$ 1.79	$ 1.43
Pro forma diluted earnings per share	$ 1.64	$ 1.27
Weighted-Average Shares Outstanding:		
Basic	209,811	199,107
Diluted	236,038	234,513

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

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share data)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Passenger ticket revenues	$2,871,018	$2,655,795
Onboard and other revenues	1,002,516	934,995
Total revenues	3,873,534	3,590,790
Cruise operating expenses		
Commissions, transportation and other	679,167	645,609
Onboard and other	254,373	243,922
Payroll and related	383,487	364,013
Food	203,563	201,814
Other operating	769,819	693,875
Total cruise operating expenses	2,290,409	2,149,233
Marketing, selling and administrative expenses	466,599	434,594
Depreciation and amortization expenses	300,757	293,528
Operating Income	815,769	713,435
Other income (expense)		
Interest income	7,205	5,526
Interest expense, net of interest capitalized	(209,291)	(231,461)
Other income	53,386	12,976
	(148,700)	(212,959)
Income Before Cumulative Effect of a Change in Accounting Principle	667,069	500,476
Cumulative effect of a change in accounting principle (Note 2)	52,491	-
Net Income	$ 719,560	$ 500,476
Basic Earnings Per Share:		
Income before cumulative effect of a change in accounting principle	$ 3.26	$ 2.52
Cumulative effect of a change in accounting principle (Note 2)	$ 0.26	$ -
Net income	$ 3.51	$ 2.52
Diluted Earnings Per Share:		
Income before cumulative effect of a change in accounting principle	$ 2.99	$ 2.31
Cumulative effect of a change in accounting principle (Note 2)	$ 0.22	$ -
Net income	$ 3.22	$ 2.31
Pro Forma Amounts (assuming change in accounting principle was applied retrospectively) (Note 2):		
Pro forma net income	$ 667,069	$ 505,522
Pro forma basic earnings per share	$ 3.26	$ 2.55
Pro forma diluted earnings per share	$ 2.99	$ 2.33
Weighted-Average Shares Outstanding:		
Basic	204,837	198,442
Diluted	236,075	234,164

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

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	As of	
	September 30, 2005 (unaudited)	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	$ 189,206	$ 628,578
Trade and other receivables, net	74,813	84,899
Inventories	68,880	60,260
Prepaid expenses and other assets	118,202	86,869
Total current assets	451,101	860,606
Property and equipment — at cost less accumulated depreciation and amortization	10,222,247	10,193,443
Goodwill — less accumulated amortization of $138,606	278,561	278,561
Other assets	292,291	631,474
	$ 11,244,200	$ 11,964,084
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 559,285	$ 905,374
Accounts payable	155,187	162,973
Accrued expenses and other liabilities	344,850	330,073
Customer deposits	897,691	875,082
Total current liabilities	1,957,013	2,273,502
Long-term debt	3,594,102	4,826,570
Other long-term liabilities	121,946	59,492
Commitments and contingencies (Note 7)		
Shareholders' equity		
Common stock ($.01 par value; 500,000,000 shares authorized; 215,419,855 and 201,253,140 shares issued)	2,154	2,012
Paid-in capital	2,671,984	2,206,157
Retained earnings	3,167,534	2,533,265
Accumulated other comprehensive (loss) income	(12,714)	71,363
Treasury stock (6,133,306 and 596,556 common shares at cost)	(257,819)	(8,277)
Total shareholders' equity	5,571,139	4,804,520
	$ 11,244,200	$ 11,964,084

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

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Operating Activities		
Net income	$ 719,560	$ 500,476
Adjustments:		
Depreciation and amortization	300,757	293,528
Cumulative effect of a change in accounting principle	(52,491)	-
Gain on redemption of investment	(44,207)	-
Accretion of original issue discount on debt	37,284	39,235
Changes in operating assets and liabilities:		
Decrease (increase) in trade and other receivables, net	220	(5,058)
Increase in inventories	(8,620)	(6,622)
Increase in prepaid expenses and other assets	(21,530)	(23,052)
Decrease in accounts payable	(8,436)	(13,868)
Increase in accrued expenses and other liabilities	18,049	57,559
Increase in customer deposits	22,609	112,715
Other, net	20,644	5,871
Net cash provided by operating activities	983,839	960,784
Investing Activities		
Purchases of property and equipment	(320,646)	(513,626)
Purchases of short-term investments	(56,500)	(706,348)
Proceeds from sale of short-term investments	56,500	438,806
Proceeds from redemption of investment	348,070	-
Other, net	(4,313)	(9,047)
Net cash provided by (used in) investing activities	23,111	(790,215)
Financing Activities		
Repayments of debt, net	(1,257,245)	(242,721)
Net proceeds from issuance of debt	100,000	225,000
Dividends	(54,807)	(80,205)
Proceeds from exercise of common stock options	19,935	60,742
Purchases of treasury stock	(249,122)	-
Other, net	(5,083)	9,861
Net cash used in financing activities	(1,446,322)	(27,323)
Net (decrease) increase in cash and cash equivalents	(439,372)	143,246
Cash and cash equivalents at beginning of period	628,578	330,086
Cash and cash equivalents at end of period	$ 189,206	$ 473,332
Supplemental Disclosure		
Cash paid during the period for:		
Interest, net of amount capitalized	$ 180,756	$ 194,465

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

As used in this document, the terms "Royal Caribbean," "company," "we," "our" and "us" refer to Royal Caribbean Cruises Ltd., the term "Celebrity" refers to Celebrity Cruise Lines Inc. and the terms "Royal Caribbean International" and "Celebrity Cruises" refer to our two cruise brands. In accordance with cruise vacation industry practice, the term "berths" is determined based on double occupancy per cabin even though many cabins can accommodate three or more passengers.

Note 1. Basis for Preparation of Consolidated Financial Statements

We believe the accompanying unaudited consolidated financial statements contain all normal recurring accruals necessary for a fair presentation. Our revenues are seasonal and results for interim periods are not necessarily indicative of results for the entire year.

The interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2004.

Note 2. Summary of Significant Accounting Policies

Change in Accounting Principle Related to Drydocking Costs

In the third quarter of 2005, we changed our method of accounting for drydocking costs from the accrual in advance to the deferral method. Under the accrual in advance method, drydocking costs are accrued evenly over the period to the next scheduled drydock. Under the deferral method, drydocking costs are deferred and charged to expense on a straight-line basis over the period to the next scheduled drydock. The deferral method is preferable because it eliminates the judgment needed to estimate drydocking costs in advance. The cumulative effect of the change on prior years of $52.5 million or $0.22 per share on a diluted basis is included in net income for the nine months ended September 30, 2005. In addition, the change decreased other cruise operating expenses and increased income before cumulative effect of a change in accounting principle by $4.8 million or $0.02 per share on a diluted basis for the nine months ended September 30, 2005. The effect of the change on the quarter ended September 30, 2005 was to decrease other cruise operating expenses and to increase net income by $2.3 million or $0.01 per share on a diluted basis.

The effect of the change on the first and second quarters of 2005 was as follows (in thousands, except per share data):

	Quarter Ended March 31, 2005	Quarter Ended June 30, 2005
Net income as reported	$135,343	$154,494
Effect of change in accounting for drydocking costs	1,775	746
Income before cumulative effect of a change in accounting principle	137,118	155,240
Cumulative effect of a change in accounting principle	52,491	-
Net income as restated	$189,609	$155,240
Basic earnings per share:		
Net income as reported	$ 0.67	$ 0.76
Effect of change in accounting for drydocking costs	$ 0.01	$ 0.01
Income before cumulative effect of a change in accounting principle	$ 0.68	$ 0.76
Cumulative effect of a change in accounting principle	$ 0.26	$ -
Net income as restated	$ 0.94	$ 0.76
Diluted earnings per share:		
Net income as reported	$ 0.63	$ 0.71
Effect of change in accounting for drydocking costs	$ 0.01	$ 0.01
Income before cumulative effect of a change in accounting principle	$ 0.64	$ 0.72
Cumulative effect of a change in accounting principle	$ 0.22	$ -
Net income as restated	$ 0.86	$ 0.72

Stock-Based Employee Compensation

We use the intrinsic value method to account for stock-based employee compensation. The following table illustrates the effect on income before cumulative effect of a change in accounting principle, net income and earnings per share as if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," to such compensation (in thousands, except per share data):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Income before cumulative effect of a change in accounting principle	$374,711	$282,471	$667,069	$500,476
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards	(2,199)	(2,878)	(7,381)	(7,319)
Pro forma income before cumulative effect of a change in accounting principle	372,512	279,593	659,688	493,157
Add: Interest on dilutive convertible notes	12,188	13,774	39,832	40,686
Pro forma income before cumulative effect of a change in accounting principle for diluted earnings per share	$384,700	$293,367	$699,520	$533,843
Net income as reported	$374,711	$282,471	$719,560	$500,476
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards	(2,199)	(2,878)	(7,381)	(7,319)
Pro forma net income	372,512	279,593	712,179	493,157
Add: Interest on dilutive convertible notes	12,188	13,774	39,832	40,686
Pro forma net income for diluted earnings per share	$384,700	$293,367	$752,011	$533,843
Weighted-average common shares outstanding	209,811	199,107	204,837	198,442
Dilutive effect of stock options and restricted stock awards	2,394	3,621	2,586	3,851
Dilutive effect of convertible notes	23,694	31,463	28,399	31,476
Diluted weighted-average shares outstanding	235,899	234,191	235,822	233,769
Earnings per share before cumulative effect of a change in accounting principle:				
Basic — as reported	$ 1.79	$ 1.42	$ 3.26	$ 2.52
Basic — pro forma	$ 1.78	$ 1.40	$ 3.22	$ 2.49
Diluted — as reported	$ 1.64	$ 1.26	$ 2.99	$ 2.31
Diluted — pro forma	$ 1.63	$ 1.25	$ 2.97	$ 2.28
Earnings per share:				
Basic — as reported	$ 1.79	$ 1.42	$ 3.51	$ 2.52
Basic — pro forma	$ 1.78	$ 1.40	$ 3.48	$ 2.49
Diluted — as reported	$ 1.64	$ 1.26	$ 3.22	$ 2.31
Diluted — pro forma	$ 1.63	$ 1.25	$ 3.19	$ 2.28

Diluted earnings per share did not include options to purchase 1.4 million and 1.5 million shares for the third quarters of 2005 and 2004, respectively, and 1.4 million and 1.7 million shares for the first nine months of 2005 and 2004, respectively, because the effect of including them would have been antidilutive. Also, diluted earnings per share did not include 0.5 million shares we may receive in connection with an Accelerated Share Repurchase ("ASR") transaction because the effect of including them would have been antidilutive (see Note 6. Shareholders' Equity).

Accounting Pronouncements

In April 2005, the Securities and Exchange Commission issued a rule that amends the implementation dates for SFAS No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123R"). The new rule calls for the implementation of SFAS 123R at the beginning of the first quarter of 2006, instead of the third quarter of 2005. SFAS 123R is expected to reduce our results of operations by approximately $11.5 million for the year ended December 31, 2006.

Reclassifications

Reclassifications have been made to our Consolidated Statement of Cash Flows for the nine months ended September 30, 2004 to reflect the gross purchases and sales of variable rate debt obligations within our investing activities rather than as a component of cash and cash equivalents. As a result, we changed the amount of our previously reported net cash used in investing activities in our Consolidated Statement of Cash Flows for the nine months ended September 30, 2004 to $790.2 million from $522.7 million. Also, we changed the amount of our previously reported cash and cash equivalents for the same period to $473.3 million from $740.9 million. We did not hold any of these variable rate securities as of September 30, 2005 and December 31, 2004.

Note 3. Earnings Per Share

A reconciliation between basic and diluted earnings per share is as follows (in thousands, except per share data):

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Income before cumulative effect of a change in accounting principle	$374,711	$282,471	$667,069	$500,476
Cumulative effect of a change in accounting principle (Note 2)	-	-	52,491	-
Net income	374,711	282,471	719,560	500,476
Interest on dilutive convertible notes	12,188	13,774	39,832	40,686
Net income for diluted earnings per share	$386,899	$296,245	$759,392	$541,162
Weighted-average common shares outstanding	209,811	199,107	204,837	198,442
Dilutive effect of stock options and restricted stock awards	2,533	3,943	2,839	4,246
Dilutive effect of convertible notes	23,694	31,463	28,399	31,476
Diluted weighted-average shares outstanding	236,038	234,513	236,075	234,164
Basic earnings per share:				
Income before cumulative effect of a change in accounting principle	$ 1.79	$ 1.42	$ 3.26	$ 2.52
Cumulative effect of a change in accounting principle	$ -	$ -	$ 0.26	$ -
Net income	$ 1.79	$ 1.42	$ 3.51	$ 2.52
Diluted earnings per share:				
Income before cumulative effect of a change in accounting principle	$ 1.64	$ 1.26	$ 2.99	$ 2.31
Cumulative effect of a change in accounting principle	$ -	$ -	$ 0.22	$ -
Net income	$ 1.64	$ 1.26	$ 3.22	$ 2.31

Diluted earnings per share did not include options to purchase 1.4 million and 1.5 million shares for the third quarters of 2005 and 2004, respectively, and 1.4 million and 1.7 million shares for the first nine months of 2005 and 2004, respectively, because the effect of including them would have been antidilutive. Also, diluted earnings per share did not include 0.5 million shares we may receive in connection with an ASR transaction because the effect of including them would have been antidilutive (see Note 6. Shareholders' Equity).

Note 4. Other Assets

In July 2005, First Choice Holidays PLC ("First Choice") redeemed in full its 6.75% convertible preferred shares. We received $348.1 million in cash, resulting in a net gain of $44.2 million, primarily due to foreign exchange, which was recorded as a component of other income.

Note 5. Long-Term Debt

In May 2005, we amended our $1.0 billion unsecured revolving credit facility to extend its maturity date to March 27, 2010, and reduce the currently effective interest rate to LIBOR plus 1.0% and the commitment fee to 0.2% of the undrawn portion of the facility. The other terms of the facility were unchanged. In addition, in May 2005, we entered into a five-year, $100.0 million unsecured term loan facility, at a currently effective interest rate of LIBOR plus 0.8% which can be drawn at any time prior to December 31, 2005. We have not drawn on this facility as of September 30, 2005.

In July 2005, we entered into an additional five-year, $100.0 million unsecured term loan facility, at a currently effective interest rate of LIBOR plus 0.8% and we drew the full amount of this facility in September 2005.

In August 2005, we paid $335.8 million in connection with the exercise of purchase options on our capital lease obligations for *Legend of the Seas* and *Splendour of the Seas*.

During the nine months ended September 30, 2005, holders of our zero coupon convertible notes converted approximately $254.6 million of the accreted value of these notes into approximately 8.4 million shares of our common stock and cash for fractional shares. In August 2005, we redeemed $182.3 million of the accreted balance of outstanding LYONs due February 2, 2021. Most holders of the LYONs elected to convert into shares of our common stock, rather than redeem for cash, resulting in the issuance of approximately 4.5 million shares.

Note 6. Shareholders' Equity

On September 25, 2005, we announced that we and an investment bank had finalized a forward sale agreement relating to an ASR transaction. As part of the ASR transaction, we purchased 5.5 million shares of our common stock from the investment bank at an initial price of $45.40 per share. Total consideration paid to repurchase such shares, including commissions and other fees, was approximately $249.1 million and recorded in shareholders' equity as a component of treasury stock.

The forward sale contract is scheduled to mature in February 2006. During the term of the forward sale contract, the investment bank shall purchase shares of our common stock in the open market to settle its obligation related to the shares borrowed from third parties and sold to us. At the end of the contract term, we will receive additional shares of our common stock if the volume weighted-average price of our common stock is lower than $45.40 per share, up to a maximum of 0.5 million shares. Upon settlement of the contract, any incremental shares received will be recorded in shareholders' equity as a component of treasury stock.

We declared cash dividends on common shares of $0.13 per share during each of the first and second quarters in 2005 and 2004. Cash dividends of $0.15 per share and $0.13 per share were declared in the third quarters of 2005 and 2004, respectively.

Note 7. Commitments and Contingencies

Capital Expenditures. As of September 30, 2005, we had three Freedom-class ships designated for Royal Caribbean International and one new ship designated for Celebrity Cruises on order for an additional capacity of approximately 13,650 berths. The aggregate cost of the ships is approximately $3.2 billion, of which we have deposited $276.9 million as of September 30, 2005. Approximately 25% of the aggregate cost of the ships was exposed to fluctuations in the euro exchange rate at September 30, 2005. In addition, we have an option to purchase an additional ship for Celebrity Cruises, exercisable through March 15, 2006, subject to certain conditions.

As of September 30, 2005, we anticipated overall capital expenditures, including the four ships on order, will be approximately $0.5 billion for 2005, $1.1 billion for each of the years 2006 and 2007 and $1.6 billion for 2008.

Litigation. In April 2005, a purported class action lawsuit was filed in the United States District Court for the Southern District of Florida alleging that Celebrity Cruises improperly requires its cabin stewards to share guest gratuities with assistant cabin stewards. The suit seeks payment of damages, including penalty wages under 46 U.S.C. Section 10113 of U.S. law and interest. We are not able at this time to estimate the impact of this proceeding on us. However, we believe that we have meritorious defenses and we intend to vigorously defend against this action.

In May 2005, a purported class action lawsuit was filed in the United States District Court for the Southern District of Florida alleging that we improperly profit from shore excursions offered to our guests by third party shore excursion operators in violation of the Florida Deceptive and Unfair Trade Practices Act. The suit sought payment of damages, including the difference between what we collect from our guests for shore excursions and what we pay to the shore excursion operators. In September 2005, the Court granted our motion to dismiss the lawsuit.

We are routinely involved in other claims typical within the cruise vacation industry. The majority of these claims is covered by insurance. We believe the outcome of such claims, net of expected insurance recoveries, will not have a material adverse effect upon our financial condition, results of operations or liquidity.

Other. Under the *Brilliance of the Seas* operating lease, we have agreed to indemnify the lessor to the extent its after-tax return is negatively impacted by unfavorable changes in corporate tax rates and capital allowance deductions. These indemnifications could result in an increase in our lease payments. We are unable to estimate the maximum potential increase in such lease payments due to the various circumstances, timing or combination of events that could trigger such indemnifications. Under current circumstances we do not believe an indemnification is probable.

Some of the contracts that we enter into include indemnification provisions that obligate us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes, increased lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and are 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 payments under such indemnification clauses in the past and, under current circumstances, we do not believe an indemnification in any material amount is probable.

If A.Wilhelmsen AS. and Cruise Associates, our two principal shareholders, cease to own a specified percentage of our common stock, we may be obligated to prepay indebtedness outstanding under the majority of our credit facilities, which we may be unable to replace on similar terms. If this were to occur, it could have an adverse impact on our liquidity and operations.

Note 8. Comprehensive Income

Comprehensive income includes net income and changes in the fair value of derivative instruments that qualify as cash flow hedges. The cumulative changes in fair value of the derivatives are deferred and recorded as a component of accumulated other comprehensive (loss) income until the hedged transactions are realized and recognized in earnings. Comprehensive income was as follows (in thousands):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net income	$374,711	$282,471	$719,560	$500,476
Changes related to cash flow derivative hedges	(8,156)	26,744	(84,077)	27,265
Total comprehensive income	$366,555	$309,215	$635,483	$527,741

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

Certain statements under this caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. Words such as "expect," "anticipate," "goal," "project," "plan," "believe," "seek" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements do not guarantee future performance and may involve risks, uncertainties and other factors which could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to:

- general economic and business conditions,
- vacation industry competition, including cruise vacation industry competition,
- changes in vacation industry capacity, including over capacity in the cruise vacation industry,
- the impact of tax laws and regulations affecting our business or our principal shareholders,
- the impact of changes in other laws and regulations affecting our business,
- the impact of pending or threatened litigation,
- the delivery of scheduled new ships,
- emergency ship repairs,
- negative incidents involving cruise ships including those involving the health and safety of passengers,
- reduced consumer demand for cruises as a result of any number of reasons, including geo-political and economic uncertainties, the unavailability of air service, armed conflict, terrorist attacks and the resulting concerns over safety and security aspects of traveling,
- the impact of the spread of contagious diseases,
- our ability to obtain financing on terms that are favorable or consistent with our expectations,
- changes in our stock price or principal shareholders,
- the impact of changes in operating and financing costs, including changes in foreign currency, interest rates, fuel, food, payroll, insurance and security costs,
- the implementation of regulations in the United States requiring United States citizens to obtain passports for travel to additional foreign destinations, and
- weather.

The above examples are not exhaustive and new risks emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This report should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2004.

Terminology and Non-GAAP Financial Measures

Available Passenger Cruise Days ("APCD") are our measurement of capacity and represent double occupancy per cabin multiplied by the number of cruise days for the period.

Gross Cruise Costs represent the sum of total cruise operating expenses plus marketing, selling and administrative expenses.

Gross Yields represent total revenues per APCD.

Net Cruise Costs represent Gross Cruise Costs excluding commissions, transportation and other expenses and onboard and other expenses (each of which is described below under the Overview heading). In measuring our ability to control costs in a manner that positively impacts net income, we believe changes in Net Cruise Costs to be the most relevant indicator of our performance. A reconciliation of historical Gross Cruise Costs to Net Cruise Costs is provided below under *Summary of Historical Results of Operations*. We have not provided a quantitative reconciliation of projected Gross Cruise Costs to projected Net Cruise Costs due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.

Net Yields represent Gross Yields less commissions, transportation and other expenses and onboard and other expenses (each of which is described below under the Overview heading) per APCD. We utilize Net Yields to manage our business on a day-to-day basis and believe that it is the most relevant measure of our pricing performance because it reflects the cruise revenues earned by us net of our most significant variable costs. A reconciliation of historical Gross Yields to Net Yields is provided below under *Summary of Historical Results of Operations*. We have not provided a quantitative reconciliation of projected Gross Yields to projected Net Yields due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.

Occupancy, in accordance with cruise vacation industry practice, is calculated by dividing Passenger Cruise Days by APCD. A percentage in excess of 100% indicates that three or more passengers occupied some cabins.

Passenger Cruise Days represent the number of passengers carried for the period multiplied by the number of days of their respective cruises.

Overview

Our revenues consist of the following:

Passenger ticket revenues consist of revenue recognized from the sale of passenger tickets and the sale of air transportation to our ships.

Onboard and other revenues consist primarily of revenues from the sale of goods and/or services onboard our ships, cancellation fees, sales of vacation protection insurance and pre and post tours. Also included are revenues we receive from independent third party concessionaires that pay us a percentage of their revenues in exchange for the right to provide selected goods and/or services onboard our ships.

Our cruise operating expenses consist of the following:

Commissions, transportation and other expenses consist of those costs directly associated with passenger ticket revenues, including travel agent commissions, air and other transportation expenses, port costs that vary with passenger head counts and related credit card fees.

Onboard and other expenses consist of the direct costs associated with onboard and other revenues. These costs include the cost of products sold onboard our ships, vacation protection insurance premiums, costs associated with pre and post tours and related credit card fees. Concession revenues have minimal costs associated with them, as the costs related to these activities are incurred by the concessionaires.

Payroll and related expenses consist of costs for shipboard personnel.

Food expenses include food costs for both passengers and crew.

Other operating expenses consist of operating costs such as fuel, repairs and maintenance, port costs that do not vary with passenger head counts, insurance, entertainment and all other operating costs.

We do not allocate payroll and related costs, food costs or other operating costs to the expense categories attributable to passenger ticket revenues or onboard and other revenues since they are incurred to provide the total cruise vacation experience.

Summary of Historical Results of Operations

For the third quarter of 2005, net income was $374.7 million or $1.64 per share on a diluted basis compared to $282.5 million or $1.26 per share for the same period in 2004. Total revenues for the third quarter of 2005 increased 8.4% to $1.5 billion from total revenues of $1.4 billion for the same period in 2004. The increase in total revenues was a result of increases in cruise ticket prices, a 1.9% increase in capacity along with increases in onboard revenues. During the third quarter of 2005, Net Yields increased 6.9% and Net Cruise Costs per APCD increased 6.4% compared to the same period in 2004. Gross Cruise Costs increased 7.8% in the third quarter of 2005 compared to the same period in 2004 primarily as a result of higher fuel prices, the increase in capacity mentioned above and commission expense associated with higher cruise ticket prices.

For the first nine months of 2005, net income was $719.6 million or $3.22 per share on a diluted basis compared to $500.5 million or $2.31 per share for the same period in 2004. Total revenues for the first nine months of 2005 increased 7.9% to $3.9 billion from total revenues of $3.6 billion for the same period in 2004. The increase in total revenues was a result of increases in cruise ticket prices, a 1.6% increase in capacity along with increases in onboard revenues. During the first nine months of 2005, Net Yields increased 7.1% and Net Cruise Costs per APCD increased 5.9% compared to the same period in 2004. Gross Cruise Costs increased 6.7% in the first nine months of 2005 compared to the same period in 2004 primarily due to the same reasons discussed above for the third quarter of 2005.

In the third quarter of 2005, we changed our method of accounting for drydocking costs from the accrual in advance to the deferral method (see Note 2. Summary of Significant Accounting Policies). The change resulted in a one-time gain of $52.5 million, or $0.22 per share on a diluted basis, to recognize the cumulative effect of the change on prior years. Other than this one-time gain, which we reflected as part of our results for the first quarter of 2005, the change did not have a material impact on our statement of operations or balance sheet.

Our revenues are seasonal based on the demand for cruises. Demand is strongest for cruises during the summer months.

The following table presents historical operating data as a percentage of total revenues:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Passenger ticket revenues	73.9	73.7	74.1	74.0
Onboard and other revenues	26.1	26.3	25.9	26.0
Total revenues	100.0%	100.0%	100.0%	100.0%
Cruise operating expenses				
Commissions, transportation and other	16.9	17.0	17.5	18.0
Onboard and other	7.5	7.8	6.6	6.8
Payroll and related	8.6	8.9	9.9	10.2
Food	4.7	5.1	5.3	5.6
Other operating	18.5	18.0	19.8	19.3
Total cruise operating expenses	56.2	56.8	59.1	59.9
Marketing, selling and administrative expenses	10.4	10.2	12.0	12.1
Depreciation and amortization expenses	6.7	7.1	7.8	8.2
Operating income	26.7	25.9	21.1	19.8
Other income (expense)	(1.8)	(5.5)	(3.9)	(5.9)
Income before cumulative effect of a change in accounting principle	24.9	20.4	17.2	13.9
Cumulative effect of a change in accounting principle	-	-	1.4	-
Net income	24.9%	20.4%	18.6%	13.9%

Unaudited selected historical statistical information is shown in the following table:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Passengers Carried	910,635	904,110	2,609,991	2,588,835
Passenger Cruise Days	6,109,222	5,975,395	17,546,794	17,126,559
APCD	5,588,596	5,483,030	16,347,308	16,084,892
Occupancy	109.3%	109.0%	107.3%	106.5%

Gross Yields and Net Yields were calculated as follows (in thousands, except APCD and Yields):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Passenger ticket revenues	$1,110,394	$1,021,148	$2,871,018	$2,655,795
Onboard and other revenues	391,821	364,959	1,002,516	934,995
Total revenues	1,502,215	1,386,107	3,873,534	3,590,790
Less:				
Commissions, transportation and other	253,496	235,153	679,167	645,609
Onboard and other	113,230	108,745	254,373	243,922
Net revenues	$1,135,489	$1,042,209	$2,939,994	$2,701,259
APCD	5,588,596	5,483,030	16,347,308	16,084,892
Gross Yields	$ 268.80	$ 252.80	$ 236.95	$ 223.24
Net Yields	$ 203.18	$ 190.08	$ 179.85	$ 167.94

Gross Cruise Costs and Net Cruise Costs were calculated as follows (in thousands, except APCD and costs per APCD):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Total cruise operating expenses	$ 844,632	$787,403	$2,290,409	$2,149,233
Marketing, selling and administrative expenses	156,107	141,035	466,599	434,594
Gross Cruise Costs	1,000,739	928,438	2,757,008	2,583,827
Less:				
Commissions, transportation and other	253,496	235,153	679,167	645,609
Onboard and other	113,230	108,745	254,373	243,922
Net Cruise Costs	$ 634,013	$584,540	$1,823,468	$1,694,296
APCD	5,588,596	5,483,030	16,347,308	16,084,892
Gross Cruise Costs per APCD	$ 179.07	$ 169.33	$ 168.65	$ 160.64
Net Cruise Costs per APCD	$ 113.45	$ 106.61	$ 111.55	$ 105.33

Outlook

We currently expect that Net Yields for the fourth quarter of 2005 will increase by approximately 5% compared to the same period last year. For the full year 2005, we expect Net Yields to increase approximately 6.5% versus the prior year.

At-the-pump fuel prices for the third quarter of 2005 were 47% higher than the third quarter of 2004. However, since then and through the date of our announcement on October 26, 2005 of our quarterly results, fuel prices rose 17% and were approximately 54% higher than the average price for the fourth quarter of 2004. If fuel prices for the rest of the year remain at this level, we estimate that our fourth quarter 2005 fuel costs (net of hedging and fuel saving initiatives) will increase approximately $24 million and negatively impact earnings per share by $0.10. Based on this fuel assumption, we estimate that Net Cruise Costs per APCD for 2005 will increase in the range of 7% to 8% as compared to the prior year. Higher fuel costs account for approximately 5.0 to 5.5 percentage points of this increase.

Based on the above, we estimate that Net Cruise Costs per APCD for the fourth quarter of 2005 will increase in the range of 11% to 12%, compared to the same quarter in 2004. Higher fuel costs account for approximately 8.0 to 8.5 percentage points of this increase.

Based upon these expectations and the above assumption relating to fuel prices, we expect full year 2005 earnings per share, before the cumulative effect of the change in accounting principle, to be approximately $2.75.

Also, on October 26, 2005, we announced that advance bookings for 2006 continue to show evidence of a continued healthy demand environment for both Royal Caribbean International and Celebrity Cruises. Load factors for 2006 are in-line with levels achieved at the same time last year, but pricing continues to be higher than the previous year. In addition, our onboard revenue initiatives are working well. While it is still too early to quantify projections for 2006, we are optimistic that the current demand environment will result in positive yield improvements.

Fuel prices for 2006, however, remain a concern. As previously announced, if 2006 at-the-pump fuel prices remain at levels mentioned above, we estimate that our 2006 fuel costs will increase approximately $140 million and negatively impact earnings per share by $0.60.

Quarter Ended September 30, 2005 Compared to Quarter Ended September 30, 2004

Revenues

Net revenues increased 9.0% in 2005 compared to 2004 due to a 6.9% increase in Net Yields and a 1.9% increase in capacity. The increase in Net Yields was primarily due to higher cruise ticket prices and amounts spent per passenger onboard. Capacity in 2004 was lower than in 2005 primarily due to the cancellation of certain sailings in 2004 as a result of hurricanes and unscheduled drydocks. Gross Yields increased 6.3% in 2005 compared to 2004 primarily due to the same reasons discussed above for Net Yields.

Onboard and other revenues included concession revenues of $57.9 million and $52.2 million in 2005 and 2004, respectively. The increase in concession revenues was primarily due to higher amounts spent per passenger onboard and the increase in capacity mentioned above.

Expenses

Net Cruise Costs increased 8.5% in 2005 compared to 2004 due to a 6.4% increase in Net Cruise Costs per APCD as well as a 1.9% increase in capacity, as mentioned above. Approximately 5.5 percentage points of the increase in Net Cruise Costs per APCD was attributed to increases in fuel prices. Total fuel costs (net of the financial impact of fuel swap agreements) for the third quarter of 2005 increased 54% per metric ton from the same period in 2004. As a percentage of total revenues, fuel costs were 6.6% and 4.7% in 2005 and 2004, respectively. The remaining 0.9 percentage points of the increase in Net Cruise Costs per APCD were primarily attributed to increases in payroll costs (primarily associated with crew benefits) and marketing activities. In addition, the third quarter of 2004 reflected higher costs associated with the cancellation of certain sailings due to hurricanes. Gross Cruise Costs increased 7.8% in 2005 compared to 2004, which was a lower percentage increase than Net Cruise Costs primarily due to a lower proportion of passengers who purchased air transportation from us in the third quarter of 2005.

Depreciation and amortization expenses increased 1.7% in 2005 compared to 2004. The increase was primarily due to depreciation associated with the lengthening of *Enchantment of the Seas* and ship revitalizations in 2005.

Other Income (Expense)

In July 2005, First Choice redeemed in full its 6.75% convertible preferred shares. We received $348.1 million in cash, resulting in a net gain of $44.2 million, primarily due to foreign exchange.

Gross interest expense decreased to $69.8 million in 2005 from $79.8 million in 2004. The decrease was primarily attributable to a lower average debt level, partially offset by higher interest rates. Interest capitalized increased to $4.5 million in 2005 from $1.3 million in 2004 primarily due to a higher average level of investment in ships under construction.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Revenues

Net revenues increased 8.8% in 2005 compared to 2004 due to a 7.1% increase in Net Yields and a 1.6% increase in capacity. The increase in Net Yields was primarily due to higher cruise ticket prices and amounts spent per passenger onboard. The increase in capacity was primarily attributed to the addition of *Jewel of the Seas* in April 2004, partially offset by *Enchantment of the Seas*, which was out of service for 53 days due to its lengthening. In addition, capacity in 2004 was negatively impacted by the cancellation of certain sailings primarily due to hurricanes and unscheduled drydocks. Gross Yields increased 6.1% in 2005 compared to 2004 primarily due to the same reasons discussed above for Net Yields.

Onboard and other revenues included concession revenues of $161.9 million and $147.9 million in 2005 and 2004, respectively. The increase in concession revenues was primarily due to higher amounts spent per passenger onboard and the increase in capacity mentioned above.

Expenses

Net Cruise Costs increased 7.6% in 2005 compared to 2004 due to a 5.9% increase in Net Cruise Costs per APCD as well as a 1.6% increase in capacity, as mentioned above. Approximately 4.1 percentage points of the increase in Net Cruise Costs per APCD was attributed to increases in fuel prices. Total fuel costs (net of the financial impact of fuel swap agreements) for the first nine months of 2005 increased 40% per metric ton from the same period in 2004. As a percentage of total revenues, fuel costs were 6.6% and 5.1% in 2005 and 2004, respectively. The remaining 1.8 percentage points of the increase in Net Cruise Costs per APCD was primarily attributed to increases in payroll costs associated with benefits. Gross Cruise Costs increased 6.7% in 2005 compared to 2004, which was a lower percentage increase than Net Cruise Costs primarily due to a lower proportion of passengers who purchased air transportation from us in 2005.

Depreciation and amortization expenses increased 2.5% in 2005 compared to 2004. The increase was primarily due to incremental depreciation associated with the addition of a ship in April 2004 as well as depreciation associated with ship revitalizations and the lengthening of *Enchantment of the Seas*.

Other Income (Expense)

In July 2005, First Choice redeemed in full its 6.75% convertible preferred shares. We received $348.1 million in cash, resulting in a net gain of $44.2 million, primarily due to foreign exchange.

Gross interest expense decreased to $221.1 million in 2005 from $236.1 million in 2004. The decrease was primarily attributable to a lower average debt level, partially offset by higher interest rates. Interest capitalized increased to $11.8 million in 2005 from $4.7 million in 2004 primarily due to a higher average level of investment in ships under construction.

Cumulative Effect of a Change in Accounting Principle

In the third quarter of 2005, we changed our method of accounting for drydocking costs from the accrual in advance to the deferral method (see Note 2. Summary of Significant Accounting Policies). The change resulted in a one-time gain of $52.5 million, or $0.22 per share on a diluted basis, to recognize the cumulative effect of the change on prior years, which we reflected as part of our results for the first quarter of 2005.

Liquidity and Capital Resources

Sources and Uses of Cash

Net cash provided by operating activities was $983.8 million for the first nine months of 2005 compared to $960.8 million for the same period in 2004. The increase was primarily due to an increase in net income, partially offset by a lower rate of increase in customer deposits relative to 2004.

Our capital expenditures were $320.6 million for the first nine months of 2005 compared to $513.6 million for the same period in 2004. Capital expenditures for the first nine months of 2005 were primarily related to ships under construction and the lengthening of *Enchantment of the Seas*. Capital expenditures for the first nine months of 2004 were primarily related to delivery of *Jewel of the Seas*.

Interest capitalized during the first nine months of 2005 increased to $11.8 million from $4.7 million for the same period in 2004 due to a higher average level of investment in ships under construction.

In July 2005, First Choice redeemed in full its 6.75% convertible preferred shares. We received $348.1 million in cash, resulting in a net gain of $44.2 million, primarily due to foreign exchange.

During the first nine months of 2005, we drew the full amount of a five-year, $100.0 million unsecured term loan facility and made payments on various loan facilities and capital leases of approximately $921.4 million. In addition, we paid $335.8 million in connection with the exercise of purchase options on our capital lease obligations for *Legend of the Seas* and *Splendour of the Seas*.

On September 25, 2005, we announced that we and an investment bank had finalized a forward sale agreement relating to an ASR transaction. As part of the ASR transaction, we purchased 5.5 million shares of our common stock from the investment bank at an initial price of $45.40 per share. Total consideration paid to repurchase such shares, including commissions and other fees, was approximately $249.1 million (see Note 6. Shareholders' Equity). During the first nine months of 2005, we received $19.9 million in connection with the exercise of common stock options and we paid quarterly cash dividends on our common stock of $54.8 million.

Future Capital Commitments

We have three Freedom-class ships designated for Royal Caribbean International and one new ship designated for Celebrity Cruises on order for an additional capacity of approximately 13,650 berths. The three Freedom-class ships are scheduled for deliveries in the second quarters of 2006, 2007 and 2008. The new ship designated for Celebrity Cruises is scheduled for delivery in the fourth quarter of 2008. The aggregate cost of the ships is approximately $3.2 billion, of which we have deposited $276.9 million as of September 30, 2005. Approximately 25% of the aggregate cost of the ships was exposed to fluctuations in the euro exchange rate at September 30, 2005. In addition, we have an option to purchase an additional ship for Celebrity Cruises, exercisable through March 15, 2006, subject to certain conditions.

As of September 30, 2005, we anticipated overall capital expenditures, including the four ships on order, will be approximately $0.5 billion for 2005, $1.1 billion for each of the years 2006 and 2007 and $1.6 billion for 2008.

Contractual Obligations

As of September 30, 2005, our contractual obligations were as follows (in thousands):

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations(1)(2)	$4,149,976	$555,874	$768,128	$912,058	$1,913,916
Capital lease obligations (3)	49,128	5,957	6,272	5,767	31,132
Operating lease obligations(4)(5)	537,429	47,925	91,555	85,712	312,237
Ship purchase obligations(6)	2,603,637	690,686	1,388,918	524,033	-
Other(7)	236,476	54,595	82,311	81,625	17,945
Total	$7,576,646	$1,355,037	$2,337,184	$1,609,195	$2,275,230

(1) Amounts exclude interest, except for the accreted value of our zero coupon convertible notes and Liquid Yield Option™ Notes.

(2) The $166.5 million accreted value of the zero coupon convertible notes at September 30, 2005 is included in the three to five years category. The $525.5 million accreted value of the Liquid Yield Option™ Notes at September 30, 2005 is included in the more than five years category. The holders of our zero coupon convertible notes and our Liquid Yield Option™ Notes may require us to purchase any notes outstanding at an accreted value of $197.4 million on May 18, 2009 and $679.5 million on February 2, 2011, respectively. These accreted values were calculated based on the number of notes outstanding at September 30, 2005. We may choose to pay any amounts in cash or common stock or a combination thereof (see Note 5. Long-Term Debt).

(3) Amounts exclude interest. Amounts include a capital lease for a reservation call center in Springfield, Oregon, entered into in January 2005. The lease commences on December 23, 2005.

(4) We are obligated under noncancelable operating leases primarily for a ship, offices, warehouses, computer equipment and motor vehicles.

(5) Under the *Brilliance of the Seas* lease agreement, we may be required to make a termination payment of approximately £126 million, or approximately $223 million based on the exchange rate at September 30, 2005, if the lease is canceled in 2012. This amount is included in the more than five years category.

(6) Amounts represent contractual obligations with initial terms in excess of one year.

(7) Amounts represent future commitments with remaining terms in excess of one year to pay for our usage of certain port facilities, marine consumables, services and maintenance contracts.

Other

As of September 30, 2005, we had $4.2 billion of long-term debt of which $0.6 billion is due during the twelve-month period ending September 30, 2006.

Under the *Brilliance of the Seas* operating lease, we have agreed to indemnify the lessor to the extent its after-tax return is negatively impacted by unfavorable changes in corporate tax rates and capital allowance deductions. These indemnifications could result in an increase in our lease payments. We are unable to estimate the maximum potential increase in such lease payments due to the various circumstances, timing or combination of events that could trigger such indemnifications. Under current circumstances we do not believe an indemnification is probable.

Some of the contracts that we enter into include indemnification provisions that obligate us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes, increased lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and are 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 payments under such indemnification clauses in the past and, under current circumstances, we do not believe an indemnification in any material amount is probable.

As a normal part of our business, depending on market conditions, pricing and our overall growth strategy, we continuously consider opportunities to enter into contracts for the building of additional ships. We may also consider the sale of ships. We continuously consider potential acquisitions and strategic alliances. If any of these were to occur, they would be financed through the incurrence of additional indebtedness, the issuance of additional shares of equity securities or through cash flows from operations.

Funding Sources

As of September 30, 2005, our liquidity was $1.3 billion consisting of approximately $0.2 billion in cash and cash equivalents, $0.1 billion under our unsecured term loan facility and $1.0 billion available under our unsecured revolving credit facility. Capital expenditures and scheduled debt payments will be funded through a combination of cash flows from operations, drawdowns under our available credit facilities, the incurrence of additional indebtedness and the sales of equity or debt securities in private or public securities markets. There can be no assurances that cash flows from operations and additional financing from external sources will be available in accordance with our expectations.

Our financing agreements contain covenants that require us, among other things, to maintain minimum net worth, and fixed charge coverage ratio and limit our debt to capital ratio. We were in compliance with all covenants as of September 30, 2005.

If A. Wilhelmsen AS. and Cruise Associates, our two principal shareholders, cease to own a specified percentage of our common stock, we may be obligated to prepay indebtedness outstanding under the majority of our credit facilities, which we may be unable to replace on similar terms. If this were to occur, it could have an adverse impact on our liquidity and operations.

We believe our existing credit facilities, cash flows from operations, our ability to obtain new borrowings and/or raise new capital or a combination of these sources will be sufficient to fund operations, debt payment requirements and capital expenditures over the next twelve-month period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of certain market risks related to our business, see Part II, Item 7A. *Quantitative and Qualitative Disclosures About Market Risk* in our annual report on Form 10-K for the year ended December 31, 2004. There have been no significant developments or material changes with respect to our exposure to the market risks previously reported in Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report and concluded that those controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2005 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

In April 2005, a purported class action lawsuit was filed in the United States District Court for the Southern District of Florida alleging that Celebrity Cruises improperly requires its cabin stewards to share guest gratuities with assistant cabin stewards. The suit seeks payment of damages, including penalty wages under 46 U.S.C. Section 10113 of U.S. law and interest. We are not able at this time to estimate the impact of this proceeding on us. However, we believe that we have meritorious defenses and we intend to vigorously defend against this action.

In May 2005, a purported class action lawsuit was filed in the United States District Court for the Southern District of Florida alleging that we improperly profit from shore excursions offered to our guests by third party shore excursion operators in violation of the Florida Deceptive and Unfair Trade Practices Act. The suit sought payment of damages, including the difference between what we collect from our guests for shore excursions and what we pay to the shore excursion operators. In September 2005, the Court granted our motion to dismiss the lawsuit.

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

The following table provides information about repurchases of common stock during the quarter ended September 30, 2005:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 to July 31	-	-	-	-
August 1 to August 31	-	-	-	-
September 1 to September 30	5,506,492	$45.40	5,506,492	510,912

(a) Shares purchased in accordance with our ASR transaction (see Note 6. Shareholders' Equity).

Item 6. Exhibits

18 Letter regarding change in accounting principle.

31 Certifications required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934.

32 Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROYAL CARIBBEAN CRUISES LTD.
(Registrant)

/s/ LUIS E. LEON
Luis E. Leon
Executive Vice President and
Chief Financial Officer

Date: November 3, 2005