

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

CARNIVAL CORP

CIK: **815097** | IRS No.: **591562976** | State of Incorporation: **DE** | Fiscal Year End: **1130**
Type: **8-K** | Act: **34** | File No.: **001-09610** | Film No.: **10909250**
SIC: **4400** Water transportation

Mailing Address
3655 N W 87TH AVE
PO BOX 1347
MIAMI FL 33178

Business Address
3655 N W 87TH AVE
PO BOX 1347
MIAMI FL 33178-2428
3055992600

CARNIVAL PLC

CIK: **1125259** | IRS No.: **000000000** | Fiscal Year End: **1130**
Type: **8-K** | Act: **34** | File No.: **001-15136** | Film No.: **10909251**
SIC: **4400** Water transportation

Mailing Address
77 NEW OXFORD ST
LONDON X0 00000

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5 GAINSFORD ST
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00000
011 44 20 7940 5381

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) June 22, 2010



Carnival Corporation

(Exact name of registrant
as specified in its charter)

Republic of Panama
(State or other jurisdiction
of incorporation)

1-9610
(Commission File Number)

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

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

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

None
(Former name or former address,

Carnival plc

(Exact name of registrant
as specified in its charter)

England and Wales
(State or other jurisdiction
of incorporation)

1-15136
(Commission File Number)

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

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

011 44 20 7940 5381
(Registrant's telephone number,
including area code)

None
(Former name or former address,

if changed since last report.)

if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Section 2 - Financial Information

Item 2.02 Results of Operations and Financial Condition.

On June 22, 2010, Carnival Corporation & plc issued a press release entitled “Carnival Corporation & plc Reports Second Quarter Earnings.” A copy of this press release is furnished as Exhibit 99.1 to this report. This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of either Carnival Corporation or Carnival plc, whether made before or after the date of this report, regardless of any general incorporation language in the filing.

Section 8 - Other Events

Item 8.01 Other Events.

In connection with the previously announced sales of up to 25 million ordinary shares of Carnival plc, Carnival Corporation & plc is filing certain “Additional Information” as Exhibit 99.2 to this report. This information shall be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is incorporated by reference into any filing of either Carnival Corporation or Carnival plc, whether made before or after the date of this report.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 Press release, dated June 22, 2010 (furnished pursuant to Item 2.02).

Exhibit 99.2 Additional Information, dated June 22, 2010 (filed pursuant to Item 8.01).

SIGNATURES

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

CARNIVAL CORPORATION

By: /s/ Larry Freedman
Name: Larry Freedman
Title: Chief Accounting
Officer and Vice President-Controller

Date: June 22, 2010

CARNIVAL PLC

By: /s/ Larry Freedman
Name: Larry Freedman
Title: Chief Accounting
Officer and Vice President-Controller

Date: June 22, 2010

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release, dated June 22, 2010 (furnished pursuant to Item 2.02)
99.2	Additional Information, dated June 22, 2010 (filed pursuant to Item 8.01)

CARNIVAL CORPORATION & PLC REPORTS**SECOND QUARTER EARNINGS**

MIAMI (June 22, 2010) - Carnival Corporation & plc (NYSE/LSE: CCL; NYSE: CUK) reported net income of \$252 million, or \$0.32 diluted EPS, on revenues of \$3.2 billion for its second quarter ended May 31, 2010. Net income for the second quarter of 2009 was \$264 million, or \$0.33 diluted EPS, on revenues of \$2.9 billion.

Carnival Corporation & plc Chairman and CEO Micky Arison indicated that operating results for the second quarter 2010 exceeded the company's March guidance as a result of better than expected net revenue yields and cost reductions.

Commenting on the second quarter, Arison said, "We were encouraged to see revenue yields turn positive for the first time since late 2008. Improving revenue yields combined with an 8 percent capacity increase and ongoing cost control efforts offset significantly higher fuel prices." Increased fuel prices negatively impacted earnings by \$0.20 per share during the quarter.

Key metrics for the second quarter of 2010 compared to the prior year were as follows:

On a constant dollar basis net revenue yields (net revenue per available lower berth day) increased 2.0 percent for 2Q 2010, which was at the higher end of the company's March guidance, up 1 to 2 percent. Net revenue yields in current dollars increased 2.4 percent due to favorable currency exchange rates. Gross revenue yields increased only 0.4 percent in current dollars driven by lower air transportation revenue.

Excluding fuel, net cruise cost per available lower berth day ("ALBD") declined 4.9 percent in constant dollars, which was better than March guidance, down 3.5 to 4.5 percent.

Including fuel, net cruise costs per ALBD increased 4.2 percent on a constant dollar basis (increased 4.9 percent in current dollars). Gross cruise costs per ALBD increased 1.6 percent in current dollars.

Fuel prices increased 64 percent to \$498 per metric ton for 2Q 2010 from \$304 per metric ton in 2Q 2009 but was lower than March guidance of \$511 per metric ton.

Continuing with its strategic growth initiatives, the company took delivery of two new ships during the second quarter—P&O Cruises' 3,100-passenger Azura and The Yachts of Seabourn' s 450-passenger Seabourn Sojourn. In addition, contracts were finalized with Fincantieri for the construction of two Princess Cruises' 3,600-passenger ships for delivery in May 2013 and 2014.

2010 Outlook

Since March, booking volumes for the second half of the year have been running slightly ahead of the prior year at higher prices. At this time, cumulative advance bookings for both quarters are at higher prices (constant dollars) with occupancies for the third quarter in line with the prior year and for the fourth quarter slightly behind last year.

Arison noted, "Considering recent global economic concerns and other world events our advance bookings are holding up reasonably well and remain in line with our expectations. We believe this will lead to earnings growth in both the third and fourth quarters. The summer season, which is our strongest and most important quarter of the year, is shaping up particularly well."

The company continues to expect full year net revenue yields, on a constant dollar basis, to increase 2 to 3 percent, in line with its March guidance. However, currency exchange rates have moved significantly since March guidance was provided. As a result, the company now expects net revenue yields on a current dollar basis to be approximately flat for the full year 2010 compared to 2009.

The company expects net cruise costs excluding fuel per ALBD for the full year 2010 to be down 2.5 to 3.5 percent on a constant dollar basis which is slightly better than its March guidance. Since March guidance, unfavorable changes in currency exchange rates have reduced earnings by \$97 million. This has essentially been offset by a \$41 million benefit from a decline in the spot price for fuel and lower forecasted costs for the remainder of the year.

Consequently, the company continues to forecast full year 2010 fully diluted earnings per share to be in the range of \$2.25 to \$2.35, compared to 2009 earnings of \$2.24 per share. Based on the current spot price for fuel, fuel costs for all of 2010 are expected to increase \$440 million compared to 2009, costing an additional \$0.55 per share.

Third Quarter 2010

Third quarter constant dollar net revenue yields are expected to increase 5 to 6 percent (flat to up 1 percent on a current dollar basis) compared to the prior year. Net cruise costs excluding fuel per ALBD for the third quarter are expected to be 1 to 2 percent higher on a constant dollar basis (down 2 to 3 percent on a current dollar basis). Fuel costs for the third quarter are expected to increase \$74 million compared to the prior year, costing an additional \$0.09 per share.

Based on the above factors and using current fuel prices and currency exchange rates, the company expects earnings for the third quarter of 2010 to be in the range of \$1.43 to \$1.47 per share, compared to \$1.33 per share in 2009.

During the second half of the year two new ships will debut in Europe- Holland America Line' s 2,106-passenger Nieuw Amsterdam, and Cunard Line' s 2,092-passenger Queen Elizabeth- furthering the company' s strategy to expand its global presence. These vessels will be the fifth and sixth ships the company will introduce in 2010.

Selected Key Forecast Metrics

	<u>Full Year 2010</u>		<u>Third Quarter 2010</u>	
	<u>Current</u>	<u>Constant</u>	<u>Current</u>	<u>Constant</u>
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Change in:				
Net revenue yields	(0.5) to 0.5 %	2.0 to 3.0 %	0.0 to 1.0 %	5.0 to 6.0%
Net cruise cost / ALBD	1.0 to 2.0 %	2.5 to 3.5 %	1.0 to 2.0 %	4.5 to 5.5%
Net cruise cost excl. fuel / ALBD	(4.0) to (5.0)%	(2.5) to (3.5)%	(2.0) to (3.0)%	1.0 to 2.0%

	<u>Full Year 2010</u>	<u>Third Quarter 2010</u>
Fuel price/metric ton	\$495	\$ 493
Fuel consumption (metric tons in thousands)	3,344	843
Currency		
Euro	\$1.29 to 1	\$ 1.24 to 1
Sterling	\$1.51 to £1	\$ 1.48 to £1

The company has scheduled a conference call with analysts at 10:00 a.m. EDT (3:00 p.m. BST) today to discuss its 2010 second quarter earnings. This call can be listened to live, and additional information can be obtained, via Carnival Corporation & plc' s Web site at www.carnivalcorp.com and www.carnivalplc.com.

Carnival Corporation & plc is the largest cruise vacation group in the world, with a portfolio of cruise brands in North America, Europe and Australia, comprised of Carnival Cruise Lines, Holland America Line, Princess Cruises, The Yachts of Seabourn, AIDA Cruises, Costa Cruises, Cunard Line, Ibero Cruises, Ocean Village, P&O Cruises and P&O Cruises Australia.

Together, these brands operate 96 ships totaling more than 187,000 lower berths with 11 new ships scheduled to be delivered between now and May 2014. Carnival Corporation & plc also operates Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon. Traded on both the New York and London Stock Exchanges, Carnival Corporation & plc is the only group in the world to be included in both the S&P 500 and the FTSE 100 indices.

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained in this earnings release are “forward-looking statements” that involve risks, uncertainties and assumptions with respect to Carnival Corporation & plc, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have tried, whenever possible, to identify these statements by using words like “will,” “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “forecast,” “future,” “intend,” “plan,” “estimate” and similar expressions of future intent or the negative of such terms. Because forward-looking statements involve risks and uncertainties, there are many factors that could cause Carnival Corporation & plc’s actual results, performance or achievements to differ materially from those expressed or implied in this earnings release. Forward-looking statements include those statements which may impact, among other things, the forecasting of Carnival Corporation & plc’s earnings per share, net revenue yields, booking levels, pricing, occupancy, operating, financing and tax costs, fuel expenses, costs per available lower berth day, estimates of ship depreciable lives and residual values, liquidity, goodwill and trademark fair values and outlook. These factors include, but are not limited to, the following: general economic and business conditions, including fuel price increases, high unemployment rates, and declines in the securities, real estate and other markets, and perceptions of these conditions, may adversely impact the levels of Carnival Corporation & plc’s potential vacationers’ discretionary income and net worth and this group’s confidence in their country’s economy; fluctuations in foreign currency exchange rates, particularly the movement of the U.S. dollar against the euro, sterling and the Australian and Canadian dollars; the international political climate, armed conflicts, terrorist and pirate attacks and threats thereof, and other world events affecting the safety and security of travel; competition from and overcapacity in both the cruise ship and land-based vacation industries; lack of acceptance of new itineraries, products and services by Carnival Corporation & plc’s guests; changing consumer preferences; Carnival Corporation & plc’s ability to attract and retain qualified shipboard crew and maintain good relations with employee unions; accidents, the spread of contagious diseases and threats thereof, adverse weather conditions or natural disasters, such as hurricanes, earthquakes and volcanic ash, and other incidents (including, but not limited to, ship fires and machinery and equipment failures or improper operation thereof), which could cause, among other things, individual or multiple port closures, injury, death, damage to property and equipment, oil spills, alteration of cruise itineraries or cancellation of a cruise or series of cruises or tours; adverse publicity concerning the cruise industry in general, or Carnival Corporation & plc in particular, including any adverse impact that cruising may have on the marine environment; changes in and compliance with laws and regulations relating to the protection of disabled persons, employment, environmental, health, safety, security, tax and other regulatory regimes under which Carnival Corporation & plc operate; increases in global fuel demand and pricing, fuel supply disruptions and other events impacting on Carnival Corporation & plc’s fuel and other expenses, liquidity and credit ratings; increases in Carnival Corporation & plc’s future fuel expenses from implementing approved International Maritime Organization regulations, which require the use of higher priced low sulfur fuels in certain cruising areas, including the U.S. and Canadian Emissions Control Area, which will change the specification and increase the price of fuel that ships will be required to use within these areas; changes in financing and operating costs, including changes in interest rates and food, payroll and security costs; the ability of Carnival Corporation & plc to implement its shipbuilding programs and ship maintenance, repairs and refurbishments, including ordering additional ships for its cruise brands from shipyards, on terms that are favorable or consistent with Carnival Corporation & plc’s expectations; the continued strength of Carnival Corporation & plc’s cruise brands and its ability to implement its brand strategies; additional risks associated with Carnival Corporation & plc’s international operations not generally applicable to its U.S. operations; the pace of development in geographic regions in which Carnival Corporation & plc tries to expand its business; whether Carnival Corporation & plc’s future operating cash flow will be sufficient to fund future obligations and whether it will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with its expectations; Carnival Corporation & plc counterparties’ ability to perform; continuing financial viability of Carnival Corporation & plc’s travel agent distribution system, air service providers and other key vendors and reductions in the availability of and increases in the pricing for the services and products provided by these vendors; Carnival Corporation & plc’s decisions to self-insure against various risks or its inability to obtain insurance for certain risks at reasonable rates; disruptions and other damages to Carnival Corporation & plc’s information technology networks and operations; lack of continuing availability of attractive, convenient and safe port destinations; and risks associated with the dual listed company structure. 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, Carnival Corporation & plc expressly disclaim any obligation to disseminate, after the date of this release, 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.

MEDIA CONTACT

Tim Gallagher
1 305 599 2600, ext. 16000

INVESTOR RELATIONS CONTACT

Beth Roberts
1 305 406 4832

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	May 31,		May 31,	
	2010	2009	2010	2009
(in millions, except per share data)				
Revenues				
Cruise				
Passenger tickets	\$2,427	\$2,242	\$4,785	\$4,461
Onboard and other	737	673	1,466	1,307
Tour and other	31	33	39	44
	<u>3,195</u>	<u>2,948</u>	<u>6,290</u>	<u>5,812</u>
Costs and Expenses				
Operating				
Cruise				
Commissions, transportation and other	440	440	937	954
Onboard and other	106	110	219	214
Payroll and related	383	366	774	718
Fuel	416	243	813	451
Food	212	203	424	401
Other ship operating	504	488	978	946

Tour and other	<u>32</u>	<u>35</u>	<u>47</u>	<u>51</u>
Total	2,093	1,885	4,192	3,735
Selling and administrative	404	393	800	785
Depreciation and amortization	<u>349</u>	<u>317</u>	<u>694</u>	<u>628</u>
	<u>2,846</u>	<u>2,595</u>	<u>5,686</u>	<u>5,148</u>
Operating Income	<u>349</u>	<u>353</u>	<u>604</u>	<u>664</u>
Nonoperating (Expense) Income				
Interest income	3	2	7	6
Interest expense, net of capitalized interest	(99)	(90)	(195)	(186)
Other (expense) income, net	<u>(2)</u>	<u>5</u>	<u>(5)</u>	<u>24</u>
	<u>(98)</u>	<u>(83)</u>	<u>(193)</u>	<u>(156)</u>
Income Before Income Taxes	251	270	411	508
Income Tax Benefit (Expense), Net	<u>1</u>	<u>(6)</u>	<u>16</u>	<u>16</u>
Net Income	<u>\$252</u>	<u>\$264</u>	<u>\$427</u>	<u>\$524</u>
Earnings Per Share				
Basic	<u>\$0.32</u>	<u>\$0.34</u>	<u>\$0.54</u>	<u>\$0.67</u>
Diluted	<u>\$0.32</u>	<u>\$0.33</u>	<u>\$0.54</u>	<u>\$0.66</u>

Dividends Declared Per Share\$0.10\$0.20**Weighted-Average Shares Outstanding - Basic**788787788787**Weighted-Average Shares Outstanding - Diluted**806804806804

**CARNIVAL CORPORATION & PLC
CONSOLIDATED BALANCE SHEETS**

May 31, **November 30,**
2010 2009
(in millions, except par values)

ASSETS

Current Assets

Cash and cash equivalents	\$ 594	\$ 538
Trade and other receivables, net	455	362
Inventories	297	320
Prepaid expenses and other	<u>240</u>	<u>298</u>
Total current assets	<u>1,586</u>	<u>1,518</u>

Property and Equipment, Net

29,317 29,870

Goodwill

3,214 3,451

Trademarks

1,289 1,346

Other Assets

623 650
\$36,029 \$ 36,835

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Short-term borrowings	\$ 808	\$ 135
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Current portion of long-term debt	676	815
Convertible debt subject to current debt option	595	
Accounts payable	548	568
Accrued liabilities and other	928	874
Customer deposits	3,208	2,575
Total current liabilities	6,763	4,967
Long-Term Debt	7,681	9,097
Other Long-Term Liabilities and Deferred Income	721	732
Shareholders' Equity		
Common stock of Carnival Corporation; \$0.01 par value; 1,960 shares authorized; 645 shares at 2010 and 644 shares at 2009 issued	6	6
Ordinary shares of Carnival plc; \$1.66 par value; 214 shares at 2010 and 213 shares at 2009 issued	355	354
Additional paid-in capital	8,059	7,920
Retained earnings	15,830	15,561
Accumulated other comprehensive (loss) income	(1,029)	462
Treasury stock; 32 shares at 2010 and 24 shares at 2009 of Carnival Corporation and 38 shares at 2010 and 46 shares at 2009 of Carnival plc, at cost	(2,357)	(2,264)
Total shareholders' equity	20,864	22,039
	\$36,029	\$ 36,835

CARNIVAL CORPORATION & PLC
SELECTED INFORMATION

Three Months Ended		Six Months Ended	
May 31,		May 31,	
2010	2009	2010	2009

(in millions, except statistical information)

STATISTICAL INFORMATION

Passengers carried (in thousands)	2,222	2,029	4,271	3,898
Occupancy percentage	103.8 %	103.3 %	103.7 %	103.6 %
Fuel consumption (metric tons in thousands)	835	799	1,635	1,552
Fuel cost per metric ton (a)	\$498	\$304	\$497	\$291
Currency				
U.S. dollar to 1	\$1.32	\$1.33	\$1.36	\$1.33
U.S. dollar to £1	\$1.50	\$1.48	\$1.55	\$1.47

CASH FLOW INFORMATION

Cash from operations	\$1,398	\$1,136	\$1,794	\$1,441
Capital expenditures	\$999	\$1,650	\$2,168	\$1,956
Dividends paid	\$79		\$79	\$314

SEGMENT INFORMATION

Revenues				
Cruise	\$3,164	\$2,915	\$6,251	\$5,768

Tour and other	45	48	54	61
Intersegment elimination	<u>(14)</u>	<u>(15)</u>	<u>(15)</u>	<u>(17)</u>
	<u>\$3,195</u>	<u>\$2,948</u>	<u>\$6,290</u>	<u>\$5,812</u>
Operating expenses				
Cruise	\$2,061	\$1,850	\$4,145	\$3,684
Tour and other	46	50	62	68
Intersegment elimination	<u>(14)</u>	<u>(15)</u>	<u>(15)</u>	<u>(17)</u>
	<u>\$2,093</u>	<u>\$1,885</u>	<u>\$4,192</u>	<u>\$3,735</u>
Selling and administrative expenses				
Cruise	\$396	\$386	\$785	\$770
Tour and other	<u>8</u>	<u>7</u>	<u>15</u>	<u>15</u>
	<u>\$404</u>	<u>\$393</u>	<u>\$800</u>	<u>\$785</u>
Depreciation and amortization				
Cruise	\$339	\$308	\$676	\$610
Tour and other	<u>10</u>	<u>9</u>	<u>18</u>	<u>18</u>
	<u>\$349</u>	<u>\$317</u>	<u>\$694</u>	<u>\$628</u>
Operating income (loss)				
Cruise	\$368	\$371	\$645	\$704
Tour and other	<u>(19)</u>	<u>(18)</u>	<u>(41)</u>	<u>(40)</u>
	<u>\$349</u>	<u>\$353</u>	<u>\$604</u>	<u>\$664</u>

(a) Fuel cost per metric ton is calculated by dividing the cost of fuel by the number of metric tons consumed.

CARNIVAL CORPORATION & PLC
NON-GAAP FINANCIAL MEASURES

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

	Three Months Ended		Six Months Ended	
	May 31,		May 31,	
	2010	2009	2010	2009
	(in millions, except ALBDs and yields)			
Cruise revenues				
Passenger tickets	\$2,427	\$2,242	\$4,785	\$4,461
Onboard and other	737	673	1,466	1,307
Gross cruise revenues	3,164	2,915	6,251	5,768
Less cruise costs				
Commissions, transportation and other	(440)	(440)	(937)	(954)
Onboard and other	(106)	(110)	(219)	(214)
Net cruise revenues (a)	<u>\$2,618</u>	<u>\$2,365</u>	<u>\$5,095</u>	<u>\$4,600</u>
ALBDs (b)	<u>16,575,242</u>	<u>15,329,812</u>	<u>32,465,324</u>	<u>29,822,062</u>
Gross revenue yields (a)	<u>\$190.90</u>	<u>\$190.19</u>	<u>\$192.53</u>	<u>\$193.42</u>
Net revenue yields (a)	<u>\$157.97</u>	<u>\$154.24</u>	<u>\$156.91</u>	<u>\$154.25</u>

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

	Three Months Ended		Six Months Ended	
	May 31,		May 31,	
	2010	2009	2010	2009
	(in millions, except ALBDs and costs per ALBD)			

Cruise operating expenses	\$2,061	\$1,850	\$4,145	\$3,684
Cruise selling and administrative expenses	<u>396</u>	<u>386</u>	<u>785</u>	<u>770</u>
Gross cruise costs	2,457	2,236	4,930	4,454
Less cruise costs included in net cruise revenues				
Commissions, transportation and other	(440)	(440)	(937)	(954)
Onboard and other	<u>(106)</u>	<u>(110)</u>	<u>(219)</u>	<u>(214)</u>
Net cruise costs (a)	<u>\$1,911</u>	<u>\$1,686</u>	<u>\$3,774</u>	<u>\$3,286</u>
ALBDs (b)	<u>16,575,242</u>	<u>15,329,812</u>	<u>32,465,324</u>	<u>29,822,062</u>
Gross cruise costs per ALBD (a)	<u>\$148.22</u>	<u>\$145.90</u>	<u>\$151.87</u>	<u>\$149.36</u>
Net cruise costs per ALBD (a)	<u>\$115.29</u>	<u>\$109.95</u>	<u>\$116.25</u>	<u>\$110.18</u>

NOTES TO NON-GAAP FINANCIAL MEASURES

- (a) 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. These measures enable us to separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business. We believe these non-GAAP measures provide a better gauge to measure our revenue and cost performance instead of the standard U.S. GAAP-based financial measures. There are no specific rules for determining our non-GAAP financial measures and, accordingly, it is possible that they may not be exactly comparable to the like-kind information presented by other cruise companies, which is a potential risk associated with using these measures to compare us to other cruise companies.

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

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. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs to avoid duplicating these variable costs in these two non-GAAP financial measures.

We have not provided estimates of future gross revenue yields or future gross cruise costs per ALBD because the reconciliations of forecasted net cruise revenues to forecasted gross cruise revenues or forecasted net cruise costs to forecasted cruise operating expenses would require us to forecast, with reasonable accuracy, the amount of air and other transportation costs that our forecasted cruise passengers would elect to purchase from us (the “air/sea mix”). Since the forecasting of future air/sea mix involves several significant variables that are relatively difficult to forecast and the revenues from the sale of air and other transportation approximate the costs of providing that transportation, management focuses primarily on forecasts of net cruise revenues and costs rather than gross cruise revenues and costs. This does not impact, in any material respect, our ability to forecast our future results, as any variation in the air/sea mix has no material impact on our forecasted net cruise revenues or forecasted net cruise costs. As such, management does not believe that this reconciling information would be meaningful.

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 decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report our two non-GAAP financial measures assuming the 2010 periods’ currency exchange rates have remained constant with the 2009 periods’ rates, or on a “constant dollar basis,” in order to remove the impact of changes in exchange rates on our non-U.S. dollar cruise operations. We believe that this is a useful measure since it facilitates a comparative view of the growth of our business in a fluctuating currency exchange rate environment.

On a constant dollar basis, net cruise revenues and net cruise costs would be \$2.6 billion and \$1.9 billion for the three months ended May 31, 2010 and \$5.0 billion and \$3.7 billion for the six months ended May 31, 2010, respectively. On a constant dollar basis, gross cruise revenues and gross cruise costs would be \$3.1 billion and \$2.4 billion for the three months ended May 31, 2010 and \$6.1 billion and \$4.8 billion for the six months ended May 31, 2010, respectively. In addition, our non-U.S. dollar cruise operations’ depreciation and net interest expense were impacted by the changes in exchange rates for the three and six months ended May 31, 2010, compared to the prior year’s comparable period.

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

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Additional Information**June 22, 2010**

On June 22, 2010, Carnival Corporation & plc reported net income of \$252 million, or \$0.32 diluted EPS, on revenues of \$3.2 billion for its second quarter ended May 31, 2010. Net income for the second quarter of 2009 was \$264 million, or \$0.33 diluted EPS, on revenues of \$2.9 billion. Higher fuel prices reduced earnings in the 2010 second quarter by \$0.20 per share as compared to the prior year.

Key metrics for the second quarter of 2010 compared to the prior year were as follows:

On a constant dollar basis net revenue yields (net revenue per available lower berth day) increased 2.0 percent for 2Q 2010, which was at the higher end of the company's March guidance, up 1 to 2 percent. Net revenue yields in current dollars increased 2.4 percent due to favorable currency exchange rates. Gross revenue yields increased only 0.4 percent in current dollars driven by lower air transportation revenue.

Excluding fuel, net cruise cost per available lower berth day ("ALBD") declined 4.9 percent in constant dollars, which was better than March guidance, down 3.5 to 4.5 percent.

Including fuel, net cruise costs per ALBD increased 4.2 percent on a constant dollar basis (increased 4.9 percent in current dollars). Gross cruise costs per ALBD increased 1.6 percent in current dollars.

Fuel prices increased 64 percent to \$498 per metric ton for 2Q 2010 from \$304 per metric ton in 2Q 2009 but was lower than March guidance of \$511 per metric ton.

Continuing with its strategic growth initiatives, the company took delivery of two new ships during the second quarter—P&O Cruises' 3,100-passenger Azura and The Yachts of Seabourn's 450-passenger Seabourn Sojourn. In addition, contracts were finalized with Fincantieri for the construction of two Princess Cruises' 3,600-passenger ships for delivery in May 2013 and 2014.

2010 Outlook

As of June 22, 2010, the company expects fully diluted earnings per share for the third quarter and full year 2010 to be in the range of \$1.43 to \$1.47 and \$2.25 to \$2.35, respectively. Our guidance was based in part on the assumptions in the table below.

	<u>Full Year 2010</u>	<u>Third Quarter 2010</u>
Fuel price/metric ton	\$495	\$ 493
Fuel consumption (metric tons in thousands)	3,344	843
Currency		
Euro	\$1.29 to 1	\$ 1.24 to 1
Sterling	\$1.51 to £1	\$ 1.48 to £1

The above forward-looking statements involve risks and uncertainties. Various factors could cause our actual results to differ materially from those expressed above including, but not limited to, economic and business conditions, foreign currency exchange rates, fuel prices, adverse weather conditions, spread of contagious diseases, regulatory changes, geopolitical and other factors that could adversely impact our revenues, costs and expenses. You should read the following forward-looking statement together with the discussion of these and other risks under “Cautionary Note Concerning Factors That May Affect Future Results.”

“Stock Swap” Programs

We use the “Stock Swap” programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be.

In the event Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell Carnival Corporation common stock through an “At The Market” equity offering (“ATM Offering”) with Merrill Lynch, Pierce, Fenner & Smith, Incorporated (“Merrill Lynch”) as sales agent, and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis, with the remaining net proceeds used for general corporate purposes. In the ATM Offering, Carnival Corporation may issue and sell up to 19.2 million of its common stock in the U.S. market, which shares are to be sold from time to time at prevailing market prices in ordinary brokers’ transactions by Merrill Lynch. Any sales of Carnival Corporation shares have been and will be registered under the Securities Act.

In the event Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Investments Limited, a subsidiary of Carnival Corporation, and with Merrill Lynch International (“MLI”) as sales agent, from time to time in “at the market” transactions, and use the sale proceeds to repurchase Carnival Corporation common stock in the U.S. market on at least an equivalent basis, with the remaining net proceeds used for general corporate purposes. In the offering, Carnival Investments Limited may sell up to 25 million Carnival plc ordinary shares in the UK market, which shares are to be sold from time to time at prevailing market prices in ordinary brokers’ transactions by MLI. Any sales of Carnival plc shares have been and will be registered under the Securities Act.

Under the “Stock Swap” program from December 1, 2009 through May 31, 2010, Carnival Investments Limited sold 8.1 million Carnival plc ordinary shares, at an average price of \$39.48 per share for gross proceeds of \$319 million and paid MLI and others fees of \$2 million and \$123 thousand, respectively, for total net proceeds of \$317 million. Substantially all of the net proceeds of these sales were used to purchase 8.1 million shares of Carnival Corporation common stock. During the six months ended May 31, 2010, no Carnival Corporation common stock was sold under the “Stock Swap” program.

The purchases of Carnival Corporation common stock during the three months ended May 31, 2010 pursuant to the “Stock Swap” program were as follows:

<u>Period</u>	<u>Total Number of Carnival Corporation Common Stock Purchased</u>	<u>Average Price Paid per Share of Carnival Corporation Common Stock</u>	<u>Maximum Number of Carnival Corporation Common Stock That May Yet Be Purchased Under the Carnival Corporation Stock Swap Program</u>
March 1, 2010 through March 31, 2010	615,000	\$ 35.11	16,825,000
April 1, 2010 through April 30, 2010	3,525,000	\$ 39.84	13,300,000
May 1, 2010 through May 31, 2010	<u>2,180,000</u>	\$ 38.58	11,120,000
Total	<u><u>6,320,000</u></u>	\$ 38.95	

During the quarter ended May 31, 2010, there were no stock repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the general stock repurchase authorization and no repurchases of Carnival plc ordinary shares under the “Stock Swap” program repurchase authorization.

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained in this Additional Information are “forward-looking statements” that involve risks, uncertainties and assumptions with respect to Carnival Corporation & plc, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have tried, whenever possible, to identify these statements by using words like “will,” “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “forecast,” “future,” “intend,” “plan,” “estimate” and similar expressions of future intent or the negative of such terms. Because forward-looking statements involve risks and uncertainties, there are many factors that could cause Carnival Corporation & plc’s actual results, performance or achievements to differ materially from those expressed or implied in this Additional Information. Forward-looking statements include those statements which may impact, among other things, the forecasting of Carnival Corporation & plc’s earnings per share, net revenue yields, booking levels, pricing, occupancy, operating, financing and tax costs, fuel expenses, costs per available lower berth day, estimates of ship depreciable lives and residual values, liquidity, goodwill and trademark fair values and outlook. These factors include, but are not limited to, the following: general economic and business conditions, including fuel price increases, high unemployment rates, and declines in the securities, real estate and other markets, and perceptions of these conditions, may adversely impact the levels of Carnival Corporation & plc’s potential vacationers’ discretionary income and net worth and this group’s confidence in their country’s economy; fluctuations in foreign currency exchange rates, particularly the movement of the U.S. dollar against the euro, sterling and the Australian and Canadian dollars; the international political climate, armed conflicts, terrorist and pirate attacks and threats thereof, and other world events affecting the safety and security of travel; competition from and overcapacity in both the cruise ship and land-based vacation industries; lack of acceptance of new itineraries, products and services by Carnival Corporation & plc’s guests; changing consumer preferences; Carnival Corporation & plc’s ability to attract and retain qualified shipboard crew and maintain good relations with employee unions; accidents, the spread of contagious diseases and threats thereof, adverse weather conditions or natural disasters, such as hurricanes, earthquakes and volcanic ash, and other incidents (including, but not limited to, ship fires and machinery and equipment failures or improper operation thereof), which could cause, among other things, individual or multiple port closures, injury, death, damage to property and equipment, oil spills, alteration of cruise itineraries or cancellation of a cruise or series of cruises or tours; adverse publicity concerning the cruise industry in general, or Carnival Corporation & plc in particular, including any adverse impact that cruising may have on the marine environment; changes in and compliance with laws and regulations relating to the protection of disabled persons, employment, environmental, health, safety, security, tax and other regulatory regimes under which Carnival Corporation & plc operate; increases in global fuel demand and pricing, fuel supply disruptions and other events impacting on Carnival Corporation & plc’s fuel and other expenses, liquidity and credit ratings; increases in Carnival Corporation & plc’s future fuel expenses from implementing approved International Maritime Organization regulations, which require the use of higher priced low sulfur fuels in certain cruising areas, including the U.S. and Canadian Emissions Control Area, which will change the specification and increase the price of fuel that ships will be required to use within these areas; changes in financing and operating costs, including changes in interest rates and food, payroll and security costs; the ability of Carnival Corporation & plc to implement its shipbuilding programs and ship maintenance, repairs and refurbishments, including ordering additional ships for its cruise brands from shipyards, on terms that are favorable or consistent with Carnival Corporation & plc’s expectations; the continued strength of Carnival Corporation & plc’s cruise brands and its ability to implement its brand strategies; additional risks associated with Carnival Corporation & plc’s international operations not generally applicable to its U.S. operations; the pace of development in geographic regions in which Carnival Corporation & plc tries to expand its business; whether Carnival Corporation & plc’s future operating cash flow will be sufficient to fund future obligations and whether it will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with its expectations; Carnival Corporation & plc counterparties’ ability to perform; continuing financial viability of Carnival Corporation & plc’s travel agent distribution system, air service providers and other key vendors and reductions in the availability of and increases in the pricing for the services and products provided by these vendors; Carnival Corporation & plc’s decisions to self-insure against various risks or its inability to obtain insurance for certain risks at reasonable rates; disruptions and other damages to Carnival Corporation & plc’s information technology networks and operations; lack of continuing availability of attractive, convenient and safe port destinations; and risks associated with the dual listed company structure. 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, Carnival Corporation & plc expressly disclaim any obligation to disseminate, after the date of this Additional Information, 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.

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	May 31,		May 31,	
	2010	2009	2010	2009
(in millions, except per share data)				
Revenues				
Cruise				
Passenger tickets	\$2,427	\$2,242	\$4,785	\$4,461
Onboard and other	737	673	1,466	1,307
Tour and other	31	33	39	44
	<u>3,195</u>	<u>2,948</u>	<u>6,290</u>	<u>5,812</u>
Costs and Expenses				
Operating				
Cruise				
Commissions, transportation and other	440	440	937	954
Onboard and other	106	110	219	214
Payroll and related	383	366	774	718
Fuel	416	243	813	451
Food	212	203	424	401
Other ship operating	504	488	978	946

Tour and other	<u>32</u>	<u>35</u>	<u>47</u>	<u>51</u>
Total	2,093	1,885	4,192	3,735
Selling and administrative	404	393	800	785
Depreciation and amortization	<u>349</u>	<u>317</u>	<u>694</u>	<u>628</u>
	<u>2,846</u>	<u>2,595</u>	<u>5,686</u>	<u>5,148</u>
Operating Income	<u>349</u>	<u>353</u>	<u>604</u>	<u>664</u>
Nonoperating (Expense) Income				
Interest income	3	2	7	6
Interest expense, net of capitalized interest	(99)	(90)	(195)	(186)
Other (expense) income, net	<u>(2)</u>	<u>5</u>	<u>(5)</u>	<u>24</u>
	<u>(98)</u>	<u>(83)</u>	<u>(193)</u>	<u>(156)</u>
Income Before Income Taxes	251	270	411	508
Income Tax Benefit (Expense), Net	<u>1</u>	<u>(6)</u>	<u>16</u>	<u>16</u>
Net Income	<u>\$252</u>	<u>\$264</u>	<u>\$427</u>	<u>\$524</u>
Earnings Per Share				
Basic	<u>\$0.32</u>	<u>\$0.34</u>	<u>\$0.54</u>	<u>\$0.67</u>
Diluted	<u>\$0.32</u>	<u>\$0.33</u>	<u>\$0.54</u>	<u>\$0.66</u>

Dividends Declared Per Share

\$0.10

\$0.20

Weighted-Average Shares Outstanding - Basic

788

787

788

787

Weighted-Average Shares Outstanding - Diluted

806

804

806

804

CARNIVAL CORPORATION & PLC
CONSOLIDATED BALANCE SHEETS

May 31, November 30,
2010 2009
(in millions, except par values)

ASSETS

Current Assets

Cash and cash equivalents	\$ 594	\$ 538
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Trade and other receivables, net	455	362
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Inventories	297	320
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Prepaid expenses and other	240	298
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Total current assets	<u>1,586</u>	<u>1,518</u>
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Property and Equipment, Net

	29,317	29,870
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Goodwill

	3,214	3,451
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Trademarks

	1,289	1,346
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Other Assets

	623	650
	<u>\$36,029</u>	<u>\$ 36,835</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Short-term borrowings	\$ 808	\$ 135
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Current portion of long-term debt	676	815
Convertible debt subject to current debt option	595	
Accounts payable	548	568
Accrued liabilities and other	928	874
Customer deposits	3,208	2,575
Total current liabilities	6,763	4,967
Long-Term Debt	7,681	9,097
Other Long-Term Liabilities and Deferred Income	721	732
Shareholders' Equity		
Common stock of Carnival Corporation; \$0.01 par value; 1,960 shares authorized; 645 shares at 2010 and 644 shares at 2009 issued	6	6
Ordinary shares of Carnival plc; \$1.66 par value; 214 shares at 2010 and 213 shares at 2009 issued	355	354
Additional paid-in capital	8,059	7,920
Retained earnings	15,830	15,561
Accumulated other comprehensive (loss) income	(1,029)	462
Treasury stock; 32 shares at 2010 and 24 shares at 2009 of Carnival Corporation and 38 shares at 2010 and 46 shares at 2009 of Carnival plc, at cost	(2,357)	(2,264)
Total shareholders' equity	20,864	22,039
	<u><u>\$36,029</u></u>	<u><u>\$ 36,835</u></u>

CARNIVAL CORPORATION & PLC
SELECTED INFORMATION

Three Months Ended		Six Months Ended	
May 31,		May 31,	
2010	2009	2010	2009

(in millions, except statistical information)

STATISTICAL INFORMATION

Passengers carried (in thousands)	2,222	2,029	4,271	3,898
Occupancy percentage	103.8%	103.3%	103.7%	103.6%
Fuel consumption (metric tons in thousands)	835	799	1,635	1,552
Fuel cost per metric ton (a)	\$498	\$304	\$497	\$291
Currency				
U.S. dollar to 1	\$1.32	\$1.33	\$1.36	\$1.33
U.S. dollar to £1	\$1.50	\$1.48	\$1.55	\$1.47

CASH FLOW INFORMATION

Cash from operations	\$1,398	\$1,136	\$1,794	\$1,441
Capital expenditures	\$999	\$1,650	\$2,168	\$1,956
Dividends paid	\$79		\$79	\$314

SEGMENT INFORMATION

Revenues				
Cruise	\$3,164	\$2,915	\$6,251	\$5,768

Tour and other	45	48	54	61
Intersegment elimination	<u>(14)</u>	<u>(15)</u>	<u>(15)</u>	<u>(17)</u>
	<u>\$3,195</u>	<u>\$2,948</u>	<u>\$6,290</u>	<u>\$5,812</u>
Operating expenses				
Cruise	\$2,061	\$1,850	\$4,145	\$3,684
Tour and other	46	50	62	68
Intersegment elimination	<u>(14)</u>	<u>(15)</u>	<u>(15)</u>	<u>(17)</u>
	<u>\$2,093</u>	<u>\$1,885</u>	<u>\$4,192</u>	<u>\$3,735</u>
Selling and administrative expenses				
Cruise	\$396	\$386	\$785	\$770
Tour and other	<u>8</u>	<u>7</u>	<u>15</u>	<u>15</u>
	<u>\$404</u>	<u>\$393</u>	<u>\$800</u>	<u>\$785</u>
Depreciation and amortization				
Cruise	\$339	\$308	\$676	\$610
Tour and other	<u>10</u>	<u>9</u>	<u>18</u>	<u>18</u>
	<u>\$349</u>	<u>\$317</u>	<u>\$694</u>	<u>\$628</u>
Operating income (loss)				
Cruise	\$368	\$371	\$645	\$704
Tour and other	<u>(19)</u>	<u>(18)</u>	<u>(41)</u>	<u>(40)</u>
	<u>\$349</u>	<u>\$353</u>	<u>\$604</u>	<u>\$664</u>

(a) Fuel cost per metric ton is calculated by dividing the cost of fuel by the number of metric tons consumed.

CARNIVAL CORPORATION & PLC
NON-GAAP FINANCIAL MEASURES

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

	Three Months Ended			Six Months Ended		
	May 31,			May 31,		
	2010	2010 Constant Dollar (a)	2009	2010	2010 Constant Dollar (a)	2009
(in millions, except ALBDs and yields)						
Cruise revenues						
Passenger tickets	\$2,427	\$2,416	\$2,242	\$4,785	\$4,685	\$4,461
Onboard and other	<u>737</u>	<u>733</u>	<u>673</u>	<u>1,466</u>	<u>1,441</u>	<u>1,307</u>
Gross cruise revenues	3,164	3,149	2,915	6,251	6,126	5,768
Less cruise costs						
Commissions, transportation and other	(440)	(436)	(440)	(937)	(910)	(954)
Onboard and other	<u>(106)</u>	<u>(106)</u>	<u>(110)</u>	<u>(219)</u>	<u>(214)</u>	<u>(214)</u>
Net cruise revenues (a)	<u>\$2,618</u>	<u>\$2,607</u>	<u>\$2,365</u>	<u>\$5,095</u>	<u>\$5,002</u>	<u>\$4,600</u>
ALBDs (b)	<u>16,575,242</u>	<u>16,575,242</u>	<u>15,329,812</u>	<u>32,465,324</u>	<u>32,465,324</u>	<u>29,822,062</u>
Gross revenue yields (a)	<u>\$190.90</u>	<u>\$190.00</u>	<u>\$190.19</u>	<u>\$192.53</u>	<u>\$188.71</u>	<u>\$193.42</u>
Net revenue yields (a)	<u>\$157.97</u>	<u>\$157.30</u>	<u>\$154.24</u>	<u>\$156.91</u>	<u>\$154.07</u>	<u>\$154.25</u>

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

	Three Months Ended			Six Months Ended		
	May 31,			May 31,		
	2010	2010 Constant Dollar (a)	2009	2010	2010 Constant Dollar (a)	2009
	(in millions, except ALBDs and costs per ALBD)					
Cruise operating expenses	\$2,061	\$2,047	\$1,850	\$4,145	\$4,070	\$3,684
Cruise selling and administrative expenses	396	393	386	785	769	770
Gross cruise costs	2,457	2,440	2,236	4,930	4,839	4,454
Less cruise costs included in net cruise revenues						
Commissions, transportation and other	(440)	(436)	(440)	(937)	(910)	(954)
Onboard and other	(106)	(106)	(110)	(219)	(214)	(214)
Net cruise costs (a)	<u>\$1,911</u>	<u>\$1,898</u>	<u>\$1,686</u>	<u>\$3,774</u>	<u>\$3,715</u>	<u>\$3,286</u>
ALBDs (b)	<u>16,575,242</u>	<u>16,575,242</u>	<u>15,329,812</u>	<u>32,465,324</u>	<u>32,465,324</u>	<u>29,822,062</u>
Gross cruise costs per ALBD (a)	<u>\$148.22</u>	<u>\$147.24</u>	<u>\$145.90</u>	<u>\$151.87</u>	<u>\$149.06</u>	<u>\$149.36</u>
Net cruise costs per ALBD (a)	<u>\$115.29</u>	<u>\$114.54</u>	<u>\$109.95</u>	<u>\$116.25</u>	<u>\$114.42</u>	<u>\$110.18</u>

NOTES TO NON-GAAP FINANCIAL MEASURES

- (a) 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. These measures enable us to separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business. We believe these non-GAAP measures provide a better gauge to measure our revenue and cost performance instead of the standard U.S. GAAP-based financial measures. There are no specific rules for determining our non-GAAP financial measures and, accordingly, it is possible that they may not be exactly comparable to the like-kind information presented by other cruise companies, which is a potential risk associated with using these measures to compare us to other cruise companies.

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

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. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs to avoid duplicating these variable costs in these two non-GAAP financial measures.

We have not provided estimates of future gross revenue yields or future gross cruise costs per ALBD because the reconciliations of forecasted net cruise revenues to forecasted gross cruise revenues or forecasted net cruise costs to forecasted cruise operating expenses would require us to forecast, with reasonable accuracy, the amount of air and other transportation costs that our forecasted cruise passengers would elect to purchase from us (the “air/sea mix”). Since the forecasting of future air/sea mix involves several significant variables that are relatively difficult to forecast and the revenues from the sale of air and other transportation approximate the costs of providing that transportation, management focuses primarily on forecasts of net cruise revenues and costs rather than gross cruise revenues and costs. This does not impact, in any material respect, our ability to forecast our future results, as any variation in the air/sea mix has no material impact on our forecasted net cruise revenues or forecasted net cruise costs. As such, management does not believe that this reconciling information would be meaningful.

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 decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report our two non-GAAP financial measures assuming the 2010 periods’ currency exchange rates have remained constant with the 2009 periods’ rates, or on a “constant dollar basis,” in order to remove the impact of changes in exchange rates on our non-U.S. dollar cruise operations. We believe that this is a useful measure since it facilitates a comparative view of the growth of our business in a fluctuating currency exchange rate environment. In addition, our non-U.S. dollar cruise operations’ depreciation and net interest expense were impacted by the changes in exchange rates for the three and six months ended May 31, 2010, compared to the prior year’s comparable period.

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

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