

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended November 30, 2011 or

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

For the transition period from _____ to _____

Commission file number: 1-9610

Commission file number: 1-15136

Carnival Corporation

(Exact name of registrant as specified in its charter)

Republic of Panama

(State or other jurisdiction of incorporation or organization)

59-1562976

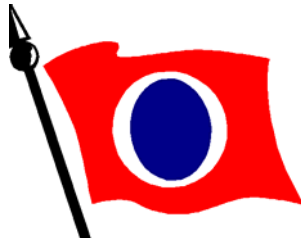
(I.R.S. Employer Identification No.)

3655 N.W. 87th Avenue
Miami, Florida 33178-2428

(Address of principal executive offices and zip code)

(305) 599-2600

(Registrant's telephone number, including area code)



Carnival plc

(Exact name of registrant as specified in its charter)

England and Wales

(State or other jurisdiction of incorporation or organization)

98-0357772

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

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

(Address of principal executive offices and zip code)

011 44 20 7940 5381

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock
(\$0.01 par value)

Name of each exchange on which registered

New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold was \$15.3 billion as of the last business day of the registrant's most recently completed second fiscal quarter.

At January 23, 2012, Carnival Corporation had outstanding 595,964,160 shares of its Common Stock, \$0.01 par value.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold was \$7.4 billion as of the last business day of the registrant's most recent completed second fiscal quarter.

At January 23, 2012, Carnival plc had outstanding 215,069,160 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 595,964,160 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

CARNIVAL CORPORATION & PLC
FORM 10-K
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011

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DOCUMENTS INCORPORATED BY REFERENCE

The information described below and contained in the Registrants' 2011 annual report to shareholders to be furnished to the U.S. Securities and Exchange Commission pursuant to Rule 14a-3(b) of the Securities Exchange Act of 1934 is shown in Exhibit 13 and is incorporated by reference into this joint Annual Report on Form 10-K ("Form 10-K").

Part and Item of the Form 10-K

Part II

Item 5(a). Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Market Information, Holders and Performance Graph.

Item 6. Selected Financial Data.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Item 8. Financial Statements and Supplementary Data.

Portions of the Registrants' 2012 joint definitive Proxy Statement, to be filed with the U.S. Securities and Exchange Commission, are incorporated by reference into this Form 10-K under the items described below.

Part and Item of the Form 10-K

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Item 11. Executive Compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Item 14. Principal Accounting Fees and Services.

PART I

Item 1. Business.

A. Overview

I. Summary

Carnival Corporation was incorporated in Panama in 1972 and Carnival plc was incorporated in England and Wales in 2000. Carnival Corporation and Carnival plc operate a dual listed company (“DLC”), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation’s Articles of Incorporation and By-Laws and Carnival plc’s Articles of Association.

Carnival Corporation and Carnival plc are both public companies with separate stock exchange listings and their own shareholders. The two companies operate as if they are a single economic enterprise with a single senior executive management team and identical Boards of Directors, but each has retained its separate legal identity. See Note 3, “DLC Arrangement” to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K. Together with their consolidated subsidiaries, Carnival Corporation and Carnival plc are referred to collectively in this Form 10-K as “Carnival Corporation & plc,” “our,” “us” and “we.”

We are the largest cruise company and among the most profitable and financially strongest vacation companies in the world. We have a portfolio of widely recognized cruise brands that are sold in all the world’s major vacation markets and are a leading provider of vacations to all major cruise destinations. We believe our multi-brand strategy is essential to our cruise business leadership position. See “Summary of Cruise Segments” below and Part I, Item 1. Business. B. “Cruise Operations” for additional information.

Each of our cruise brands is an operating segment that we aggregate into either the (1) North America or (2) Europe, Australia & Asia (“EAA”) reportable cruise segments based on the similarity of their economic and other characteristics. Our North America segment cruise brands include Carnival Cruise Lines, Holland America Line, Princess Cruises (“Princess”) and Seabourn. Our EAA segment cruise brands include AIDA Cruises (“AIDA”), Costa Cruises (“Costa”), Cunard, Ibero Cruises (“Ibero”), P&O Cruises (Australia) and P&O Cruises (UK). See “Summary of Cruise Segments” below and Note 11, “Segment Information” to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K.

In addition to our cruise operations, we own Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon, which primarily complements our Alaska cruise operations. This tour company owns and operates, among other things, 13 hotels or lodges, over 300 motorcoaches and 20 domed rail cars. This tour company and two former ships (a 55,000-ton Costa ship and a 34,000-ton Holland America ship) that we charter-out comprise our Tour and Other segment. See Note 11, “Segment Information” to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K.

II. Recent Development

On January 13, 2012, *Costa Concordia*, a cruise ship owned and operated by Costa, grounded off the coast of Isola del Giglio, Italy and sustained significant damage. Tragically, there were 16 casualties, a number of injuries and 16 people remain missing, as of January 26, 2012. The ship remains grounded and partially submerged off the coast. The cause of the accident is currently under investigation by the Italian authorities.

We are deeply saddened by this tragic event and our hearts go out to everyone affected, and especially to the families and loved ones of those who lost their lives or were injured. They will remain in our thoughts. We are committed to providing full support to the passengers, crew and families of those affected by the accident. We are also working to secure the vessel and continue to use our best efforts to ensure there is no environmental impact.

Following the tragic accident, we announced a comprehensive audit and review of all safety and emergency response procedures across all of our brands to identify lessons learned and best practices to further ensure the safety of all of our passengers and crew. Additionally, the Health, Environment, Safety & Security Committees of the Boards of Directors (“HESS Committees”) are engaging outside industry-leading experts in the fields of emergency response, organization, training and implementation to conduct an audit of all of our emergency response and safety procedures and to conduct a thorough review of the accident.

A damage assessment review of the ship is being undertaken to determine whether the ship can be repaired and what the total cost would be. If the ship is repairable, it is expected to be out-of-service for the remainder of fiscal 2012 if not longer.

The net carrying value of this euro-denominated ship, including ship improvements, at December 31, 2011 was \$490 million (at the December 31, 2011 exchange rate or €379 million). We have euro-denominated insurance coverage of \$510 million (at the December 31, 2011 exchange rate or €395 million) for damage to the ship with a potential deductible of approximately \$30 million as well as insurance for third party personal injury liability subject to an additional deductible of approximately \$10 million for this incident. We self-insure for loss of use of the ship.

For further information see “Outlook for Fiscal 2012” in “Management Discussion and Analysis of Financial Condition and Results of Operations” in Exhibit 13 to this Form 10-K.

III. Summary of Cruise Segments

As of January 23, 2012, the summary by cruise brand of our passenger capacity, the number of cruise ships we operate and the primary areas or countries from where our guests are sourced are as follows:

<u>Cruise Brands</u>	<u>Passenger Capacity (a)</u>	<u>Number of Cruise Ships</u>	<u>Primary Markets</u>
<u>North America</u>			
Carnival Cruise Lines	58,274	23	North America
Princess	36,900	16	North America
Holland America Line	23,492	15	North America
Seabourn	<u>1,974</u>	<u>6</u>	North America
North America Cruise Brands	<u>120,640</u>	<u>60</u>	
<u>Europe, Australia & Asia</u>			
Costa (b)	29,286	14	Italy, France and Germany
P&O Cruises (UK)	14,610	7	United Kingdom (“UK”)
AIDA	14,248	8	Germany
Cunard	6,670	3	UK and North America
P&O Cruises (Australia) (c)	6,242	4	Australia
Ibero	<u>4,176</u>	<u>3</u>	Spain and South America
EAA Cruise Brands	<u>75,232</u>	<u>39</u>	
	<u>195,872</u>	<u>99</u>	

(a) In accordance with cruise business practice, passenger capacity is calculated based on the assumption of two passengers per cabin even though some cabins can accommodate three or more passengers.

(b) Does not include the 2,978-passenger capacity *Costa Concordia*.

(c) Includes the 1,460-passenger capacity *Pacific Sun*, which was sold in December 2011 to an unrelated entity and is being operated under a bareboat charter agreement until July 2012.

As of January 23, 2012, we had signed agreements with three shipyards providing for the construction of ten additional cruise ships scheduled to enter service between May 2012 and March 2016. These additions, net of the above mentioned withdrawal, are expected to result in an approximate 32,000 lower berth increase in our passenger capacity. The impact of these net additions is a 16% increase in passenger capacity compared to our January 23, 2012 passenger capacity, which is adjusted for the loss of service of *Costa Concordia*. It is possible that some of our other older ships may also be sold, chartered or retired during the next few years. Alternatively, it is also possible that we could acquire more ships. Our North America cruise brands have three ships scheduled to enter service by June 2014 and our EAA cruise brands have seven ships scheduled to enter service by March 2016. These additions are expected to result in an increase in North America and EAA brands’ passenger capacity of approximately 10,800 and 21,200 lower berths, respectively. After adjusting for *Pacific Sun* leaving the fleet, the impact on passenger capacity of these net additions is a 9.0% increase in our North America cruise brands and a 28% increase in our EAA cruise brands. See Part I, Item 1. Business. B. “Cruise Operations – Ships Under Contract for Construction” and Note 6, “Commitments” and Note 10, “Fair Value Measurements, Derivative Instruments and Hedging Activities” to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K for additional information regarding our ship commitments.

In addition to our cruise brands, we have a Cruise Support segment that includes our cruise port and related facilities located in Cozumel, Mexico; Grand Turk, Turks and Caicos Islands; Long Beach, California and Roatán, Honduras, which are operated for the benefit of our cruise brands. Cruise Support also includes other corporate-wide services that are provided for the benefit of our cruise brands.

IV. Mission, Primary Financial Goal and Related Strategies

Our mission is to take the world on vacation and deliver exceptional experiences through many of the world’s best-known cruise brands that cater to a variety of different geographic regions and lifestyles, all at an outstanding value unrivaled on land or at sea. Our primary financial goal is to profitably grow our cruise business, while maintaining a strong balance sheet, which allows us to return free cash flow to shareholders. Our ability to generate significant operating cash flows has allowed us to internally fund all of our capital investment program.

To achieve our goals we build new and innovative ships and continue to invest in our existing ships to strengthen the leadership position of each of our brands. Our newbuilding program is the primary platform for our growth. We currently have ten cruise ships scheduled to enter service between May 2012 and March 2016, three of which will enter service in 2012. Our current intention is to have an average of two to three new cruise ships enter service annually, some of which will replace existing capacity from possible sales of older ships. Based on our current ship orders, our growth rate for our North America cruise brands, which is the most developed cruise region, is expected to be 3%, compounded annually through 2014. For our European brands, which are in an earlier stage of market development, our growth is expected to be 4%, compounded annually through 2014. We also currently intend to grow our presence in other markets, such as Australia, Asia and South America by redeploying some of our existing ships to these markets.

Our operating structure is decentralized, with each of our major brands having its own headquarters and operating team, which helps create an ownership culture that is an important driver of our performance. We believe this approach results in delivering a product that is specifically tailored to identifiable geographic regions and lifestyles, which allows us to penetrate each market more effectively. Although we operate under this decentralized structure, we leverage our size to obtain economies of scale and synergies by consolidating our purchasing power and implementing common cost-containment initiatives, such as common reservation systems, coordinated media buying, cross-selling, shared data centers and shared port facilities. In addition, one of our most important cross-brand initiatives is to reduce fuel consumption to reduce emissions and mitigate the impact of high fuel prices.

We believe the successful execution of these and other ongoing strategies has enabled us to be among the most profitable and financially strongest vacation companies in the world. We also believe we are well-positioned to achieve increasing returns over time as the global economy recovers. Since we have slowed down the pace of our newbuilding program, we currently believe this will lead to an increase in free cash flows.

V. Health, Environment, Safety and Security Policy

In conjunction with our mission, primary financial goal and related strategies discussed above, we are committed to:

- Protecting the health, safety and security of our guests, employees and all others working on our behalf, thereby promoting an organization that is free of injuries, illness and loss.
- Protecting the environment, including the marine environment in which our vessels sail and the communities in which we operate, by minimizing adverse environmental consequences and using resources efficiently.
- Fully complying with or exceeding all legal and statutory requirements related to health, environment, safety and security throughout our business activities.
- Assigning health, environment, safety and security matters the same priority as other critical business matters.

B. Cruise Operations

I. Overview

a. Summary

The multi-night cruise business has grown significantly but still remains relatively small compared to the wider global vacation industry, which includes a variety of land-based travel destinations around the world. For example, there were only about 225,000 cabins in the global cruise business at November 30, 2011, which is less than the aggregate 266,000 rooms in just two North American vacation destinations - Orlando, Florida and Las Vegas, Nevada. Within the wider global vacation industry, cruise companies compete for the discretionary income spent by vacationers, and a 2011 Nielsen Global Consumer Confidence Survey found that after providing for savings and living expenses, the number one global spending priority is for vacations. Cruise guests tend to rate their overall satisfaction with a cruise vacation higher than comparable land-based hotel and resort vacations. As a result of these and other favorable cruise business characteristics, we believe that the cruise business has opportunities for growth.

The global cruise business and our passenger capacity have increased at a compound annual growth rate of 5.6% and 6.9%, respectively, from 2006 to 2011. The global cruise business and our compound annual passenger capacity growth rate is currently expected to be 3.1% and 2.8%, respectively, from 2011 to 2014 based on the assumption discussed below. The passenger capacities that have been or are expected to be marketed are as follows:

Fiscal Year	Passenger Capacity (weighted-average)	
	Global Cruise Business	Carnival Corporation & plc
2006	337,000	140,000
2007	359,000	150,000
2008	377,000	162,000
2009	397,000	174,000
2010	423,000	186,000
2011	443,000	195,000
2012 (a)	455,000	200,000
2013 (a)	474,000	207,000
2014 (a)	486,000	212,000

(a) Our estimates of future passenger capacity do not include any assumption related to unannounced ship withdrawals and, accordingly, our estimates could indicate a higher growth in passenger capacity than will actually occur.

The number of cruise passengers carried in the global cruise business and by us have increased at a compound annual growth rate of 5.4% and 6.4%, respectively, from 2006 to 2011. The regions from which cruise passengers are sourced are North America, which has increased at a compound annual growth rate of 2.2% from 2006 to 2011, and Europe, Australia, Asia and Other where cruise passengers have increased at a compound annual growth rate of 11% over the same period. The number of cruise passengers carried are as follows:

Year (a)	Cruise Passengers			
	Global Cruise Business			Carnival Corporation & plc
	North America	Europe, Australia, Asia and Other	Total	Total
2006	10,380,000	4,800,000	15,180,000	7,008,000
2007	10,450,000	5,500,000	15,950,000	7,672,000
2008	10,290,000	5,990,000	16,280,000	8,183,000
2009	10,400,000	7,160,000	17,560,000	8,519,000
2010	11,000,000	7,780,000	18,780,000	9,147,000
2011(b)	11,600,000	8,100,000	19,700,000	9,559,000

(a) The estimates of the total passengers carried for 2006 through 2010 were obtained from G.P. Wild (International) Limited, an independent cruise research company, and are based upon where the passengers were sourced and not the cruise brands on which they sailed.

(b) The estimates of the total passengers carried for 2011 were based on internally developed global passenger growth rates.

We believe that the cruise segments of the North America, UK and Australia vacation markets continue to have growth potential because of cruising's low market penetration levels and other favorable characteristics of the cruise business, as discussed below. In continental Europe, cruising represents a smaller proportion of the overall vacation market than it does in North America and, accordingly, we believe cruising has significant growth potential in the continental Europe vacation market. Other areas such as Asia and South America are currently a source of fewer cruise passengers. We believe that cruising also has significant growth potential in these vacation markets. As we continue to expand our global presence, our revenues generated from passengers sourced outside the U.S. have grown to 56% in 2011, up from 40% in 2006.

Cruising offers a broad range of products to suit vacationing guests of many ages, backgrounds and interests. Cruise brands can be broadly classified as offering contemporary, premium and luxury cruise experiences. The contemporary experience typically includes cruises that last seven days or less, have a more casual ambiance and are less expensive than premium or luxury cruises. The premium experience typically includes cruises that last from seven to 14 days and appeal to the more experienced cruise guest who is usually more affluent and older. Premium cruises emphasize quality, comfort, style, more destination-focused itineraries and the average pricing is normally higher than contemporary cruises. The luxury experience is usually characterized by smaller vessel size, very high standards of accommodation and service, higher prices and exotic itineraries to ports that are inaccessible to larger ships. We have product offerings in each of these three broad classifications. Notwithstanding these classifications, there generally is significant overlap and competition among all cruise products.

We are a leading provider of cruise vacations in all the largest vacation markets in the world, which are comprised of North America, Europe, Australia, Asia and South America. A description of the principal vacation areas where we source substantially all of our guests and our brands that market primarily to these vacationers is discussed in further detail in Sections II. “North America” and III. “Europe, Australia & Asia” below.

b. Characteristics of the Cruise Business

1. Exceptional Value Proposition

We believe that the cost to a guest for a cruise vacation represents an exceptional value in comparison to alternative land-based vacations. This is especially true when considering that a cruise provides its guests with transportation to various destinations while also providing hotel accommodations, a generous diversity of food choices and a selection of daily entertainment options for one all-inclusive, competitive price. To make cruising even more cost effective and more easily accessible to our guests, we offer a number of drive-to-home ports, which enables some cruise guests to reduce their overall vacation costs by eliminating or reducing air transportation.

2. Relatively Low Market Penetration Levels

Based on industry data, the 2011 annual penetration rate, computed based on the number of annual cruise passengers as a percentage of the total population, is 3.4% for North America, 2.8% for the UK, 2.5% for Australia and 1.3% for continental Europe (continental Europe represents Germany, Italy, France, Spain and Portugal). Based on industry data or our internal estimates, approximately 24% and 13% of the U.S. and UK populations, respectively, and lower percentages of continental European and Australian populations, have ever taken a cruise. In addition, Europeans and Australians have significantly more vacation days a year than North Americans, which presents opportunities for increases in these penetration levels compared to North America.

Elsewhere in the world, such as Asia and South America, cruising is at an earlier stage of development and has lower penetration rates. However, there have been an increasing number of these relatively lower penetrated countries in the world where economic growth has fueled an increasing demand for vacations, including cruising.

3. Wide Appeal

Cruising appeals to a broad range of ages and income levels. The average age of a cruise guest typically varies by brand and ranges from approximately 40 years to 60 years across the contemporary, premium and luxury cruise categories. Cruising provides something for every generation, from kids clubs to an array of onboard entertainment provided to teens and adults. Cruising also offers a diverse range of ship types and sizes, as well as price points, to attract guests with varying tastes from most income levels. In order to attract even more first time cruisers, the cruise business has shortened the duration of some cruises, which has brought down the price and thus broadened the appeal for cruising. The range of pricing can vary from a three-day cruise in an inside cabin on a contemporary line embarking at a local home port to a world cruise in a penthouse suite on a luxury brand.

4. Positive Demographics

The average age of populations in more developed countries is increasing. Between 2011 and 2021, the number of people in the cruise business’s primary age group of 45 years and older is expected to grow by 19 million, or 14%, in the U.S. and Canada, and 18 million, or 12%, in the major Western European countries. We believe the cruise business is well-positioned to take advantage of these favorable age demographics in its major markets.

5. High Guest Satisfaction Rates

Cruise guests tend to rate their overall satisfaction with a cruise vacation higher than comparable land-based hotel and resort vacations. For example, according to industry surveys, North American cruise guests have a total satisfaction rating of 94%, with nearly 45% of cruise guests stating that they are extremely satisfied with their cruise experience, which is the highest satisfaction rating of any vacation alternative. Based on our internal surveys, our European cruise guests are also typically very satisfied with their cruise vacations compared to other vacation alternatives.

6. Favorable Supply Versus Demand Balance

Our current intention is to have an average of two to three new cruise ships enter service annually. We believe that some of our competitors will also be slowing their future passenger capacity growth based on their public comments and shipyard order books. Further, we believe older cruise ships will be retired from service as they near the end of their economic lives. Based on the above factors and other reasons, we expect long-term cruise business supply growth to slow, and we expect demand to accelerate as global economies recover and emerging markets continue to develop. We believe this favorable supply versus demand balance will have a positive impact on our ability to profitably grow our cruise business.

II. North America

Almost 60% of the cruise passengers in the world are sourced from North America, where cruising has developed into a mainstream alternative to land-based vacations. Approximately 11.0 million North American-sourced passengers took cruise vacations for two or more consecutive nights in 2010, and we estimate that approximately 11.6 million passengers cruised in 2011. Historically, the cruise segment of the North America vacation market has grown significantly, with an almost 12% growth rate since 2009. According to an internally developed survey, nearly 75% of Americans listed travel as their top lifetime goal. As a result of this and other favorable characteristics of the cruise business discussed above, we believe the cruise segment of the North America vacation market continues to have growth potential.

At January 23, 2012, our North America brands represented 62% of our total passenger capacity. As of January 23, 2012, three ships under construction, with over 10,800 berths, have been designated for our North America brands.

The most popular location visited by North America-sourced cruise guests in 2011 was the Caribbean (including The Bahamas), followed by other locations, such as the Mediterranean Sea, Alaska, Northern Europe, Mexican Riviera, New England, Canada, Bermuda, Hawaii, the Panama Canal and other exotic locations, such as South and Central America, the South Pacific Islands, Australia, the Far East and India.

Carnival Cruise Lines, Princess, Holland America Line and Seabourn source their guests primarily from North America. Cunard also sources a large portion of its guests from North America.



Carnival Cruise Lines is a leader in contemporary cruising and operates 23 ships designed to foster exceptional fun and memorable vacation experiences at an outstanding value. Carnival Cruise Lines, which began operations in 1972, is one of the most recognizable brands in the cruise business and carried over four million passengers in 2011, the most of any individual cruise brand.

Carnival Cruise Lines offers itineraries generally from three to eight days with substantially all of its ships being home-ported in North America. Carnival Cruise Lines is the leading provider of year-round Caribbean cruises and also operates seasonal cruises in Europe, Alaska, New England, Canada, Bermuda, Hawaii, Mexican Riviera and the Panama Canal.

Carnival Cruise Lines caters to a wide consumer demographic. It has a broad appeal to families, couples, singles and seniors, and carried more than 650,000 children in 2011. One common denominator among its guests is their desire for a truly fun, memorable and social vacation experience.

In October 2011, Carnival Cruise Lines unveiled Fun Ship 2.0, a program that is expected to dramatically transform the line's guest experience through innovative dining and bar concepts, as well as partnerships with noted celebrities and recognizable brands. Entertainer George Lopez is the new creative director for comedy and will enhance Carnival Cruise Lines' fleetwide comedy clubs; Food Network star Guy Fieri has developed an onboard burger restaurant called Guy's Burger Joint; leading video game manufacturer EA SPORTS has partnered with the line to create the first-ever EA SPORTS Bar at sea; and through a partnership with toy and game leader Hasbro, Inc., the line will launch new larger-than-life game shows featuring iconic games and brands. In the first phase of Fun Ship 2.0, which extends through the end of 2015, Carnival Cruise Lines will invest more than \$500 million across fourteen ships in its fleet.

In June 2012, the new 3,690-passenger capacity *Carnival Breeze* will debut in Europe before launching year-round Caribbean service from Miami. This new ship will offer the Fun Ship 2.0 features, as well as other exciting venues and attractions, including RedFrog Pub, a Caribbean-inspired pub; Cucina del Capitano, a family-style Italian restaurant inspired by its Italian ship captains; WaterWorks aqua park featuring a 300-foot-long Twister water slide and a gigantic, 300-gallon "dump bucket;" and SportSquare, an expansive open-air recreation area featuring a suspended ropes course, and a variety of other outdoor sports activities. With the addition of *Carnival Breeze*, Carnival Cruise Lines' existing passenger capacity will grow by 6.3%.

Beginning in October 2012, the 2,124-passenger capacity *Carnival Spirit* will be based year-round in Sydney, Australia, marking the line's first cruises in this vacation market. See Part 1, Item 1. Business. B. "Cruise Operations – Australia" for additional discussion of Carnival Cruise Lines' operations in Australia.



Princess, whose brand name was originally made famous by the *Love Boat* television show, has been providing cruises since 1965. Princess, the world's third largest cruise line based on passenger capacity, operates a fleet of 16 modern ships, with two additional ships scheduled to enter service, one in June 2013 and one in June 2014. The new ships will each have a 3,560-passenger capacity and will continue the evolution of the Princess product. With these two new ship additions, Princess' existing passenger capacity will grow by 19%. Princess offers 123 unique itineraries to 316 destinations, with cruises generally from seven to 14 days and two world cruises in 2012 of over 100 days.

Princess is a leading cruise line in international and exotic destinations, including Europe, Australia, Asia, Panama Canal, Hawaii and South America. Princess is also a leading cruise line in Alaska and in 2012 will dedicate seven ships to sailing in this region between the months of May and September. Some of Princess' Caribbean cruise offerings feature a private island destination that Princess leases and operates, known as Princess Cays®, which is located on the island of Eleuthera in The Bahamas.

Princess is widely recognized as an innovative, premium cruise line committed to helping its guests Escape Completely® from their daily routine and responsibilities. Designed with a warm, welcoming "comfortable elegance," Princess' ships provide a relaxed, rejuvenating retreat at sea, with signature amenities offered consistently across most of its fleet befitting its mission to be The Consummate Host® to its guests. Its "Piazza" main atrium serves as the heart of the ship, featuring its International Café and specialty coffee bar, its Vines wine and seafood bar and a variety of entertainment throughout the day and evening. Its "Movies Under The Stars" outdoor theaters recreate the drive-in movie experience out on deck, with first-run Hollywood hits and major sporting events shown on a 330 square-foot poolside LED screen, complete with fresh-made popcorn. Its adults-only Sanctuary retreat space and unique "Ultimate Balcony Dining" course-by-course dining option were industry firsts. See Part I, Item 1. Business. B. "Cruise Operations – Australia" for additional discussion of Princess' operations in Australia.



Holland America Line, with 138 years of cruising experience, operates a premium fleet of 15 mid-sized ships. Holland America Line calls on 354 destinations in 98 countries and territories on all seven continents, including Antarctica. While the majority of cruises are from seven to 21 days, Holland America Line also offers longer, exotic Grand Voyages up to 70 days, plus an annual Grand World Voyage of over 100 days. Holland America Line is also a leading cruise line in Alaska and in 2012 will dedicate seven of its ships to sailing in this region between the months of May and September. In the Caribbean, most of Holland America Line's ships visit their private island in The Bahamas, Half Moon Cay.

Holland America Line's mission is to create once-in-a-lifetime experiences for its guests every time they cruise. The brand continues to enjoy one of the highest rates of repeat cruisers in the cruise business. Holland America Line's \$500 million Signature of Excellence product enhancement initiative emphasizes its dedication to all aspects of the guest experience, including elegant accommodations, sophisticated five-star dining and award-winning service. Its mid-sized ships are designed for more intimate cruising and features classically-designed interiors, wraparound teak decks and private verandas. In addition, Holland America Line ships have one of the most extensive collections of art and antiques at sea.

All of Holland America Line's ships have Culinary Arts Centers presented by *Food & Wine* magazine, where guests enjoy cooking demonstrations, private cooking lessons, wine tastings and lifestyle seminars. In addition, the Digital Workshop in collaboration with Microsoft® offers complimentary photo and video editing classes, and guests will find specialty coffees, an extensive library, music listening stations and internet access in the Explorations Café® in partnership with The New York Times®. The Greenhouse Spa and Salon has extensive wellness and beauty treatments, fitness classes and exercise equipment.



Seabourn provides ultra-luxury cruising vacations on smaller ships that focus on personalized services, all-suite accommodations, superb cuisine and unique experiences. In 2010 and 2011, it was voted the "Best-Small Ship Cruise Line" by readers of both *Travel + Leisure* and *Condé Nast Traveler* magazines. Seabourn pampers its guests with complimentary open bars and value-added extras such as Massage MomentsSM on deck and Caviar in the SurfSM beach parties. Seabourn's ships cruise to destinations throughout the world, including Europe, Asia, the South Pacific Islands, Australia and the Americas, with cruises generally from seven to 14 days, with some of longer length, including a 100-plus-day world cruise.

Seabourn currently operates three 450-passenger capacity and three 208-passenger capacity ships. The larger ships offer more categories of luxury suites, more dining alternatives and 11,400-square foot spa facilities that are the largest on any ultra-luxury vessel. All of the Seabourn ships have a service ratio of nearly one staff member per guest and an intimate, sociable atmosphere that has been the hallmark of the Seabourn lifestyle since 1988.

III. Europe, Australia & Asia (“EAA”)

a. Europe

We believe that Europe is the largest leisure travel vacation market in the world, but to date cruising in Europe has achieved a much lower level of market penetration than in North America and represents a relatively small percentage of the European vacation market. Approximately 5.6 million European-sourced passengers took cruise vacations for two or more consecutive nights in 2010 compared to approximately 11.0 million North American-sourced passengers. Additionally, we estimate that about 5.8 million European-sourced passengers took a cruise in 2011, which was approximately the same size as the cruise segment of the North America vacation market in 1999. The number of European cruise passengers increased at a compound annual growth rate of approximately 10% from 2006 to 2011, as passenger capacity has been added. We believe that the cruise segment of the Europe vacation markets represent a significant growth opportunity for us, and we plan to continue introducing new ships into Europe over the next several years.

At January 23, 2012, our Europe brands represented 35% of our total passenger capacity, after excluding *Costa Concordia*. On January 13, 2012, *Costa Concordia* was grounded and, if repairable, it is expected to be out-of-service for the remainder of fiscal 2012 if not longer. As of January 23, 2012, seven ships under construction, with almost 21,200 berths, have been designated for our Europe brands.

The most popular location visited by European-sourced cruise guests in 2011 was the Mediterranean Sea, followed by other locations such as the Caribbean, Bermuda, Northern Europe (including Scandinavia and the Baltic Sea), the Atlantic Isles (including the Canary Islands and Madeira), the Arabian Gulf and Indian Ocean, the Far East, South America, New York, New England and Canada.

1. United Kingdom (“UK”)

The UK provides the largest number of cruise passengers sourced in Europe. Over 1.5 million UK passengers cruised in 2010, and we estimate that approximately 1.7 million passengers cruised in 2011. Cruising in the UK is an established alternative to land-based vacations. The number of UK cruise passengers increased at a compound annual growth rate of approximately 7.1% from 2006 to 2011. We believe that the cruise segment of the UK vacation market has growth potential for the cruise business because of low market penetration levels and other favorable cruise business characteristics.

P&O Cruises (UK) primarily sources its guests from the UK. Cunard primarily sources its guests from the UK and North America.



P&O Cruises (UK) is the most recognized and one of the most trusted cruise brands in the UK. With seven premium ships of differing sizes and another new ship scheduled to enter service in 2015, P&O Cruises (UK) offers a broad range of opportunities for British guests to “Discover a different world...” while still feeling very much at home. With the addition of the new 3,611-passenger capacity ship in 2015, P&O Cruises (UK)’s existing passenger capacity will grow by 25%.

The world of P&O Cruises (UK) is one that is tailored to those who enjoy today’s British tastes. P&O Cruises (UK) also offers a sense of occasion and intuitive attention to detail to ensure guests enjoy the holiday of a lifetime, every time they travel. Each ship offers the line’s signature style and service with “black tie” nights, silver service dining and West End-style theater shows and restaurants inspired by Michelin starred chefs, Marco Pierre White and Atul Kochhar. Three of its ships offer vacations exclusively for adults, while the other ships are well-suited for families.

P&O Cruises (UK)’s ships visit 255 destinations in 84 countries, with cruises generally from seven to 14 days, with a number of longer voyages, including three world cruises from 97 days to 109 days. P&O Cruises (UK)’s summer cruises primarily depart from Southampton, England to the Mediterranean Sea, the Baltic Sea, the Norwegian fjords and the Atlantic Isles. In the winter, P&O Cruises (UK) offers world cruises, cruises from the Caribbean and cruises departing from Southampton, England primarily to the Mediterranean Sea and the Canary Islands.

P&O Cruises (UK) celebrates its maritime traditions. For example, in July 2012 it will celebrate its 175th anniversary by bringing together the entire fleet in Southampton, England, for a procession that will make British maritime history.



Cunard, which was launched in 1839, operates three premium/luxury ships, *Queen Elizabeth*, *Queen Mary 2* and *Queen Victoria*, that evoke a golden era of luxurious cruising. During 2012, Cunard ships will primarily sail a variety of seasonal itineraries in Northern Europe, the Mediterranean and the Caribbean/Panama Canal as well as traditional transatlantic voyages. Most of Cunard's voyages are from seven to 14 days with two world cruises of over 105 days.

Cunard ships provide guests with the opportunity to relive the glory days of ocean travel featuring sophisticated five-star dining, luxurious accommodations and award-winning White Star Service. In addition, Cunard ships spotlight unique British-styled shipboard amenities, such as libraries, traditional British pubs and theaters. Cunard ships also feature exquisite dining in grills or exclusive restaurants, lounges with 270 degree views of the ocean and staterooms that are named after Cunard commodores who were knighted. Her Majesty the Queen is Godmother to both *Queen Mary 2* and *Queen Elizabeth* and Cunard celebrates unique ties to the British Royal Family. Together, these features further distinguish this historic brand from all others and have made Cunard ships the Most Famous Ocean Liners In The WorldSM.

2. Continental Europe

The main countries in continental Europe for sourcing cruise passengers are Germany, Italy, Spain and France. Together, these countries generated approximately 3.1 million cruise passengers in 2010 and we estimate that approximately 3.3 million passengers took a cruise in 2011. The German cruise business reached more than 1.3 million passengers in 2011 and is the second largest in Europe, after the UK. The Italian cruise business is the third largest in Europe with more than 930,000 passengers in 2011. The Spanish and French cruise businesses are the fourth and fifth largest in Europe with almost 680,000 passengers and 410,000 passengers in 2011, respectively. Cruising by passengers sourced from these main countries on a combined basis increased at a compound annual growth rate of approximately 12% from 2006 to 2011. We believe that the cruise segment of the continental Europe vacation markets have significant growth potential for the cruise business because the market penetration level is estimated at approximately one-third of North America's market penetration level and other favorable cruise business characteristics. We intend to increase our penetration in continental Europe primarily through Costa, AIDA and Ibero.

The primary sources of our guests for Costa are from Italy, France and Germany, while AIDA and Ibero source their guests primarily from Germany and Spain, respectively. Our Costa and Ibero cruise brands also market to, and provide cruise vacations in, South America, principally during the Northern Hemisphere's winter months, as discussed below.



Costa is Italy's and Europe's largest cruise line based on guests carried and passenger capacity and has operated for over 63 years. In 2011, Costa took delivery of one new cruise ship, *Costa Favolosa*, and now operates 14 contemporary ships, with two additional ships scheduled to enter service, one in May 2012 and one in October 2014. With these two new ship additions, Costa's existing passenger capacity will grow by 23%.

Costa's ships represent some of the best of Italy by offering beautiful Italian art, unique interior decoration with superb Italian mosaics, precious Murano chandeliers, fine Italian wines, an excellent Mediterranean food selection and unique shops that carry well-known Italian fashion brands. Costa attracts international guests due to its multi-lingual service and is considered in Europe and South America to be a top vacation provider. Costa is also known for offering innovative itineraries to combine the excitement of new destinations with the pampering onboard service and ambiance. The spectacular Samsara spa wellness center includes a dedicated restaurant and cabins with direct access to the spa.

Costa's 1.5 million guests in 2011 were sourced from 181 countries. In Germany, where we own and operate AIDA, Costa offers a more traditional cruise product catering to an older age demographic; hence, differentiating its product offerings from AIDA's.

Costa calls on 250 ports around the world, with 130 different itineraries, most from seven to 11 days. In the summer months, Costa deploys its ships in the Mediterranean and Northern Europe areas. In the winter months, Costa deploys its ships in the Mediterranean, South America, the Arabian Gulf, the Caribbean, the Red Sea and the Indian Ocean. See Part I, Item 1. Business. B. "Cruise Operations – Asia" for additional discussion of Costa's operations in Asia.



AIDA, which began operating in 1996, primarily sources its guests from Germany and is the leader and most recognized cruise brand in the German cruise business. AIDA operates eight contemporary ships, with four additional ships scheduled to enter service between 2012 and 2016. With these four new ship additions, AIDA's existing passenger capacity will grow by 77%.

Two of the new ships, one to be delivered in 2012 and one in 2013, are sister ships of the *AIDAblu* and *AIDAsol*. The remaining two ships scheduled for delivery in 2015 and 2016 are a new design and larger than AIDA's current generation of vessels, combining an advanced technological platform with innovative guest features. The larger 3,260-passenger capacity ships will also further develop AIDA's hallmark "Theatrium" and "Brauhaus" micro-brewery features.

AIDA's product is especially tailored for German-speaking guests, including German-speaking crew as well as German-style food and entertainment. AIDA offers an exceptionally relaxed, yet active, cruising experience with an emphasis on a healthy and youthful lifestyle, choice, informality, friendliness and activity. In addition, AIDA's ships include a variety of informal and formal dining options, including buffets, grills and exclusive restaurants.

AIDA offers its guests cruises generally from five to 14 days, while calling on approximately 174 ports. During the summer, the AIDA ships sail in the North Sea, the Baltic Sea, the Mediterranean, the Black Sea, New England and Canada. During the winter, AIDA ships sail in the Caribbean, Central America, South America, the Atlantic Isles, the Western Mediterranean, the Far East, the Arabian Gulf and the Red Sea.



Ibero began operations in 2003 and operates three contemporary cruise ships. Primarily all of Ibero's guests are sourced from Spain, Brazil and Argentina. Ibero's ships are especially tailored for Spanish-speaking guests, including Spanish-speaking crew as well as Mediterranean and Spanish-style food and entertainment. From spring until fall, Ibero's ships offer seven-day Mediterranean and Northern European sailings. For the Northern Hemisphere's fall and winter, all of Ibero's ships are repositioned to South America and offer cruises along the Brazilian and Argentine coasts (see "South America" discussion below).

Ibero's operating results are being adversely impacted by the weakness of the Spanish economy; however, we believe Ibero has good long-term growth prospects. See Note 10, "Fair Value Measurements, Derivatives Instruments and Hedging Activities" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K for additional discussion.

b. South America

Cruise vacations have been marketed to South Americans for many years, mainly to Brazilian- and Argentinean-sourced guests. Brazil and Argentina have a combined population of approximately 245 million, and we believe that their discretionary incomes will continue to grow in the future. More than 6 million Brazilian and Argentine tourists traveled abroad in 2011, and we expect this to increase to approximately 7.5 million in 2012. Based on industry data and our internal estimates, approximately 850,000 Brazilians and Argentines took a cruise vacation in 2011, of which almost 30% sailed on a Carnival Corporation & plc branded vessel primarily through our Costa and Ibero brands. We believe that the cruise segment of the South American vacation market has significant growth potential for the cruise business because the combined Brazilian and Argentine estimated market penetration levels are less than 1% and other favorable cruise business characteristics.

Cruises from South America typically occur during the Southern Hemisphere summer months of November through March. Costa and Ibero operate an aggregate of seven ships from home ports in Brazil and Argentina from November 2011 through March 2012.

c. Australia

Approximately 500,000 Australian and New Zealand passengers took cruise vacations in 2010, and we estimate that approximately 650,000 passengers cruised in 2011. Cruising by passengers from these countries increased at a compound annual growth rate of approximately 24% from 2006 to 2011. We believe that the cruise segment of the Australian vacation market has growth potential for the cruise business because of the low market penetration level and other favorable cruise business characteristics.

We serve this market primarily through the contemporary P&O Cruises (Australia) brand, which is the leading cruise line in Australia and New Zealand. Our premium brand Princess has a significant presence in the cruise segment of the Australian vacation market, and our Carnival Cruise Lines brand will enter year-round service in October 2012.



P&O Cruises (Australia) is the leading Australia cruise line, recognized by nine out of ten Australians as the brand synonymous with cruising. With 300,000 passengers annually, P&O Cruises (Australia) carried almost half of all Australia and New Zealand cruise passengers in 2011.

With almost 80 years of cruising experience, P&O Cruises (Australia) provides a quintessential holiday experience for Australians and New Zealanders. The onboard atmosphere is laid back with a focus on great food, friendly service and exciting entertainment. Its four contemporary ships offer cruises generally from seven to ten days for guests of all ages and have broad appeal to families, friends and couples. The 1,460-passenger capacity *Pacific Sun* was sold in December 2011 and will leave the fleet in July 2012.

The ships are home ported in a number of cities in Australia and New Zealand. P&O Cruises (Australia) sails to more South Pacific Island destinations than any other cruise line, which enables guests to discover the islands of the South Pacific from New Caledonia to Fiji. They also offer year round itineraries to Australia's magnificent coast line, New Zealand and parts of Southeast Asia.



Princess deploys two premium ships on a year-round basis and one ship on a seasonal basis on cruises departing from home ports in Australia. These ships visit the South Pacific Islands, Australia, New Zealand and Asia and the cruises generally are from 11 to 17 days, with one world cruise of over 100 days. Princess is primarily marketed in North America, so we consider it a North America cruise brand for our cruise segment reporting, even though these ships are marketed to Australians.



Beginning in October 2012, Carnival Cruise Lines will deploy *Carnival Spirit* in the cruise segment of the Australian vacation market on a year-round basis for cruises departing from the homeport of Sydney, Australia. *Carnival Spirit* offers cruises from eight to 12 days to the South Pacific Islands and New Zealand. Carnival Cruise Lines is primarily marketed in North America, so we consider it a North America cruise brand for our cruise segment reporting, even though this ship is marketed to Australians.

d. Asia

We began sourcing passengers from China in 2006. We source most of our Chinese guests from the cities of Beijing and Shanghai and the province of Guangdong, which have a combined population of over 145 million. Tourism is one of the most rapidly growing sectors in the Chinese economy as Chinese discretionary income has increased at a compound average growth rate of over 10% over the last five years. More than 65 million Chinese tourists traveled abroad in 2011. We believe the cruise segment of the Chinese vacation market has significant long-term growth potential for the cruise business given its early stage of development, large population, easing of travel restrictions, expanding international tourist travel and other favorable cruise business characteristics.



Costa Asia, which began its operations in 2006, currently operates *Costa Classica*, a 1,302-passenger capacity contemporary cruise ship. Commencing in May 2012, *Costa Classica* will be replaced with the larger 1,928-passenger capacity *Costa Victoria*. Costa Asia caters primarily to the Chinese and surrounding vacation markets and was the first international cruise line to home port a ship in China. Costa Asia's ship is especially tailored for Chinese-speaking guests, serving Asian style cuisine, offering Mahjong tables and providing well-known luxury brands in its retail shops.

Costa Asia offers its guests cruises generally from four to seven days. During the summer months, Costa Asia offers cruises departing from Shanghai and calling on ports in South Korea and Japan, appealing destinations for its Chinese guests. During the winter, Costa Asia sails from Hong Kong calling on ports in Vietnam and Taiwan. During the non-peak Chinese vacation months, Costa Asia offers longer Far East cruises primarily to Europeans.

IV. Ships Under Contract for Construction

As of January 23, 2012, summary information of our ships under contract for construction is as follows (a):

<u>Cruise Brands and Ships</u>	<u>Expected Service Date (b)</u>	<u>Passenger Capacity</u>
<u>North America</u>		
<u>Carnival Cruise Lines</u>		
<i>Carnival Breeze</i>	6/12	3,690
<u>Princess</u>		
<i>Royal Princess</i>	6/13	3,560
Newbuild	6/14	<u>3,560</u>
North America Cruise Brands		<u>10,810</u>
<u>EAA</u>		
<u>AIDA</u>		
<i>AIDAmar</i>	5/12	2,194
Newbuild	3/13	2,194
Newbuild	3/15	3,260
Newbuild	3/16	3,260
<u>P&O Cruises (UK)</u>		
Newbuild	4/15	3,611
<u>Costa</u>		
<i>Costa Fascinosa</i>	5/12	2,984
Newbuild	10/14	<u>3,674</u>
EAA Cruise Brands		<u>21,177</u>
		<u>31,987</u>

- (a) Our ship construction agreements cannot be cancelled by either party without cause, and such cancellation will subject the defaulting party to contractual liquidated damages.
- (b) The expected service date is the month that the ship is currently expected to begin its first revenue generating cruise. Our Carnival Cruise Lines, Costa, Princess and P&O Cruises (UK) ship construction contracts are with the Fincantieri shipyards in Italy. Our AIDA ship construction contracts are with Meyer Werft shipyard in Germany for the two smaller ships and Mitsubishi Heavy Industries in Japan for the two larger ships.

V. Cruise Ports and Destination Developments

Our cruise brands provide guests with a unique vacation experience and additional home ports through the development and management of new or enhanced cruise port facilities. Our involvement is usually in cooperation with governmental entities and typically includes providing development and management expertise and financial commitments that are connected to long-term port usage and preferential berthing agreements. However, sometimes we provide direct financial support or develop the port infrastructure ourselves, including the development of mixed-use commercial properties.

During 2011, we were in various stages of involvement with the development, enhancement and/or financing of government-owned and operated cruise port facilities in Galveston, Texas; Miami, Florida; New York City, New York; Port Everglades, Florida; San Juan, Puerto Rico and St. Maarten, Kingdom of the Netherlands. We also operate leased or owned port facilities or have interests in joint ventures that operate leased or owned port facilities in Barcelona, Spain; Civitavecchia, Naples, Savona and Trieste, Italy; Hamburg, Germany; Juneau, Alaska; Long Beach, California and Marseilles, France for the benefit of our cruise brands.

We also operate leased or owned port facilities that we developed as destinations in Cozumel, Mexico; Grand Turk, Turks and Caicos Islands and Roatán, Honduras, which are all included in our Cruise Support segment, as well as private island destinations in The Bahamas primarily for the benefit of our North America cruise brands. These destinations offer a variety of features, including shore excursions, cultural and historic exhibits, water sports and beaches, duty-free shopping and a variety of themed-dining options. These features come together to make these ports-of-call all-encompassing experiences.

VI. Cruise Ship Repair Facility

We own a 40% interest in Grand Bahamas Shipyard Ltd. (“GBSL”), which is the largest cruise ship dry-dock repair facility in the world, to support our ship maintenance programs. We utilize this facility, among other ship repair facilities, for our dry-dockings. This repair facility, located in Freeport, Grand Bahamas, has three dry-docks, which can accommodate ships up to 137,000 tons. As a result, our North America brand ships based in the Caribbean primarily use this facility given its proximity to their homeports. During 2011, we had 14 ships serviced at this facility. In addition, unaffiliated cruise ships and other types of ships, such as cargo and oil and gas tankers, were serviced at this facility. GBSL generated total revenues of \$128 million in 2011, with a large portion being derived from work on our cruise ships.

Royal Caribbean Cruises Ltd. (“RCCL”), one of our cruise competitors, also owns a 40% interest in GBSL and an entity owned by Grand Bahamas Port Authority owns the remaining 20%. We account for our investment in GBSL using the equity method, with our share of income or loss recorded in other nonoperating income or expense. Our total net investment in, including notes receivable from, GBSL was \$71 million at November 30, 2011. GBSL had an aggregate of \$138 million of outstanding debt to RCCL and us and \$1 million of outstanding debt under a revolving credit facility to a third party at November 30, 2011.

VII. Cruise Pricing and Payment Terms

Each of our cruise brands publishes prices for the upcoming seasons primarily through the internet. Prices vary by cruise line, by category of cabin, by ship, by season and by itinerary. Cruise prices frequently change in a dynamic pricing environment. Some cruise prices are reduced through special promotions, early booking or past guest recognition programs. Conversely, some cruise prices are increased due to higher demand.

Historically, our advance bookings have generally been taken from several months in advance of the departure date for our contemporary brand sailings, to more than a year in advance for some of our premium and luxury brand sailings. Generally, the longer the cruise itinerary the further in advance the bookings are made. This lead time provides us with more time to manage our prices in relation to demand for available cabins through the use of advanced revenue management capabilities and other initiatives, with the strategy of filling our ships while achieving the highest possible overall net revenue yields. Some of our fares, such as Carnival Cruise Lines’ Early Saver, Costa’s Pronto Price Savings and Holland America Line’s Early Advantage and Mariner Savings fares, are designed to encourage potential guests to book cruise reservations earlier. In addition, we have the ability to change ship itineraries over time to maximize our net revenue yields. (See “Key Performance Non-GAAP Financial Indicators” in our Management Discussion and Analysis of Financial Condition and Results of Operations in Exhibit 13 to this Form 10-K).

The cruise ticket price typically includes accommodations, most meals, some non-alcoholic beverages and most onboard entertainment such as the use of, or admission to, a wide variety of activities and facilities including nightclubs, theatrical shows, movies, parties, a jogging track, a health club, swimming pools, sun decks, whirlpools and saunas. Our brands’ payment terms generally require that a guest pay a deposit to confirm their reservation with the balance due before the departure date. In addition, some of our European brands provide certain of their travel agents and tour operators with credit terms that allow them to pay us a certain period of time after they collect cruise ticket payments from our guests but typically prior to sailing.

Our guests are subject to a cancellation fee if they have not paid a vacation protection premium for the ability to obtain a refund if they cancel their cruise within a pre-defined period for sailing. We record this cancellation fee income in cruise passenger ticket revenues upon cancellation. Guests who pay a vacation protection premium for the ability to obtain a refund will receive all or a portion of their deposit value back in cash or in the form of a future cruise credit, in accordance with the terms of the program. We record this vacation protection premium in other revenues.

Currently, AIDA, Cunard and P&O Cruises (UK) are charging fuel supplements, which are recorded in cruise passenger ticket revenues. We reserve the right to reinstate our fuel supplements in our other brands and will continue to monitor our markets and review our position based upon the appropriate facts and circumstances.

As a convenience to our guests, we offer to arrange air transportation to and from airports near the home port. When a guest elects to purchase air transportation from us, both our revenues and expenses generally increase by approximately the same amount. Air transportation prices typically vary by gateway, destination and other ticket restrictions. In 2011, approximately 11% of our guests purchased air transportation from us. We believe this relatively low percentage is partially a result of having embarkation points close to our guests’ homes and partially due to the wide availability of competitively priced air tickets sold by third parties. In addition, for some of our European brands’ cruise itineraries we charter aircraft to facilitate our guests’ travel to distant locations. We also offer transfers from and to the airport as part of these air programs, as well as to other guests who may need this transfer service.

VIII. Onboard and Other Revenues

Onboard and other activities are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee. We earn onboard and other revenues from activities and services not included in the cruise ticket price consisting of, but not limited to, liquor and some non-alcoholic beverage sales, shore excursions, casino gaming, gift shop sales,

photo sales, full service spas and internet and phone services. We use various marketing and promotional tools and are supported by point-of-sale systems permitting “cashless” transactions for the sale of these onboard products and services.

Sales to our guests of shore excursions at each ship’s ports of call include, among other things, general sightseeing, adventure outings and local boat and beach parties. We typically utilize locally-owned operators who provide shore excursions based on the local price points and with guides who speak the same languages as most of our shore excursion guests. For Holland America Line and Princess ships sailing to destinations in Alaska, shore excursions are operated by Holland America Princess Alaska Tours, as well as locally-owned operators. We also offer revenue-producing activities on the private islands and port destinations that we operate.

Our casinos are all owned and operated directly by us and are equipped according to the needs of the individual brands, ships and itineraries. We offer a wide variety of slot machines and an equally diverse mix of both traditional and specialty table games. The casinos are only open when our ships are at sea in international waters or when otherwise permitted by law.

In conjunction with our cruise vacations, many of our cruise brands sell pre-and post-cruise land packages of one to four nights that include, among other things, guided tours, hotels and related transportation services. Vacation packages offered in conjunction with ships based in North America include nearby attractions or other vacation destinations, such as individual/multiple city tours of Boston, Massachusetts; New York City, New York; Seattle, Washington; San Diego, California and Vancouver, British Columbia. Vacation packages offered in conjunction with ships based in Europe include stays in well-known European cities such as Athens, Greece; Barcelona, Spain; Copenhagen, Denmark; London, England; Paris, France and Rome and Venice, Italy.

In conjunction with our Alaska cruise vacations, principally on our Holland America Line and Princess ships, we sell pre-and post-cruise land packages, utilizing, to a large extent, our hotel and transportation assets, which revenues are included in our Tour and Other segment.

IX. Sales Relationships

We sell our cruises mainly through travel agents, including wholesalers and tour operators, that serve our guests in their local areas. We believe travel agents are an integral part of our long-term cruise distribution network. Our individual cruise brands’ relationships with their travel agents are generally independent of each of our other brands, except for certain brands sourcing UK and Australian guests as discussed below. Our travel agent relationships are not exclusive and travel agents generally receive a base commission, plus the potential of additional commissions based on the achievement of pre-defined sales volumes. Most travel agents also sell cruises and other vacations provided by our competitors. We motivate travel agents to support our products with competitive sales and pricing policies and joint marketing and advertising programs. We also employ a wide variety of trade marketing techniques, including websites, seminars and videos, to familiarize agents with our cruise brands and products. Substantially all of our cruise brands offer interactive online and other education courses for travel professionals who want to continue learning about the cruise business and how to effectively sell our cruise products and services. During fiscal 2011, no controlled group of travel agencies accounted for 10% or more of our revenues.

We are a customer service driven company and continue to invest in our service organization to assist travel agents and guests. We believe that our support systems and infrastructure are among the strongest in the vacation industry. Our investment in customer service includes the development of employees, processes and systems. We continually improve our systems within the reservations and customer relationship management functions, emphasizing the continuing support and training of the travel agency community, while simultaneously developing greater contact and interaction with our high-value guest base.

All of our cruise brands have their own websites, that provide access to information about its products to users throughout the world and enable their guests to quickly and easily book vacations. In addition, all of our brands have developed internet booking engines to allow travel agents to book our cruises, air transportation, land transfers, shore excursions, pre-and post-cruise tours and, in some cases, other onboard activities. We also support travel agent booking capabilities through global distribution systems. We estimate that over 70% of our bookings from travel agents are made electronically. Also, as part of our efforts to increase efficiency and improve the embarkation process for our guests, most of our brands offer their guests the ability to generate their own electronic ticket documents via their websites.

In the UK and Australia, we have formed a sales alliance known as “Complete Cruise Solution,” whereby our UK and Australian sales forces and back-office operations combine to provide travel agents with one-stop cruise shopping for a number of our brands. In North America, we also raise consumer and travel agent awareness through the “World’s Leading Cruise Lines” alliance for our cruise brands that source guests from this market.

X. Marketing Activities

Each of our brands has comprehensive marketing and advertising programs, which are independent of each other, to promote their products to vacationers and travel agents. They typically market and promote their brands, not their ships, as each brand strives to have a relatively consistent product. Each brand’s marketing activities are designed to reach a local market in the local language while maintaining consistency within each brand’s overall strategy and web presence. The principal mediums used for marketing and advertising are television, magazine, radio, outdoor billboards, direct mail, e-mail, online websites and social media.

We continue to expand our use of digital marketing and social media (Facebook, Twitter, YouTube, etc.) to help us cultivate guests as fans of our brands, ships, itineraries and onboard services. Carnival Cruise Lines was the first cruise line to exceed one million “Likes” on Facebook. We also have blogs hosted by ship captains, cruise and entertainment directors, executive pursers and special guests. We use Twitter to enhance our customer service and as part of our public relations strategies to inform the press, popular bloggers, fans and brand advocates of new developments and breaking news stories.

All of our cruise brands offer their own past guest recognition programs through which they reward repeat guests with special incentives such as reduced fares, gifts, expedited ship embarkation and disembarkation and onboard activities. Our cruise brands continue to offer new enhancements and benefits to these past guest recognition programs.

Customer feedback and research is also a critically important element in the development of our overall marketing and business strategies. We have electronic and manual processes for measuring and understanding key drivers of customer loyalty and satisfaction that provide valuable insight about their cruise experience. We regularly initiate customer research studies among both guests and travel agents to assess the impact of various programs and to solicit feedback to help make business decisions.

XI. Seasonality

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

XII. Competition

We compete with land-based vacation alternatives throughout the world, including hotels, resorts (including all-inclusives), theme parks, organized tours, land-based casinos and vacation ownership properties. Our primary cruise competitors for North American-sourced guests are RCCL, which owns Royal Caribbean International (“RCI”) and Celebrity Cruises (“Celebrity”), Norwegian Cruise Line (“NCL”), Disney Cruise Line (“Disney”) and MSC. Our primary cruise competitors for European-sourced guests are MSC, RCI, Celebrity, NCL, Pullmantur Cruises (“Pullmantur”), Louis Cruises, Disney and TUI Cruises, which is jointly owned by RCCL and TUI AG. Our primary cruise competitors for guests sourced from other parts of the world, such as Australia, South America and Asia are RCI, Celebrity, Pullmantur and Star Cruises. In selected markets, our brands also compete amongst themselves.

XIII. Governmental Regulations

a. Maritime Regulations

1. General

The international, national, state and local laws, regulations, treaties in force and other legal requirements applicable to our operations change regularly, sometimes on a daily basis, depending on the itineraries of our ships and the ports and countries visited. Our ships, which are registered in The Bahamas, Bermuda, Italy, Malta, the Netherlands, Panama, Portugal and the UK, are regulated by these jurisdictions and are required to comply with the international conventions that govern health, environmental, safety and security matters in relation to our guests, crew and ships. Each country of registry conducts periodic inspections, or appoints ship classification societies to conduct periodic inspections on their behalf, to verify compliance with these regulations. In addition, the requirements of the European Union (“EU”), the U.S. and the many other international ports that our ships visit apply to some aspects of our ship operations.

Our ships are also subject to periodic class surveys, including dry-docking inspections, by ship classification societies to verify that our ships have been maintained in accordance with the rules of the classification societies and that recommended repairs have been satisfactorily completed. Dry-dock frequency is a statutory requirement controlled under the International Convention for Safety of Life at Sea (“SOLAS”). Under SOLAS, a passenger ship is required to dry-dock twice in five years and the maximum duration between each dry-dock cannot exceed three years. Most of our ships qualify under special exemptions to dry-dock once in every three or five years. Dry-docking, which requires that the ship be temporarily taken out-of-service, typically lasts for one or more weeks depending on the amount of work performed.

As noted above, our ships are subject to inspection by the port regulatory authorities in the various countries that they visit. Such inspections include verification of compliance with the maritime safety, security, environmental, customs, immigration, health and labor regulations applicable to each port as well as with international requirements. For example, in U.S. ports these authorities include the U.S. Coast Guard and U.S. Customs and Border Protection and in Canada, the Canadian Coast Guard. In EU ports, the Paris Memorandum of Understanding authorizes the enforcement of internationally accepted conventions through Port State Control

Inspections by 27 Marine Administrations. In UK ports, these authorities include the Maritime and Coastguard Agency, the Department for Transport's Transport Security team, otherwise known as TRANSEC and the Port Health Authority.

We believe maritime safety, security, environmental, health and labor issues will continue to be areas of focus by relevant government authorities worldwide where our cruise ships operate and, accordingly, will likely subject us to increasing compliance costs in the future.

Although not required by regulations, we voluntarily publish annual Sustainability Reports that address governance, commitments, stakeholder engagement, environmental, labor, human rights, society, product responsibility, economic and other sustainability-related issues and performance indicators. These reports, which can be viewed at www.carnival.com and www.carnivalplc.com, were developed in accordance with the Sustainability Reporting Guidelines established by the Global Reporting Initiative, the global standard for reporting on environmental, social and governance policies, practices and performance. This reporting augments the annual environmental management reporting initiative that we began in 2005.

2. Maritime Safety Regulations

The International Maritime Organization ("IMO"), a specialized agency of the United Nations, has adopted safety standards as part of SOLAS, which apply to all of our ships. Among other things, SOLAS establishes requirements for vessel design, structural features, construction methods and materials, refurbishment standards, life-saving equipment, fire protection and detection, safe management and operation and security in order to help ensure guest and crew safety and security. All of our crew undergo regular safety training exercises which meet all international maritime regulations. SOLAS requirements are periodically revised for both new and existing ships.

SOLAS includes the International Safety Management Code ("ISM Code"), which provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code is mandatory for passenger vessel operators. All of our shoreside and shipboard operations and ships are regularly audited by national authorities and maintain the required certificates of compliance with the ISM Code.

As previously discussed, following *Costa Concordia's* accident, we announced a comprehensive audit and review of all safety and emergency response procedures across all our brands to identify lessons learned and best practices to further ensure the safety and security of all of our passengers and crew. Additionally, the HESS Committees are engaging outside industry-leading experts in the fields of emergency response, organization, training and implementation to conduct an audit of all of our emergency response and safety procedures and to conduct a thorough review of the accident.

3. Maritime Security Regulations

Our ships are subject to various security requirements, including the International Ship and Port Facility Security Code ("ISPS Code", a part of SOLAS); the U.S. Maritime Transportation Security Act of 2002, which addresses port and waterway security and the U.S. Cruise Vessel Security and Safety Act, which will phase in through 2013 and applies to all of our ships that embark or disembark passengers in the U.S. These maritime security regulations require that, among other things, we implement specific security measures; conduct vessel security assessments; identify and deter security threats; and develop security plans that may include passenger, vehicle and baggage screening procedures, security patrols, establishment of restricted areas, personnel identification procedures, access control measures and installation of surveillance equipment. We are in compliance with these maritime security regulations.

4. Maritime Environmental Regulations

We are subject to numerous international, national, state and local environmental laws, regulations and treaties that govern, among other things, air emissions, waste discharge, water management and disposal and the storage, handling, use and disposal of hazardous substances such as chemicals, solvents and paints. In addition to the existing legal requirements, we are committed to helping to preserve the environment because a clean, unspoiled environment is a key element that attracts guests to our ships. If we violate or fail to comply with environmental laws, regulations or treaties, we could be fined, or otherwise sanctioned, by regulators. We have made, and will continue to make, capital and other expenditures to comply with environmental laws, regulations and treaties.

Our environmental efforts are focused on, among other things, reducing emissions such as greenhouse gases ("GHGs") (for example, carbon dioxide ("CO₂") or carbon dioxide equivalents ("CO₂e")), sulfur oxide ("SO_x") and nitrogen oxide ("NO_x"). These emissions result from the combustion of the marine fuels consumed by our ships, which accounts for substantially all of our GHGs and other emissions. Further, improving fuel consumption or saving energy is a key business strategy. Our strategy for saving energy is addressed through the environmental management systems of our brands. In addition, we look to design more energy efficient ships that will enter our fleet in the future, while continuing to reduce the fuel consumption of our existing fleet. Some components of our strategy include installing some of the best available energy reduction technologies on our ships and researching and developing alternative fuel and emission reduction technologies. In addition to improving fuel consumption or saving energy, we actively research new abatement technologies for use onboard our ships in order to reduce GHG and other emissions.

In our Sustainability Report, we measure our ability to use direct energy efficiently by calculating the amount of primary source energy we consume. One of our key objectives is to reduce fuel consumption by our ships, the primary energy source. We control our GHG and other emissions by managing our energy consumption. Our ship fuel consumption and emission rates are as follows:

<u>Measure</u>	<u>Units</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Percentage Reduction Since 2008</u>
Ship Fuel Consumption Rate	Grams Fuel/ALB-KM (a)	96	100	104	(7.7)%
Ship Fuel GHG Emission Rate	Grams CO ₂ e/ALB-KM (b)	303	315	327	(7.3)%
SOx Emissions Rate	Kg SOx/NM (c)	15.2	16.0	16.1	(5.6)%
NOx Emissions Rate	Kg NOx/NM (c)	23.4	24.2	24.8	(5.6)%

- (a) We measure and report the fuel consumption rate in terms of grams of fuel per available lower berth kilometer (“ALB-KM”). This indicator enables us to make meaningful fuel consumption comparisons that take into account changes in fleet size, itineraries and passenger capacity.
- (b) We measure and report the fuel GHG emission rate in terms of grams of CO₂e per ALB-KM. This indicator enables us to make meaningful GHG emission reduction comparisons that take into account changes in fleet size, itineraries and passenger capacity.
- (c) We measure emission rates in terms of total kilograms (“Kg”) of emissions per nautical mile (“NM”). Using an emissions rate normalized by distance traveled allows us to compare our pollutant reduction efforts over the reporting periods.

The table above shows that from 2008 to 2010 we have continued to reduce our fuel consumption and emission rates.

i. International Regulations

The most important environmental convention governing ships is the IMO International Convention for the Prevention of Pollution from Ships (“MARPOL”). This convention includes requirements designed to prevent and minimize both accidental and operational pollution by oil, sewage, garbage and air emissions. Many countries have ratified and adopted IMO Conventions that, among other things, impose liability for pollution damage, subject to defenses and to monetary limits. Monetary limits do not apply where the spill is caused by the owner’s actual fault or by the owner’s intentional or reckless conduct. All of our ships must carry an International Oil Pollution Prevention Certificate, an International Sewage Pollution Prevention Certificate, an International Air Pollution Prevention Certificate and a Garbage Management Plan. These certificates and plan are issued by the ship’s state of registry and evidence our compliance with the MARPOL regulations regarding oil, sewage and air pollution prevention.

Recently adopted amendments to MARPOL will make the Baltic Sea a “Special Area” where sewage discharges from passenger ships will be restricted. These amendments are expected to enter into force in January 2013. These new requirements may impact our operations unless suitable port waste facilities are available, or new technologies for onboard waste treatment are developed. These new requirements have not yet been finalized, but we do not expect the costs of compliance to be significant.

In jurisdictions that have not adopted the IMO Conventions, various national, regional or local laws and regulations have been established to address oil and waste pollution.

The International Organization for Standardization (“ISO”) is an international standard-setting body, which produces worldwide industrial and commercial standards. The environmental management systems of all of our cruise brands are certified in accordance with ISO 14001, which is an environmental management standard that was developed to help organizations manage the environmental impacts of their processes, products and services. By presenting a structured approach to setting environmental objectives and targets, ISO 14001 provides a framework for any organization to apply these broad conceptual tools to their own processes.

ii. U.S. Federal and State Regulations

The U.S. Act to Prevent Pollution from Ships, which implements the MARPOL convention, provides for severe civil and criminal penalties related to ship-generated pollution for incidents in U.S. waters within three nautical miles and in some cases within the 200-mile exclusive economic zone.

The U.S. Oil Pollution Act of 1990 (“OPA 90”) provides for strict liability for water pollution, such as oil pollution or possible oil pollution incidents in the 200-mile exclusive economic zone of the U.S., subject to defined monetary limits. OPA 90 requires that in order for us to operate in U.S. waters, we must have Certificates of Financial Responsibility from the U.S. Coast Guard for each of our ships. We have these certificates that demonstrate our ability to meet the maximum amount of liability that our ships could be subject to for removal costs and damages related to water pollution, such as from an oil spill or a release of a hazardous substance.

The Clean Water Act of 1972 and other laws and regulations provides the U.S. Environmental Protection Agency (“EPA”) with the authority to regulate commercial vessels’ incidental discharges of ballast water, bilge water, gray water, anti-foulant paints and other substances during normal operations within the U.S three mile territorial sea and inland waters.

The U.S. National Pollutant Discharge Elimination System was designed to minimize pollution within U.S. territorial waters. For our

ships, all of the requirements are laid out in the Vessel General Permit (“VGP”), which are an EPA requirement. The VGP establishes effluent limits for 26 specific discharges incidental to the normal operation of a vessel. In addition to these discharge and vessel specific requirements, the VGP includes requirements for inspections, monitoring, reporting and record-keeping.

Most U.S. states that border navigable waterways or sea coasts have also enacted environmental regulations that impose strict liability for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law and in some cases have no statutory limits of liability.

The state of Alaska enacted legislation which prohibits certain discharges in designated Alaskan waters, ports or near shorelines and requires that certain discharges be monitored to verify compliance with the standards established by the legislation. Both the state and federal environmental regimes in Alaska are more stringent than the federal regime under the Federal Water Pollution Control Act with regard to discharge from vessels. The legislation also provides that repeat violators of the regulations could be prohibited from operating in Alaskan waters.

iii. EU Regulations

Over the past 30 years, the EU has adopted a substantial and diverse range of environmental measures aimed at improving the quality of the environment for European citizens and providing them with a high quality of life. To support the implementation and enforcement of European environmental legislation, the EU has adopted directives on environmental liability and enforcement and a recommendation providing for minimum criteria for environmental inspections.

The European Commission’s (“EC”) strategy is to reduce atmospheric emissions from seagoing ships. The EC strategy seeks to implement SOx Emission Control Areas set out in MARPOL. In addition, the EC goes beyond the IMO by introducing requirements to use low sulfur (less than 0.1%) marine gas oil in EU ports and other areas. The EC also seeks to press for tighter NOx emission standards.

iv. Low Sulfur Fuel Regulations

In January 2012, MARPOL reduced the limits on global sulfur fuel content from 4.5% to 3.5%, which has not had a significant impact on our fuel costs.

MARPOL establishes requirements for Emission Control Areas (“ECAs”) with stricter limitations on sulfur emissions in these areas. Currently, ships operating in the Baltic Sea ECA and the North Sea/English Channel ECA are required to use fuel with a sulfur content of no more than 1% or use alternative emission reduction methods. Compliance with these requirements has not had a significant impact on our fuel costs because we do not currently have a significant number of itineraries in these areas. Beginning in August 2012, the North American ECA, which extends around the U.S. and Canada out to 200 nautical miles on the east, west and gulf coasts, as well as the Hawaiian Islands, will become the next area subject to these ECA requirements.

Based on 2012 itineraries and projected fuel consumption as well as current fuel prices and technologies, we estimate that compliance with the requirements of the North American ECA will increase our annual fuel costs by approximately \$35 million to \$45 million. Beginning in January 2014, certain waters adjacent to the coasts of Puerto Rico and the U.S. Virgin Islands will become an ECA, but we do not believe this will result in a significant impact on our fuel costs. Other additional ECAs may be established in the future, such as for areas around Australia, Japan, the Mediterranean Sea and Mexico.

From January 2015 and thereafter, the fuel sulfur content limit in ECAs will be further reduced to 0.1%. Compliance with these requirements will further increase our fuel costs. Based on 2012 itineraries and projected fuel consumption as well as current fuel prices and technologies, we estimate that the implementation of the 0.1% low sulfur content requirement in all four currently designated ECAs will increase our annual fuel costs by approximately an additional \$175 million to \$195 million.

Under current laws, the global limit on fuel sulfur content outside of ECAs will be further reduced to 0.5% from 3.5% on and after January 2020. The 0.5% standard will be subject to an IMO review by 2018 to determine the availability of fuel oil to comply with this standard, taking into account the global fuel oil market supply and demand, an analysis of trends in fuel oil markets and any other relevant issues. If the IMO determines that there is insufficient fuel to comply with the 0.5% standard in January 2020, then this requirement will be delayed to January 2025, at the latest. We believe that compliance with the 0.5% standard could significantly increase our fuel costs. However, the magnitude is not reasonably determinable at this time due to the length of time until the standard becomes effective and the other mitigating factors discussed below.

The cost impacts from implementing progressively lower sulfur content requirements may be mitigated by, among other things, the favorable impact of future changes in the supply and demand balance for marine and other fuels, future developments of and investments in sulfur emission abatement and propulsion technologies, including more advanced engines, more effective hull coatings and paints, enhanced exhaust gas treatment systems and propeller design, more efficient shipboard systems, the use of alternative lower cost and lower emission fuels, such as liquefied natural gas and new fuel conservation initiatives, including engine performance improvements, air conditioning efficiency improvements, new itinerary options, increased energy use awareness and training, more efficient lighting,

voyage optimization tools and improved evaporator management to reduce fuel consumption.

As part of our emission abatement program, we have worked with local port authorities and the EPA to assist in the development and construction of shore power connections in Juneau, Alaska; Long Beach, Los Angeles, San Francisco and San Diego, California; Seattle, Washington and Vancouver, British Columbia and have equipped 15 ships with shore power technology. We expect to work with other port authorities in the future to implement additional shore power connections. This technology enables our ships to use power from the local electric grid rather than running their engines while in port to power their onboard services, and thus reducing our air emissions.

v. Greenhouse Gas Emissions

We have voluntarily set a reduction target of 20% from our 2005 baseline of CO₂ emission rate from shipboard operations by 2015. We have already reached a reduction of over 14%. Each of our cruise brands have established objectives, targets and plans within their respective ISO 14001 environmental management systems to reduce fuel consumption rates and resulting CO₂ emission rates.

We voluntarily participated in the Carbon Disclosure Project (“CDP”), which provides visibility of companies’ carbon footprints and activities regarding carbon emissions. The CDP rates companies on the depth and scope of their disclosures and the quality of their reporting. Our submission included details of our most recently compiled emissions data and reduction efforts, along with our completion of an independent, third-party verification of our GHG emissions inventory. We have been named to the Carbon Disclosure Leadership Index since 2008.

In July 2011, MARPOL was amended to include mandatory measures to reduce emissions of GHGs from international shipping. These measures require the use of an Energy Efficiency Design Index (“EEDI”) for new ships and a Ship Energy Efficiency Management Plan (“SEEMP”) for all ships. EEDI requirements do not apply to our existing ships and ships under contract for construction. However, these requirements will apply to future newbuilds, but we do not expect the cost of implementation to be material. All of our ships will be required to establish a SEEMP by January 2013. We do not believe the cost of implementing SEEMPs will be significant.

5. Maritime Health Regulations

We are committed to providing a healthy environment for all of our guests and crew. We collaborate with public health inspection programs throughout the world, such as the Centers for Disease Control and Prevention in the U.S., the SHIPSAN Project in the EU and the National Health Surveillance Agency in Brazil to ensure that development of these programs leads to enhanced health and hygiene onboard our ships.

Through our collaborative efforts, we work with the authorities to develop and revise guidelines, review plans and conduct on-site inspections for all newbuilds and significant existing ship renovations. In addition, we continue to maintain our ships by meeting, and often exceeding, applicable public health guidelines and requirements, complying with inspections, reporting communicable illnesses and conducting regular crew training and guest education programs.

6. Maritime Labor Regulations

In 2006, the International Labor Organization (“ILO”), an agency of the United Nations that develops and oversees international labor standards, adopted a new Consolidated Maritime Labor Convention (“MLC 2006”). MLC 2006 contains a comprehensive set of global standards based on those that are already found in 68 maritime labor Conventions and Recommendations adopted by the ILO since 1920. It brings almost all of these Conventions and Recommendations together in a single new Convention. MLC 2006 includes a broad range of requirements, such as a broader definition of a seafarer, minimum age of seafarers, medical certificates, recruitment practices, training, repatriation, food, recreational facilities, health and welfare, hours of work and rest, accommodations and wages and entitlements. While many of the practices were widely adhered to by ships registered in different countries, MLC 2006 will add requirements not previously in effect, particularly in the area of occupational safety and health.

Thirty member countries representing 33% of the world’s merchant ship tonnage are required to ratify MLC 2006 before it goes into effect 12 months after such ratification. MLC 2006 is expected to enter into force in 2013. We already comply with many of the provisions of this new Convention and will be fully compliant when it becomes mandatory. We expect that compliance with MLC 2006 will further increase our annual ship operating costs by an additional \$20 million to \$30 million.

The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (“STCW”), as amended, establishes minimum standards relating to training, certification and watchkeeping for our seafarers. We are compliant with the requirements of STCW.

b. Consumer Regulations

Our ships that call on U.S. ports are regulated by the Federal Maritime Commission (“FMC”). Public Law 89-777, which is administered by the FMC, requires all our cruise brands that call on U.S. ports and embark or disembark guests in U.S. ports to establish financial responsibility for their liability to passengers for non-performance of transportation, for personal injury and for loss of life. The FMC’s regulations require that a cruise line demonstrate its financial responsibility for non-performance of transportation through a guarantee,

escrow arrangement, surety bond or insurance. Currently, the amount required must equal 110% of the cruise line's highest amount of customer deposits over a two-year period, up to a maximum coverage level of \$15 million. In order to comply with this requirement, we have an aggregate of \$75 million of guarantees provided by some of our insurers. Our Protection and Indemnity coverages are used to establish our financial responsibility for personal injury and loss of life.

In some cases in the UK, we are currently required to obtain licenses from and post bonds with various organizations in connection with the conduct of our business and our ability to meet our liabilities in the event of non-performance of obligations to consumers. The most significant requirement relates to ABTA, formally known as the Association of British Travel Agents, which requires us to maintain approximately \$130 million of sterling-denominated bonds to cover certain of our brands' UK customer deposits. We are also required to pay to the UK Civil Aviation Authority a non-refundable £2.50 fee per guest when we arrange a flight as part of a cruise vacation.

In certain other jurisdictions, we are also required to establish financial responsibility, such as obtaining a guarantee from a reputable insurance company to ensure that, in case of insolvency, our guests will be refunded their deposits and repatriated without additional cost if insolvency occurs after a cruise starts.

XIV. Financial Information

For financial information about our cruise reporting segments and geographic information with respect to each of the three years in the period ended November 30, 2011, see Note 11, "Segment Information" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K.

C. Employees

Our shoreside operations have an average of 9,800 full-time and 4,500 part-time/seasonal employees. We also employ an average of approximately 77,000 crew members, including officers, onboard the 99 ships we currently operate. Holland America Princess Alaska Tours increases its work force during the late spring and summer months in connection with the Alaskan cruise season, employing additional seasonal personnel, which have been included above. We have entered into agreements with unions covering certain employees on our ships and in our tour operations. We consider our employee and union relations to be generally good. The percentages of our shipboard and shoreside employees that are represented by collective bargaining agreements are 24% and 14%, respectively.

We source our shipboard officers primarily from Italy, the UK, Holland, Germany and Norway. The remaining crew positions are manned by persons from around the world. We utilize manning agencies in many countries and regions to help secure our shipboard employees.

Our cruise brands are committed to providing appropriate marine-related training to ensure that our shipboard crew, including officers, has the knowledge and skills to perform their jobs properly. We have a maritime training facility near Amsterdam, Netherlands that employs state-of-the-art simulation equipment and instructional tools to provide our crew with training in fixed propeller and azipod maneuvering, engine control room operations, bridge resource management, ship stability, emergency preparedness and other maritime skills. In addition, we established the European Cruise Academy in Rostock, Germany, which offers certified bachelor and master degree programs, as well as advanced training certificates, in the maritime sciences primarily related to the cruise business.

D. Suppliers

Our largest purchases are for fuel, travel agency services, food and beverages, air transportation services, port facility utilization, repairs and maintenance, including dry-docking, advertising and marketing, hotel and restaurant products and supplies, communication services and the construction and refurbishment of our ships.

Although we utilize a select number of suppliers for most of our food and beverages, communication services, air transportation services and hotel and restaurant products and supplies, most of these products and services are available from multiple sources at competitive prices. The use of a select number of suppliers enables us to, among other things, obtain volume discounts. We purchase fuel and port facility services at some of our ports-of-call from a limited number of suppliers.

We perform our major dry-dock and ship improvement work at a number of dry-dock facilities in The Bahamas, Europe, the U.S., Canada, Singapore and Australia. As of January 23, 2012, we have agreements in place for the construction of ten cruise ships with three shipyards. We believe there are sufficient dry-dock and shipbuilding facilities to meet our anticipated repair, maintenance, refurbishment and newbuild requirements.

E. Insurance

I. General

We maintain insurance to cover a number of risks associated with owning and operating our vessels and other non-ship related risks. All such insurance policies are subject to coverage limits, exclusions and deductible levels. Insurance premiums are dependent on our own

loss experience and the general premium requirements of our insurers, and upon renewal, some premiums for certain of our coverages are expected to increase as a result of *Costa Concordia's* January 13, 2012 accident. We maintain certain levels of self-insurance for all the below-mentioned coverages, some of which have increased in recent years, and we may increase our self-insurance levels further to mitigate future premium increases. We do not carry coverage related to loss of earnings or revenues from our ships or other operations.

II. Protection and Indemnity (“P&I”) Coverages

Liabilities, costs and expenses for illness and injury to crew, guest injury, pollution and other third party claims in connection with our cruise activities, are covered by our P&I clubs, which are mutual indemnity associations owned by ship owners. We are members of the Standard Steamship Owners’ Protection and Indemnity Association (Europe) Ltd. and The Steamship Mutual Underwriting Association (Bermuda) Limited P&I clubs. The P&I clubs that we participate in are part of a worldwide group of P&I clubs, known as the International Group of P&I Clubs (the “IG”). The IG insures directly and through reinsurance markets a large portion of the world’s shipping fleets. Coverage is subject to the P&I clubs’ rules and the limits of coverage are determined by the IG.

III. Hull and Machinery Insurance

We maintain insurance on the hull and machinery of each of our ships for reasonable amounts as determined by management. The coverage for hull and machinery is provided by international marine insurers. Most insurers make it a condition for insurance coverage that a ship be certified as “in class” by a classification society that is a member of the International Association of Classification Societies (“IACS”). All of our ships have been certified within the last twelve months to be in class by an IACS member.

IV. War Risk Insurance

We maintain war risk insurance for legal liability to crew, guests and other third parties as well as loss or damage to our vessels arising from war or war-like actions, including terrorist incidents. Items excluded from this coverage are claims arising from chemical, nuclear and biological attacks. Our primary war risk insurance coverage is provided by international marine insurers and our excess war risk insurance is provided by our two P&I clubs. Under the terms of our war risk insurance coverage, which is typical for war risk policies in the marine industry, insurers can give us seven days notice that the insurance policies will be cancelled. However, the policies can be reinstated at different premium rates. This gives insurers the ability to increase our premiums following events that they determine have increased their risk.

V. The Athens Convention

In 2013, the European Union Passenger Liability Regulation will become effective. This will incorporate the 2002 protocol to the Athens Convention and will require us to maintain compulsory insurance or other financial security, such as a guarantee from a bank, for liability for passenger death or personal injury. We expect this coverage will be provided by our P&I clubs, other than a sublimit required for terrorist or war-like incidents. It is not yet certain what form of compulsory insurance or financial guarantee will be available to provide this sublimit coverage, but we do not believe the cost will be significant.

VI. Other Insurance

We maintain property insurance covering our shoreside assets and casualty insurance covering liabilities to third parties arising from our tour business, shoreside operations and port facilities. We also maintain workers compensation, employee health, directors and officers liability and other insurance coverages.

F. Trademarks and Other Intellectual Property

We own and have registered or licensed, numerous trademarks and domain names, which we believe are widely recognized throughout the world and have considerable value. These intangible assets enable us to distinguish our cruise products, ships and programs from those of our competitors. Our trademarks include the trade names of our cruise brands, each of which we believe is a widely-recognized brand in the cruise business, as well as our ship names and a wide variety of cruise services and products. We have entered into licenses, including a license to use the P&O name, the P&O flag and other relevant trademarks and domain names in relation to cruising and related activities. We also have a license to use the “*Love Boat*” name and related marks. See Note 10, “Fair Value Measurements, Derivatives Instruments and Hedging Activities” to our Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates – Asset Impairments” in Exhibit 13 to this Form 10-K for additional discussion of our trademarks.

G. Taxation

The following is a summary of our principal taxes and exemptions. Income taxes in other jurisdictions where we do business are nominal. In addition to or in place of income taxes, virtually all jurisdictions where our ships call impose taxes and/or fees based on guest counts, ship tonnage, passenger capacity or some other measure. These taxes and/or fees are included in other ship operating expenses in our consolidated financial statements.

I. U.S. Income Tax

We are primarily foreign corporations engaged in the business of operating cruise ships in international transportation. We also own and operate, among other businesses, the U.S. hotel and transportation business of Holland America Princess Alaska Tours through U.S. corporations.

Our North American cruise ship businesses and certain ship-owning subsidiaries are engaged in a trade or business within the U.S. Depending on the itinerary of any particular ship, that ship may generate income from sources within the U.S. We believe that our U.S. source income and the income of our ship-owning subsidiaries, to the extent derived from, or incidental to, the international operation of a ship or ships, is currently exempt from U.S. federal income and branch profits tax.

Our domestic U.S. operations, principally the hotel and transportation business of Holland America Princess Alaska Tours, are subject to state and federal income taxation in the U.S.

a. Application of Section 883 of the Internal Revenue Code

In general, under Section 883 of the Internal Revenue Code, certain non-U.S. corporations (such as our North American cruise ship businesses) are not subject to U.S. federal income tax or branch profits tax on U.S. source income derived from, or incidental to, the international operation of a ship or ships. Applicable U.S. Treasury regulations provide, in general that a foreign corporation will qualify for the benefits of Section 883 if, in relevant part, (i) the foreign country in which the foreign corporation is organized grants an equivalent exemption to corporations organized in the U.S. (an “equivalent exemption jurisdiction”) and (ii) the foreign corporation meets a defined publicly-traded test. Subsidiaries of foreign corporations that are organized in an equivalent exemption jurisdiction and meet the publicly-traded test also benefit from Section 883. We believe that Panama is an equivalent exemption jurisdiction and Carnival Corporation currently qualifies as a publicly-traded corporation under the regulations. Accordingly, substantially all of Carnival Corporation’s income is exempt from U.S. federal income and branch profits tax.

Regulations under Section 883 list items that the Internal Revenue Service (“IRS”) does not consider to be incidental to ship operations. Among the items identified as not incidental is income from the sale of air transportation, transfers, shore excursions and pre- and post-cruise land and tour packages to the extent earned from sources within the U.S.

b. Exemption Under Applicable Income Tax Treaties

We believe that the U.S. source transportation income earned by Carnival plc and its UK and Italian resident subsidiaries currently qualifies for exemption from U.S. federal income tax under applicable bilateral U.S. income tax treaties.

c. U.S. State Income Tax

Carnival Corporation and Carnival plc and certain of their subsidiaries are subject to various U.S. state income taxes generally imposed on each state’s portion of the U.S. source income subject to U.S. federal income taxes. However, the state of Alaska imposes an income tax on its allocated portion of the total income of our companies doing business in Alaska and certain of their subsidiaries.

II. UK and Australian Income Tax

Cunard, P&O Cruises (UK) and P&O Cruises (Australia) are divisions of Carnival plc, which have elected to enter the UK tonnage tax regime. Companies to which the tonnage tax regime applies pay corporation taxes on profits calculated by reference to the net tonnage of qualifying ships. UK corporation tax is not chargeable under the normal UK tax rules on these brands’ relevant shipping income. Relevant shipping income includes income from the operation of qualifying ships and from shipping related activities.

For a company to be eligible for the regime, it must be subject to UK corporation tax and, among other matters, operate qualifying ships that are strategically and commercially managed in the UK. Companies within UK tonnage tax are also subject to a seafarer training requirement.

Our UK non-shipping activities that do not qualify under the UK tonnage tax regime remain subject to normal UK corporation tax. Dividends received from subsidiaries of Carnival plc doing business outside the UK are generally exempt from UK corporation tax.

Substantially all of P&O Cruises (Australia)’s income is exempt from Australian corporation taxes by virtue of the UK/Australian income tax treaty.

III. Italian, German, Portuguese and Spanish Income Tax

Carnival plc’s German and Spanish brands, AIDA and Ibero, are both divisions of Costa. Effective through fiscal 2014, Costa is entered into the Italian Tonnage Tax regime and Costa intends to reapply for an additional ten-year period beginning 2015. This regime taxes Costa’s, AIDA’s and Ibero’s shipping profits, as defined, which are principally all of their earnings, calculated by reference to the net tonnage of their qualifying ships.

Most of Costa's and AIDA's earnings not considered to be shipping profits for Italian Tonnage Tax purposes, will be taxed at an effective tax rate of approximately 6% under the Italian tax regime since all of their ships are Italian registered. The majority of AIDA's earnings are exempt from German corporation taxes by virtue of the Italy/Germany income tax treaty.

All of Ibero's ships are registered in Portugal. Provided certain local employment requirements are satisfied, most of Ibero's income that is not considered to be shipping profits for Italian Tonnage Tax purposes was exempt from Portuguese income tax through 2011 and, in 2012, will be subject to Portuguese income tax at an effective rate of 3%, which will gradually increase to 5% in 2020. Ibero's Spanish operations are minimal and, therefore, its Spanish income taxes are minimal.

IV. Brazilian and Mexican Income Tax

From November through March, Costa charts certain of its ships for operation in Brazil to a Brazilian subsidiary. The subsidiary's earnings are subject to Brazilian resident income tax, and we believe payments this subsidiary makes to Costa are exempt from Brazilian income tax under Brazilian domestic law and the Italy/Brazil income tax treaty.

The operation of our port facility in Mexico is subject to the tax regime applicable to Mexican resident businesses.

H. Website Access to Carnival Corporation & plc SEC Reports

Our Form 10-K, joint Quarterly Reports on Form 10-Q, joint Current Reports on Form 8-K, joint Proxy Statement related to our annual stockholders meeting, Section 16 filings and all amendments to those reports are available, free of charge on our home pages at www.carnivalcorp.com and www.carnivalplc.com and on the SEC's home page at www.sec.gov as soon as reasonably practicable after we have electronically filed or furnished these reports with the SEC. The content of any website referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

Item 1A. Risk Factors.

You should carefully consider the specific risk factors set forth below and the other information contained or incorporated by reference in this Form 10-K, as these are important factors, among others, that could cause our actual results to differ from our expected or historical results. Some of the statements in this item and elsewhere in this Form 10-K are "forward-looking statements." For a discussion of those statements and of other factors to consider see the "Cautionary Note Concerning Factors That May Affect Future Results" section below.

- *General economic and business conditions may adversely impact consumer demand for vacations and, consequently, reduce our cruise brands' net revenue yields and profitability.*

Demand for cruises is in part dependent on the underlying perceived or actual economic strength of the countries from which cruise companies source their guests. Adverse changes in the perceived or actual economic climate, such as higher unemployment and underemployment rates, declines in income levels, securities, real estate and other market declines and volatility, increasing taxation, higher fuel prices and healthcare costs, more restrictive credit markets, higher interest rates and changes in governmental regulations, could reduce our potential vacationers' discretionary incomes, net worth or their consumer confidence. Consequently, this may negatively affect demand for vacations, including cruise vacations, which are a discretionary purchase. Decreases in demand could lead to price reductions which, in turn, could reduce the profitability of our business. These ticket price reductions may result in a less affluent guest base, and decreases in discretionary income or consumer confidence, all of which could also result in lower onboard revenues, which could also have a negative effect on our net revenue yields and profitability.

- *Increases in fuel prices may adversely affect our operations, financial condition and liquidity.*

Economic, market and political conditions in certain parts of the world, including fuel demand and supply disruptions and related infrastructure needs, make it difficult to predict the future price and availability of fuel. Fuel costs accounted for 21%, 18% and 14% of our cruise operating expenses in 2011, 2010 and 2009, respectively. Future increases in the global price of fuel would increase the cost of our cruise ship operations as well as some of our other expenses, such as crew travel, freight and commodity prices. We may be unable to implement additional fuel conservation initiatives and other best practices or increase ticket prices and collect fuel supplements, which would help to fully or partially offset these fuel price increases.

To mitigate a portion of our economic risk attributable to potentially significant fuel price increases, we recently implemented a fuel derivatives program. To date under this program, we have bought Brent crude oil ("Brent") call options and sold Brent put options, collectively referred to as zero cost collars that established ceiling and floor Brent prices. These derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices. In addition, there can be no assurance that our fuel derivatives program will provide a sufficient level of protection against increases in fuel prices or that our counterparties will be able to perform, such as in the case of a counterparty bankruptcy. The zero cost collars will reduce our benefit if Brent prices drop below the floor. Also, the fuel derivative contracts may create significant volatility in our U.S. GAAP earnings due to volatility in fuel prices over the contracts' terms. Furthermore, volatility in fuel prices could have a material adverse effect on our operations, financial condition and liquidity.

Finally, we believe that our land-based vacation competitors' operating costs are less affected by fuel price increases than cruise companies. Accordingly, fuel price increases may adversely impact cruise companies more than their land-based competitors.

- *Accidents, the spread of contagious diseases and threats thereof, adverse weather conditions or natural disasters and other incidents affecting the health, safety, security and satisfaction of guests and crew could have an adverse effect on our sales and profitability.*

The operation of cruise ships, hotels, land tours, port facilities and shore excursions involve the risk of accidents, including those caused by the improper operation of our ships, motorcoaches and trains, guest and crew illnesses, such as from the spread of contagious diseases, mechanical failures, fires, collisions, groundings, navigational errors, oil spills and other environmental mishaps, and other incidents at sea or while in port or on land, which may cause injury and death, or the alteration of itineraries or cancellation of a cruise or series of cruises or tours. Although we place guest and crew safety as the highest priority in all our operations, our ships have been involved in accidents and other incidents in the past (for example, the January 13, 2012 grounding of *Costa Concordia*). We may experience similar incidents in the future. These types of incidents may bring into question guest and crew health, safety, security and satisfaction and may adversely affect our sales and profitability, may result in additional costs to our business, litigation against us and increasing government or other regulatory oversight.

In particular, our ability to effectively and efficiently operate shipboard and shoreside activities may be impacted by widespread public health issues/illnesses or health scares resulting in, among other things, reduced demand for cruises and cruise cancellations and employee absenteeism that could have an adverse effect on our sales and profitability. For example, a severe outbreak of the influenza virus or some other pandemic could, among other things, disrupt our ability to embark/disembark passengers and crew, disrupt air travel to and from ports, increase costs for prevention and treatment and adversely affect our supply chain. This could also adversely impact cruise demand in areas unaffected by such an outbreak.

Our cruise ships, hotels, land tours, port facilities, shore excursions and other service providers may be impacted by adverse weather patterns or natural disasters, such as hurricanes, earthquakes, tornados, tsunamis and volcanic eruptions. These events could result in, among other things, increased port related and other costs. It is possible that we could be forced to alter itineraries or cancel a cruise or a series of cruises or tours due to these or other factors, which would have an adverse effect on our sales and profitability.

The frequency of extreme weather events such as hurricanes and floods, which may be caused by climate change, may not only cause disruption, alteration, or cancellation of cruises but may also adversely impact commercial airline flights, other transport and shore excursion activities or prevent our guests from electing to cruise altogether. Such extreme weather events may also disrupt the supply of provisions, fuel and shore power, and may limit our ability to safely embark and disembark our guests. In addition, these extreme weather conditions could result in increased wave and wind activity, which would make it more challenging to sail and dock our ships and could cause sea/motion sickness among guests and crew. These events could have an adverse impact on the safety and guest satisfaction of cruising and could have an adverse impact on our sales and profitability. Finally, these extreme weather conditions could cause property damage to our ships, port facilities and other assets and impact our ability to obtain insurance coverage for operations in such areas at reasonable rates.

Furthermore, some of the same factors that impact our guests' decisions to cruise with us may also impact our ability to employ qualified crew.

- *The international political climate, armed conflicts, terrorist and pirate attacks, vessel seizures and threats thereof, and other world events affecting the safety and security of travel could adversely affect the demand for cruises and could harm our future sales and profitability.*

Demand for cruises and other vacation options has been and is expected to continue to be affected by the public's attitude towards the safety and security of travel. Factors including, but not limited to, the September 11, 2001 terrorist attacks in the U.S., threats of additional terrorist attacks, drug-related violence in Mexico, pirate attacks and vessel seizures off the coast of Africa, national government travel advisories, political instability in North Africa, the Middle East and elsewhere and general concerns over the safety and security aspects of traveling have had a significant adverse impact on demand and pricing in the travel and vacation industry in the past and may have an adverse impact in the future. Decreases in demand could lead to price reductions, which in turn could reduce our profitability.

- *Negative publicity concerning the cruise business in general or us in particular, including any adverse environmental impacts of cruising, could impact the demand for cruises, affect our reputation and harm our future sales and profitability.*

Accidents and incidents involving cruise ships, and, in particular our cruise ships (including the January 13, 2012 grounding of *Costa Concordia*), media coverage thereof, as well as adverse media publicity concerning the cruise vacation industry in general, or unusual weather patterns or natural disasters or disruptions, such as hurricanes and earthquakes, could impact demand for our cruises. In addition, any events which impact the travel industry more generally may negatively impact guests' ability or desire to travel to or from our ships, or interrupt our ability to obtain services and goods from key vendors in our supply chain. Any of the foregoing could have an adverse impact on our result of operations and on future industry performance.

Maintaining a good reputation is critical to our business. Reports of ship accidents (for example, media coverage of the January 13, 2012 grounding) and other incidents at sea or while in port, including missing guests, improper conduct by our employees, guests or agents, crimes, crew and guest illnesses such as incidents of stomach flu, parasitic outbreaks or other contagious diseases, security breaches, terrorist threats and attacks and other adverse events can result in negative publicity, which could lead to a negative perception regarding the safety of our ships and the satisfaction of our guests. In addition, negative publicity regarding adverse environmental impacts of cruising, such as climate change and oil spills, could diminish our reputation. Social media has increased the ways in which our reputation can be impacted, and the speed with which it can occur. Anything that damages our reputation, whether or not justified, could have an adverse impact on demand, which could lead to price reductions and a reduction in our sales and profitability.

- *Litigation, enforcement actions, fines or penalties, including those relating to Costa Concordia's incident, could adversely impact our financial condition or results of operations and damage our reputation.*

Our business is subject to various international laws and regulations that could lead to enforcement actions, fines, civil or criminal penalties or the assertion of litigation claims and damages. In addition, improper conduct by our employees or agents could damage our reputation and lead to litigation or legal proceedings that could result in significant awards or settlements to plaintiffs and civil or criminal penalties, including substantial monetary fines. Such events could lead to an adverse impact on our financial condition or results of operations.

On January 13, 2012, *Costa Concordia* grounded off the coast of Isola del Giglio, Italy and sustained significant damage. There were 16 casualties, a number of injuries and 16 people remain missing, as of January 26, 2012. The ship remains grounded and partially submerged off the coast. The cause of the accident is currently under investigation by the Italian authorities.

As a result of this accident, litigation claims, enforcement actions and regulatory actions and investigation, including but not limited to those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding area, may be asserted or brought against various parties including us. The time and attention of our management may also be diverted in defending such claims, actions and investigations. Subject to applicable insurance coverage, we may also incur costs both in defending against any claims, action and investigations and for any judgments, fines, civil or criminal penalties if such claims, actions or investigations are adversely determined.

- *We are subject to many economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs and could harm future sales and profitability.*

Some of our operating costs, including, but not limited to, food, payroll, port costs, repairs and maintenance, security and other commodity-based items are subject to increases because of market forces, economic or political instability or circumstances beyond our control. In addition, interest rates, currency exchange rate fluctuations and our ability to obtain debt or equity financing are dependent on many economic, market and political factors. Increases in operating or financing costs could adversely affect our results because we may not be able to recover these increased costs through price increases charged to our guests and such increases may adversely impact our liquidity and credit ratings.

It is possible that jurisdictions or ports of call that we regularly visit may also decide to assess new taxes or fees or change existing taxes or fees specifically targeted to the cruise business, its employees and guests, including, but not limited to, value added taxes on cruise tickets and onboard revenues and changes in the scope of income that is includable within tonnage tax regimes, which could increase our operating costs and could decrease the demand for cruises and ultimately decrease our net revenue yields and net income. For example, in 2010 Spain imposed a value-added tax on the sale of certain onboard goods and services.

- *Changes in and compliance with environmental laws and regulations could adversely affect our operations and thus impact our profitability.*

Some environmental groups have lobbied for more stringent regulation of cruise ships. Some groups have also generated negative publicity about the cruise business and its environmental impact. Various agencies and regulatory organizations have enacted or are considering new regulations or policies, such as requirements to use lower sulfur content fuels and stricter emission limits to reduce GHG effects, which could adversely impact the cruise business. See Part I, Item 1. Business. B. "Cruise Operations- Governmental Regulations - Maritime Regulations" for additional information regarding these risks.

The IMO has amended the MARPOL regulations to reduce emissions from ships. As described in "Maritime Environmental Regulations" as referenced above, these changes will result in reductions in ship sulfur oxide emissions by requiring progressive reductions in the sulfur content in fuel or the use of abatement technologies. These limits will be further reduced in designated ECAs, including ECAs that have been or could be proposed in other prime cruising areas, such as around Australia, Japan, the Mediterranean Sea and Mexico. As a result of these amendments, low sulfur fuel may be less available because of increased demand, and the cost of such fuel may increase. If utilized, new sulfur emissions abatement technologies may also increase costs. The increase in fuel prices impacts not only our fuel costs, but also some of our other expenses, including, but not limited to, crew and guest travel, freight, and commodity prices and may have an adverse impact on our profitability.

Initiatives to limit GHG emissions have recently been introduced in Australia and are being considered in several European countries. Similarly, numerous other bills related to climate change have been introduced in the U.S. Congress, which could adversely impact our business. For example, while not all are likely to become law, there are indications that additional climate change related mandates could be forthcoming, and they may significantly impact our costs, including, among other things, increasing fuel prices, including new taxes on bunker fuel, establishment of costly emissions trading schemes and increasing newbuild and operational costs.

Current and future environmental laws and regulations, or liabilities arising from past or future releases of, or exposure to, hazardous substances or vessel discharges, including ballast water and waste disposal, could materially increase our cost of compliance or otherwise adversely affect our business, results of operations and financial condition.

- *Changes in and compliance with laws and regulations relating to the protection of persons with disabilities, employment, health, safety, security and other regulations under which we operate could increase our costs.*

We are subject to various international, national, state and local laws, regulations, treaties and employee union agreements related to, among other things, persons with disabilities, employment, health, safety and security. Failure to comply with these laws and regulations could lead to enforcement actions, fines, civil or criminal penalties or the assertion of litigation claims and damages. We believe that relevant government authorities in the U.S., Europe and elsewhere will continue to focus on these areas. Accordingly, new legislation, regulations or treaties, or changes thereto, could impact our operations and would likely subject us to increased compliance costs in the future. In addition, training of crew may become more time consuming and may increase our operating costs due to increasing regulatory requirements applicable to our operations.

- *Changes in income tax laws and regulations and income tax treaties may adversely affect the taxation of our shipping income and our profitability.*

We believe that substantially all of the income earned by Carnival Corporation, Carnival plc and their ship owning or operating subsidiaries qualify for taxation based on ship tonnage, is exempt or is subject to minimal taxes in the jurisdictions where the entities are incorporated or do business.

We believe that Panama and the jurisdictions where the ship owning and operating subsidiaries of Carnival Corporation are formed are equivalent exemption jurisdictions for purposes of Section 883 of the Internal Revenue Code. The laws of Panama and the other jurisdictions where our ships are owned or operated are subject to change and, in the future, may no longer qualify as equivalent exemption jurisdictions.

The IRS interpretation of Section 883 could differ materially from ours. In addition, provisions of the Internal Revenue Code, including Section 883, are subject to legislative change at any time. Moreover, changes could occur in the future with respect to the trading volume or trading frequency of Carnival Corporation shares. Accordingly, it is possible that Carnival Corporation and its ship-owning or operating subsidiaries whose tax exemption is based on Section 883 could lose this exemption.

There is no authority that directly addresses the effect, if any, of a DLC arrangement on the availability of benefits under treaties and, accordingly, their application to our operations is not free from doubt. The applicable treaties may be revoked by either applicable country, replaced or modified with new agreements that treat income from international operation of ships differently than the agreements currently in force or may be interpreted by one of its countries differently from us.

If we did not qualify for tonnage tax, exemption, treaties or minimal taxes, or if the laws that provide for these tax systems were changed, we would have significantly higher income tax expense. In many jurisdictions, the benefit of tonnage tax or preferential tax regimes would be replaced with taxation at normal statutory rates. In the absence of Section 883 or an applicable income tax treaty in the U.S., we would be subject to the net income and branch profits tax regimes of Section 882 and Section 884 of the Internal Revenue Code. In combination, these provisions would result in the taxation of our U.S. source shipping income, net of applicable deductions, at a federal corporate income tax rate of up to 35%, state income tax rates would vary and our net after-tax income would be potentially subject to a further branch profits tax of 30%.

We are subject to the continual examination of our income tax returns by tax authorities in the jurisdictions where we operate. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcome from these examinations will not adversely affect our net income.

As budgetary constraints continue to adversely impact the jurisdictions in which we operate, increases in income tax regulations affecting our operations may be imposed. We continue to monitor global administrative, legislative and judicial tax related developments and evaluate a variety of possible courses of action based upon such developments. However, there is no assurance that such actions, if taken, will successfully mitigate adverse income tax consequences.

- *Our ability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations could reduce our profitability. In addition, we expect increases in our repairs and maintenance expenses and refurbishment costs as our fleet ages.*

The construction, repair, maintenance and refurbishment of cruise ships are complex processes and involve risks similar to those encountered in other large and sophisticated construction, repair, maintenance and refurbishment projects, which could cause delays and cost overruns in completing such work. As our fleet ages, our repair and maintenance expenses will increase, such as the required 25 year survey that is more exhaustive and thus may require additional repair and maintenance work to be performed. In addition, work stoppages, insolvencies or other financial difficulties at the shipyards and their subcontractors and suppliers who build, repair, maintain or refurbish our ships could also delay or prevent the delivery of our ships under construction and prevent or delay the completion of the refurbishment, repair and maintenance of existing ships in our fleet. These events could adversely affect our profitability. However, the impact from a delay in delivery of our newbuilds is expected to be partially mitigated by contractual provisions and bank guarantees that we require shipyards to provide to us. In addition, the consolidation of the control of certain cruise shipyards or cruise shipyard voluntary capacity reductions or insolvencies could result in less shipyard availability thus reducing competition and increasing prices. Finally, the lack of qualified shipyard repair facilities could result in the inability to repair and maintain our ships on a timely basis, which could also result in reduced profitability.

Also, the European shipyards that build most of our ships are currently eligible to benefit from governmental support of innovation, development, employment and export credit financing that expire in 2013. There is no assurance that such eligibility will be extended or renewed and, therefore, we may incur higher vessel purchase prices.

As of November 30, 2011, we had not entered into any foreign currency forwards or options to fix a portion of the cost in U.S. dollars or in sterling of three of our euro-denominated shipbuilding contracts. However, if we were to enter into these types of forwards or options in the future, and if the shipyards with which we have contracted are unable to perform, these foreign currency forwards and options related to the shipyards' shipbuilding contracts would still have to be honored. This might require us to realize a loss on existing foreign currency forwards and options without an offsetting gain on our foreign currency denominated shipbuilding contracts, thus resulting in an adverse effect on our financial results.

Since substantially all our newbuild costs are priced in euros, the ability to purchase ships for our North America and UK brands at favorable U.S. dollar and sterling prices, respectively, is adversely impacted as a result of the weaker U.S. dollar and weaker sterling compared to the euro. This can result in higher newbuild costs and reduced profitability for our North America and UK brands. In addition, the prices of various commodities that are used in the construction of ships, such as steel, can be subject to volatile price changes and, accordingly, the cost of future newbuilds may increase, which could have an adverse impact on our profitability.

In connection with our shipbuilding contracts, we do not anticipate any contractual breakage or cancellations on our part. However, if any were to occur, it could result in, among other things, the forfeiture of our payments and the imposition of contractual liquidated damages.

- *Lack of continuing availability of attractive, convenient and safe port destinations could adversely affect our net revenue yields and net income.*

We believe that attractive, convenient and safe port destinations, including ports that are not overly congested with tourists, are major reasons why our guests choose a cruise versus an alternative vacation option. The continuing availability of these types of ports, including the specific port facility at which our guests will embark and disembark, is affected by a number of factors including, but not limited to, existing capacity constraints (particularly during the Caribbean winter months), security, safety and environmental concerns, adverse weather conditions and natural disasters, financial limitations on port development, political instability, exclusivity arrangements that ports may have with our competitors, local governmental regulations and fees and local community concerns about both port development and other adverse impacts on their communities from additional tourists. The inability to continue to utilize, maintain, rebuild, if necessary, and increase the number of ports that our ships call on could adversely affect our net revenue yields and net income.

- *Continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain is essential to allowing us to profitably operate our business. In addition, reductions in the availability of, and increases in the prices for, the services and products provided by these vendors can adversely impact our net income.*

The majority of our guests book their cruises through independent travel agents, including wholesalers and tour operators. These parties generally sell and market our cruises on a nonexclusive basis. Our competitors may offer higher commissions and incentives in the future, and thus adversely impact our business. Significant disruptions, contractions or consolidations to our travel agent distribution system, such as those caused by a reduction in travel and related commission income as a result of an economic slowdown could have an adverse effect on our sales and profitability. In addition, we extend normal credit terms to certain of our larger European travel agents and tour operators and, accordingly, if such agents and operators cannot repay their debts to us, it will adversely impact our cash flows and operations. For example during 2011, certain European travel agents and tour operators have experienced liquidity concerns for a variety of reasons and, accordingly, it is possible that we could experience credit losses related to these and other agents and operators in the future.

Some of our guests depend on scheduled or chartered commercial airline services to transport them to or from the airports near the ports where our cruises embark and disembark. Changes or disruptions in commercial or chartered airline services as a result of strikes, financial instability or viability, adverse weather conditions, airport delays or other events or the lack of availability due to schedule

changes or a high level of airline bookings could adversely affect our ability to deliver guests to or from our cruise ships and increase our cost of sales which would, in turn, have an adverse effect on our results of operations. In addition, increases in the prices of airfares would increase the overall vacation price to our guests and may adversely affect demand for our cruises.

Economic downturns may impact the financial viability of other key vendors in our supply chain and the interruption in the services or goods we purchase from them could adversely impact our operations and profitability.

- *Disruptions and other damages to our information technology and other networks and operations and breaches in data security could result in decreases in our net income.*

Our ability to increase revenues and control costs, as well as our ability to serve guests most effectively depends in part on the reliability of our information technology (“IT”) systems and other networks. We use IT, communications and other systems among other things, to manage our inventory of cabins held for sale and set pricing in order to maximize our revenue yields and to optimize the effectiveness and efficiency of our shoreside and shipboard operations. Gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, causing operational disruptions and other cyber-related risks could adversely impact our guest services and satisfaction, employee relationships and our reputation.

These potential disruptions and denial-of-service attacks could negatively affect costs, customer demand and pricing for our cruises. In addition, the operation and maintenance of these networks is in some cases dependent on third-party technologies, systems and service providers for which there is no certainty of uninterrupted availability. While we have and continue to invest in IT and other security initiatives and disaster recovery plans, these measures cannot completely insulate us from disruptions that could result in adverse effects on our operations and profitability.

- *We may lose business to competitors throughout the vacation market, which could adversely affect our operations and financial condition.*

We face significant competition from other cruise brands on the basis of cruise pricing, the types and size of ships, services and destinations being offered to cruise guests. We try to differentiate ourselves from our cruise competitors by offering a wide variety of brands, itineraries, products and services to our guests, but the acceptance of each offering is not certain and consumers’ preferences are always subject to change. In addition, we may choose to enhance our older ships with innovative amenities and improvements in order for those ships to be more competitive with other cruise ships. Also, during the winter season ships that operate in the Caribbean face increased competition as our brands, as well as our competitors, redeploy vessels to the Caribbean, which results in a seasonal increase in passenger capacity that may adversely impact our profitability.

In addition, we operate in the vacation market and cruising is only one of many alternatives for people choosing a vacation. We therefore risk losing business not only to other cruise lines, but also to vacation operators that provide other travel and leisure options, including, but not limited to, hotels, resorts, theme parks, organized tours, land-based casino operators and vacation ownership properties.

In the event that we do not compete effectively with other cruise companies and other vacation alternatives, our results of operations and financial condition could be adversely affected.

- *Overcapacity in the cruise ship or land-based vacation industry could have a negative impact on our net revenue yields and increase operating costs, thus resulting in ship, goodwill and trademark asset impairments, all of which could adversely affect profitability.*

Although cruising capacity has grown at a slower pace in recent years, we expect it to continue to increase over the next few years. The overall vacation market may also face increases in land-based vacation capacity, which may impact us as well. We aim to fill our new capacity at favorable revenue yields despite the new competing cruise and land-based capacity growth. Should net revenue yields be negatively impacted, our results of operations and financial condition could be adversely affected, including the impairment of the value of our ships, goodwill and trademark assets. In addition, increased cruise capacity could impact our ability to retain and attract qualified crew, including officers, at competitive rates and, therefore, increase our shipboard operating costs.

- *The loss of key personnel or our ability to recruit or retain qualified personnel could adversely affect our results of operations.*

We rely upon the ability, expertise, judgment, discretion, integrity and good faith of our senior management team. Our success is dependent upon our personnel and our ability to recruit and train high quality employees. We must continue to recruit, retain and motivate management and other employees sufficient to maintain our current business and support our projected growth. The loss of services of any of our key management could have a material adverse effect on our business.

The leadership of our Chairman and Chief Executive Officer, Mr. Arison, and our Vice-Chairman and Chief Operating Officer, Mr. Frank, and other executive and senior officers has been a critical element of our success. The death or disability of Mr. Arison or Mr. Frank or other extended or permanent loss of their services, or any negative market or industry perception with respect to them or arising from their loss, could have an adverse effect on our business. Our other executive and senior officers and other members of management have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect us. We are not protected by key man or

similar life insurance covering members of our executive and senior management. We do not have employment agreements with substantially all of our officers.

- *Union disputes and other employee relation issues could adversely affect our financial results.*

Some of our employees are represented by labor unions in a number of countries under various collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate these collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage on our ships in the future. We may also be subject to work stoppages unrelated to our business or collective bargaining agreements. Any such work stoppages or potential work stoppages could have a material adverse effect on our financial results.

- *The impact of disruptions in the global financial markets or other events may negatively affect the ability of our counterparties and others to perform their obligations to us and thus, adversely affect our financial position and results of operations.*

The ability of our counterparties, primarily associated with our cash equivalents, investments, committed ship financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, to perform may adversely impact us if any of their financial positions weaken materially or they suffer other financial disruptions.

- *Our success depends upon the continued strength of our cruise brands and our ability to implement our brand strategies.*

We believe that our cruise branding has contributed significantly to the success of our business and that maintaining and enhancing our branding is critical to expanding their customer base. In addition, the ability of our brands to successfully target different segments of the vacation markets in which they operate enables them to strengthen their business. Failure to protect our brands from infringers could have a material adverse effect on our business and results of operations.

- *Our international operations are subject to additional risks not generally applicable to our U.S. operations and may result in increased costs and risks and adversely affect our financial position and results of operations.*

Our international operations are subject to additional risks including, but not limited to, adverse changes in foreign countries' political systems; social unrest; restrictions and taxes on the withdrawal of foreign investment and earnings and other payments by subsidiaries; government policies against the cruise, vacation or maritime businesses; local cabotage requirements; anti-bribery laws or regulations; investment restrictions or requirements; diminished ability to legally enforce our contractual rights in foreign countries and commercial instability caused by corruption. In addition, our international operations may also be subject to adverse changes in foreign exchange restrictions, fluctuations in foreign currency exchange rates and changes in or application of foreign taxation structures including duties and value-added taxes. In addition, if a significant country leaves the euro currency system in a non-orderly manner, it is possible that this could have a significant impact on our operations. If we are unable to address these risks adequately, our financial position and results of operations could be adversely affected.

Operating internationally exposes us to numerous and sometimes conflicting legal and regulatory requirements. In many parts of the world, including countries in which we operate, practices in the local business communities might not conform to international business standards. We may not be successful in ensuring that our employees and other representatives stationed throughout the world properly adhere to our policies or applicable laws or regulations. Failure to adhere to our policies or applicable laws or regulations could result in penalties, sanctions, damage to our reputation and related costs which in turn could negatively affect our results of operations and cash flow.

- *Geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect, thus resulting in the slower growth of our business.*

As we expand our global presence it requires, among other things, investments and start-up costs. We may not recover our investments in these markets and we cannot be certain that these markets will ultimately develop as we expect. Accordingly, our business expansion may not produce the returns that we had expected. For instance, the Chinese market, which we entered in 2006, is developing slower than originally expected.

- *Our decisions to self-insure against various risks or the inability to obtain insurance for certain risks at reasonable rates could result in higher expenses.*

We seek to maintain comprehensive insurance coverage at commercially reasonable rates. We believe that our current coverage is adequate to protect us against most of the significant risks involved in the conduct of our business, although we do elect to self-insure or use higher deductibles for substantially all the insurable risks we face in order to minimize the cost of our insurance policies. Accordingly, we are not protected against all risks, such as loss of use of *Costa Concordia*, which could result in unexpected increases in our expenses in the event of an incident. We attempt to mitigate our risks that are not covered by insurance, although we cannot be certain such processes and procedures will be successful. Further, significant incidents could result in higher insurance premiums commencing on the policy renewal dates.

We may also be subject to additional premium costs in amounts based not only on our own claim records but also on the claim records of all other members of the P&I associations through which we receive indemnity coverage for tort liability. We are also subject to additional P&I premium assessments for various reasons including, but not limited to, investment or underwriting shortfalls experienced by our P&I clubs. In addition, if we or other shipowners sustain significant losses, our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

Finally, we cannot be certain that affordable and viable direct and reinsurance markets will be available to us in the future.

- *Fluctuations in foreign currency exchange rates could adversely affect our financial results.*

We earn revenues, pay expenses, purchase and own assets and incur liabilities in currencies other than the U.S. dollar; most importantly, the euro, sterling, Australian dollar and Canadian dollar. We derived approximately 56%, 54% and 52% of our revenues from passengers sourced from countries outside of the U.S. in fiscal 2011, 2010 and 2009, respectively. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. We also report currency transactions in the functional currencies of our reporting units. Therefore, fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against our other major currencies, will adversely affect our U.S. dollar financial results.

- *Whether our future operating cash flow will be sufficient to fund future obligations and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations may adversely impact our financial results.*

Our forecasted cash flow from future operations may be adversely affected by various factors, including, but not limited to, declines in guest demand and consumer confidence, a weakening economy, increased competition, overcapacity, terrorist and pirate attacks and the threats thereof, the impact of the spread of contagious diseases such as flu virus, ship accidents and other incidents, negative publicity, adverse currency movements, increases in fuel prices and other factors noted under these “Risk Factors.” To the extent that we are required, or choose, to fund future cash requirements, including current and future shipbuilding commitments and debt repayments, from sources other than cash flow from operations, available cash and committed external sources of liquidity, including committed ship and other financings, we will have to secure such financing from export credit agencies, banks and through the offering of debt and equity securities in the public or private markets. There is no guarantee that such financings will be available in the future to fund our future obligations, or that they will be available on terms consistent with our expectations.

Our access to and the cost of financing will depend on, among other things, conditions or disruptions in the global financing markets, the availability of sufficient amounts of financing and the maintenance of our investment grade long-term senior unsecured credit ratings. If our long-term credit rating were to be downgraded or assigned a negative outlook, our access to and the cost of financing may be negatively impacted. Further, the terms of future debt agreements could include more restrictive covenants, which may restrict our business operations.

- *The DLC arrangement involves risks not associated with the more common ways of combining the operations of two companies and these risks may have an adverse effect on the economic performance of the companies and their respective share prices.*

The DLC arrangement is a relatively uncommon way of combining the management and operations of two companies and it involves different issues and risks from those associated with the other more common ways of impacting a business combination, such as a merger or exchange offer to create a wholly owned subsidiary. In our DLC arrangement, the combination is effected primarily by means of contracts between Carnival Corporation and Carnival plc and not by operation of a statute or court order. The legal effect of these contractual rights may be different from the legal effect of a merger or amalgamation under statute or court order, and there may be difficulties in enforcing these contractual rights. Shareholders and creditors of either company might challenge the validity of the contracts or their lack of standing to enforce rights under these contracts, and courts may interpret or enforce these contracts in a manner inconsistent with the express provisions and intentions we included in such contracts. In addition, shareholders and creditors of other companies might successfully challenge other DLC arrangements and establish legal precedents that could increase the risk of a successful challenge to our DLC arrangement.

- *Carnival Corporation and Carnival plc are not U.S. corporations, and our shareholders may be subject to the uncertainties of a foreign legal system in protecting their interests.*

Carnival Corporation’s corporate affairs are governed by its Third Amended and Restated Articles of Incorporation (“Articles”) and Third Amended and Restated By-Laws (“By-Laws”) and by the laws of Panama. Carnival plc is governed by its Articles of Association and by the laws of England and Wales. The contracts that control the relationship between Carnival Corporation and Carnival plc under the DLC arrangement are governed by the laws of Panama, the Isle of Man and the Cayman Islands. The laws of Panama, England and Wales, the Isle of Man and the Cayman Islands may differ in some respects from the laws in the U.S.

- *A small group of shareholders owns a significant portion of the total combined voting power of our outstanding shares and may be able to effectively control the outcome of shareholder voting.*

As of January 13, 2012, a small group of shareholders consisting of some members of the Arison family, including Micky Arison, beneficially owned approximately 27% of the total combined voting power of Carnival Corporation & plc. Depending upon the nature and extent of the shareholder vote, this group of shareholders may have the power to effectively control, or at least significantly influence, the outcome of certain shareholder votes and, therefore, the corporate actions requiring such votes.

- *Provisions in Carnival Corporation's and Carnival plc's constitutional documents may prevent or discourage takeovers and business combinations that our shareholders might consider to be in their best interests.*

Carnival Corporation's Articles and By-Laws and Carnival plc's Articles of Association contain provisions that may delay, defer, prevent or render more difficult a takeover attempt that our shareholders consider to be in their best interests. As a result, these provisions may prevent our shareholders from receiving a premium to the market price of our shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our shares if they are viewed as discouraging takeover attempts in the future.

Specifically, Carnival Corporation's Articles contain provisions that prevent third parties, other than the Arison family and trusts established for their benefit, from acquiring beneficial ownership of more than 4.9% of its outstanding shares without the consent of Carnival Corporation's Board of Directors and provide for the lapse of rights, and sale, of any shares acquired in excess of that limit. The effect of these provisions may preclude third parties from seeking to acquire a controlling interest in us in transactions that shareholders might consider to be in their best interests and may prevent them from receiving a premium above market price for their shares.

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained in this Form 10-K are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have tried, whenever possible, to identify these statements by using words like "will," "may," "could," "should," "would," "believe," "depends," "expect," "anticipate," "forecast," "future," "intend," "plan," "estimate," "target" 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 our actual results, performance or achievements to differ materially from those expressed or implied in this Form 10-K. Forward-looking statements include those statements that may impact, among other things, the forecasting of our non-U.S. GAAP earnings per share; net revenue yields; booking levels; pricing; occupancy; operating; financing and tax costs, including fuel expenses; costs per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill and trademark fair values and outlook.

Certain of the risks we are exposed to are identified in this Item 1A. "Risk Factors." This item contains important cautionary statements and a discussion of many of the factors that could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this Form 10-K, 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.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of January 23, 2012, the Carnival Corporation and Carnival plc corporate headquarters and our larger shoreside locations are as follows:

<u>Entity/Brand</u>	<u>Location</u>	<u>Square Footage</u>	<u>Own/Lease</u>
Carnival Corporation headquarters and Carnival Cruise Lines Princess	Miami, FL U.S.A.	463,000/24,000	Own/Lease
Holland America Line, Holland America Princess Alaska Tours and Seabourn	Santa Clarita, CA U.S.A.	361,000	Lease
Costa	Seattle, WA U.S.A.	172,000	Lease
P&O Cruises (UK) and Cunard	Genoa, Italy	218,000/23,000	Own/Lease
AIDA	Southampton, England	150,000	Lease
P&O Cruises (Australia)	Rostock, Germany	153,000	Own
Carnival plc headquarters	Sydney, NSW Australia	65,000	Lease
	London, England	8,000	Lease

In addition, we own, lease or have controlling interests in port facilities in Barcelona, Spain; Cozumel, Mexico; Grand Turk, Turks & Caicos Islands; Juneau, Alaska; Long Beach, California; Roatán, Honduras and Savona, Italy.

Our cruise ships in operation, headquarters, port and other shoreside facilities and Holland America Princess Alaska Tours' properties are all well maintained and in good condition. We evaluate our needs periodically and obtain additional facilities when deemed necessary. We believe that our facilities are adequate for our current needs.

Holland America Line's and Princess' private islands, Half Moon Cay and Princess Cays®, respectively, are briefly described in Part I, Item 1. Business. B. "Cruise Operations." The hotel properties owned and operated by Holland America Princess Alaska Tours and the two cruise ships that we own and charter-out under long-term bareboat charter agreements are also briefly described in Part I, Item 1. Business. A. "Overview."

Information about our cruise ships, including the number each of our cruise brands operate, their passenger capacity and their primary areas or countries in which they are marketed, as well as information regarding our cruise ships under construction may be found under Part I, Business. A. "Overview," and Note 6, "Commitments" and Note 10, "Fair Value Measurements, Derivative Instruments and Hedging Activities" to our Consolidated Financial Statements in Exhibit 13 to this Form 10-K for additional information regarding our ship commitments. Also, information about maritime regulations and issues that may affect our utilization and operation of cruise ships may be found in Part I. Item 1. Business. B. "Cruise Operations."

Item 3. Legal Proceedings.

On January 13, 2012, Costa Concordia grounded off the coast of Isola del Giglio, Italy and sustained significant damage. There were 16 casualties, a number of injuries and 16 people remain missing, as of January 26, 2012. The ship remains grounded and partially submerged off the coast. The cause of the accident is currently under investigation by the Italian authorities. As a result of this accident, litigation claims, enforcement actions and regulatory actions and investigations, including but not limited to those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding area, may be asserted or brought against various parties including us.

On January 26, 2012, a purported class action was filed by Gary Lobaton in the United States District Court for the Northern District of Illinois (Eastern Division) naming as defendants Costa Crociere, S.p.A., Carnival Corporation and Carnival plc (Gary Lobaton v Carnival Corporation, Carnival plc and Costa Crociere S.p.A. et. al., No. 12-cv-00598). The plaintiff purports to represent an alleged class of the passengers and crew of Costa Concordia who were onboard the ship on January 13, 2012. The complaint alleges that the defendants violated the Athens Convention Relating to the Carriage of Passengers and their Luggage by Sea, breached contracts with employees and passengers and acted negligently. The plaintiff also alleges unjust enrichment. The complaint seeks unspecified monetary and punitive damages, interests and costs, among other things.

Item 4. (Removed and Reserved).

Executive Officers of the Registrants

Pursuant to General Instruction G(3), the information regarding our executive officers called for by Item 401(b) of Regulation S-K is hereby included in Part I of this Form 10-K.

The table below sets forth the name, age, years of service and title of each of our executive officers. Titles listed relate to positions within Carnival Corporation and Carnival plc unless otherwise noted.

<u>Name</u>	<u>Age</u>	<u>Years of Service (a)</u>	<u>Title</u>
Micky Arison	62	40	Chairman of the Board of Directors and Chief Executive Officer
David Bernstein	54	13	Senior Vice President and Chief Financial Officer
Alan B. Buckelew	63	34	President and Chief Executive Officer of Princess
Gerald R. Cahill	60	17	President and Chief Executive Officer of Carnival Cruise Lines
David Dingle	54	33	Chief Executive Officer of Carnival UK
Pier Luigi Foschi	65	14	Chairman and Chief Executive Officer of Costa Crociere, S.p.A. and Director
Howard S. Frank	70	22	Vice Chairman of the Board of Directors and Chief Operating Officer
Larry Freedman	60	13	Chief Accounting Officer and Vice President – Controller
Stein Kruse	53	12	Chairman, President and Chief Executive Officer of Holland America Line and Chairman of Seabourn
Arnaldo Perez	51	19	Senior Vice President, General Counsel and Secretary

(a) Years of service with us or Carnival plc predecessor companies.

Business Experience of Executive Officers

Micky Arison has been Chairman of the Board of Directors since 1990 and a director since 1987. He has been Chief Executive Officer since 1979.

David Bernstein has been Senior Vice President and Chief Financial Officer since 2007. From 2003 to 2007, he was Vice President and Treasurer. From 1998 to 2003, he was Chief Financial Officer of Cunard and Seabourn.

Alan B. Buckelew has been Chief Executive Officer of Princess since 2007. He has been President of Princess from 2004. From 2004 to 2007, he was also Chief Operating Officer of Cunard. From 2000 to 2004, he was Executive Vice President and Chief Financial Officer of Princess.

Gerald R. Cahill has been President and Chief Executive Officer of Carnival Cruise Lines since 2007. From 2003 to 2007, he was Executive Vice President and Chief Financial and Accounting Officer. From 1998 to 2003, he was Senior Vice President Finance, Chief Financial and Accounting Officer.

David Dingle has been Chief Executive Officer of Carnival UK, whose brands include P&O Cruises (UK) and Cunard, since 2007. From 2003 to 2007, he was Managing Director of Carnival UK and P&O Cruises (UK). From 2000 to 2003, he was Managing Director of P&O Cruises (UK).

Pier Luigi Foschi has been a director since 2003. He has been Chief Executive Officer of Costa Crociere, S.p.A. since 1997 and Chairman of its Board since 2000. In this capacity, Mr. Foschi has had responsibility for AIDA since 2003 and Ibero since 2007.

Howard S. Frank has been Vice Chairman of the Board of Directors since 1993, Chief Operating Officer since 1998 and a director since 1992.

Larry Freedman has been Chief Accounting Officer since 2007 and Vice President-Controller since 1998. From 1998 to 2007, Mr. Freedman was also Vice President-Finance.

Stein Kruse has been the Chairman of the Board, President and Chief Executive Officer of Holland America Line since 2004. Mr. Kruse also serves as Chairman of the Board of Seabourn, a role he has held since January 2011. From 2003 to 2004, he was the President and Chief Operating Officer of Holland America Line. From 1999 to 2003, he was Senior Vice President, Fleet Operations for Holland America Line.

Arnaldo Perez has been Senior Vice President, General Counsel and Secretary since 2002. From 1995 to 2002, he was Vice President, General Counsel and Secretary.

PART II

Item 5. Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

A. Market Information

The information required by Item 201(a) of Regulation S-K, Market Information, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

B. Holders

The information required by Item 201(b) of Regulation S-K, Holders, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

C. Dividends

Carnival Corporation and Carnival plc declared quarterly cash dividends on all of their common stock and ordinary shares as follows:

	<u>Quarters Ended</u>			
	<u>February 28</u>	<u>May 31</u>	<u>August 31</u>	<u>November 30</u>
2011	\$0.25	\$0.25	\$0.25	\$0.25
2010	\$0.10	\$0.10	\$0.10	\$0.10
2009	\$0.00	\$0.00	\$0.00	\$0.00

All dividends for both Carnival Corporation and Carnival plc are declared in U.S. dollars. If declared, holders of Carnival Corporation common stock and Carnival plc American Depositary Shares receive a dividend payable in U.S. dollars. The dividends payable for Carnival plc ordinary shares are payable in sterling, unless the shareholders elect to receive the dividends in U.S. dollars. Dividends payable in sterling will be converted from U.S. dollars into sterling at the U.S. dollar to sterling exchange rate quoted by the Bank of England in London at 12:00 p.m. on the next combined U.S. and UK business day that follows the quarter end.

We believe preserving liquidity is a prudent step to take during uncertain times. Accordingly in October 2008 at the height of the financial crisis, the Boards of Directors voted to suspend our \$0.40 quarterly dividend payment beginning March 2009. At the January 2010 Boards of Directors meetings, it was decided to reinstate our March 2010 quarterly dividend payment at \$0.10 per share. At the January 2011 Boards of Directors meetings, it was decided to increase the March 2011 quarterly dividend payment to \$0.25 per share.

The payment and amount of any future dividend is within the discretion of the Boards of Directors. Our dividends were and will be based on a number of factors, including our earnings, liquidity position, financial condition, tone of business, capital requirements, credit ratings and the availability and cost of obtaining new debt. We cannot be certain that Carnival Corporation and Carnival plc will continue their dividend in the future, and if so, the amount and timing of such future dividends are not determinable and may be different than the levels and have a different timing than are disclosed above.

Maintenance of a strong balance sheet allows us to return free cash flow to shareholders. As previously discussed, since we have slowed down the pace of our newbuilding program, we currently believe this will lead to an increase in free cash flows.

D. Securities Authorized for Issuance under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is incorporated by reference to Part III, Item 12 of this Form 10-K.

E. Performance Graph

The information required by Item 201(e) of Regulation S-K, Performance Graph, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

F. Issuer Purchases of Equity Securities; Use of Proceeds from Registered Securities

I. Repurchase Authorizations

In September 2007, our Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and Carnival plc ordinary shares subject to certain restrictions, (the "Repurchase Program"). The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

During the three months ended November 30, 2011, purchases of Carnival Corporation common stock pursuant to the Repurchase Program were as follows:

Period	Total Number of Carnival Corporation Common Stock Purchased (a)	Average Price Paid per Share of Carnival Corporation Common Stock	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Repurchase Program (b)
September 1, 2011 through September 30, 2011	3,934,851	\$31.03	\$343,395,493
October 1, 2011 through October 31, 2011	109,534	\$28.86	\$340,234,509
November 1, 2011 through November 30, 2011	<u>200,000</u> <u>4,244,385</u>	\$30.69 \$30.96	\$334,096,418

- (a) No shares of Carnival Corporation common stock were purchased outside of publicly announced plans or programs.
- (b) During September 2011 Carnival Investments Limited, a subsidiary of Carnival Corporation, purchased 1,097,990 ordinary shares of Carnival plc at an average price of \$30.85 under the Repurchase Program. Carnival plc ordinary shares are listed on the London Stock Exchange.

During fiscal 2011, we repurchased 13.5 million shares of Carnival Corporation common stock for \$413 million under the Repurchase Program. In addition, during 2011 Carnival Investment Limited also repurchased 1.3 million ordinary shares of Carnival plc for \$41 million under the Repurchase Program. During 2010 and 2009, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. At November 30, 2011, the remaining availability under the Repurchase Program was \$334 million. There were no repurchases under the Repurchase Program from December 1, 2011 through January 23, 2012.

In addition to the Repurchase Program, the Boards of Directors have authorized the repurchase of up to 19.2 million Carnival plc ordinary shares and up to 31.5 million shares of Carnival Corporation common stock under the “Stock Swap” programs described below. During 2011, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the “Stock Swap” programs. All Carnival plc share repurchases under both the Repurchase Program and the “Stock Swap” authorizations require annual shareholder approval.

At January 23, 2012, the remaining availability under the Repurchase Program was \$334 million and the remaining availability under the “Stock Swap” program repurchase authorizations were 18.1 million Carnival plc ordinary shares and 31.5 million Carnival Corporation shares. Carnival plc ordinary share repurchases under both the Repurchase Program and the “Stock Swap” authorizations require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.4 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2012 annual general meeting, or October 12, 2012.

II. “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. This economic benefit is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program.

In the event Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell Carnival Corporation common stock through a sales agent and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis. 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. Any sales of Carnival Corporation shares have been or 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 Corporation or Carnival Investments Limited, a subsidiary of Carnival Corporation, through a 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. Carnival Corporation or Carnival Investments Limited may sell up to 31.5 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. Any sales of Carnival plc shares have been or will be registered under the Securities Act.

During fiscal 2011, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the “Stock Swap” programs.

Item 6. Selected Financial Data.

The information required by Item 6. Selected Financial Data, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by Item 7A. Quantitative and Qualitative Disclosures About Market Risk, is shown in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Exhibit 13 and is incorporated by reference into this Form 10-K.

Item 8. Financial Statements and Supplementary Data.

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP, dated January 30, 2012, and the Selected Quarterly Financial Data (Unaudited), are shown in Exhibit 13 and are incorporated by reference into this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

A. Evaluation of Disclosure Controls and Procedures

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

Our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of November 30, 2011, that they are effective as described above.

B. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"). Based on our evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective as of November 30, 2011.

PricewaterhouseCoopers LLP, the independent registered certified public accounting firm that audited our consolidated financial statements incorporated in this Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of November 30, 2011 as stated in their report, which is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

C. Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended November 30, 2011 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information.

On January 13, 2012, the 2,978-passenger capacity *Costa Concordia* grounded off the coast of Isola del Giglio, Italy and sustained significant damage. The ship remains grounded and partially submerged off the coast. The cause of the accident is currently under investigation by the Italian authorities. A damage assessment review of the ship is being undertaken to determine whether the ship can be repaired and what the total cost would be. If the ship is repairable, it is expected to be out-of-service for the remainder of fiscal 2012 if not longer.

The net carrying value of this euro-denominated ship, including ship improvements, at December 31, 2011 was \$490 million (at the December 31, 2011 exchange rate or €379 million). We have euro-denominated insurance coverage of \$510 million (at the December 31, 2011 exchange rate or €395 million) for damage to the ship with a potential deductible of approximately \$30 million as well as insurance for third party personal injury liability subject to an additional deductible of approximately \$10 million for this incident. We self-insure for loss of use of the ship.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted a code of ethics that applies to our chief executive officer, chief operating officer and senior financial officers, including the chief financial officer, chief accounting officer and controller and other persons performing similar functions. Our code of ethics applies to all our other employees as well. This code of ethics is posted on our website, which is located at www.carnivalcorp.com and www.carnivalplc.com. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding any amendments to, or waivers from, any provisions of this code of ethics by posting such information on our website, at the addresses specified above. Information contained in our website, whether currently posted or posted in the future, is not part of this document or the documents incorporated by reference in this document.

The additional information required by Item 10 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive Proxy Statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the 2011 fiscal year, except that the information concerning the Carnival Corporation and Carnival plc executive officers called for by Item 401(b) of Regulation S-K is included in Part I of this Form 10-K.

Item 11. Executive Compensation.

The information required by Item 11 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive Proxy Statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the 2011 fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

A. Securities Authorized for Issuance under Equity Compensation Plans

I. Carnival Corporation

Set forth below is a table that summarizes compensation plans (including individual compensation arrangements) under which Carnival Corporation equity securities are authorized for issuance as of November 30, 2011.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (1)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1))</u>
Equity compensation plans approved by security holders	10,622,672 (a)	\$46.24	17,402,954 (b) (c)
Equity compensation plans not approved by security holders	-	-	-
	<u>10,622,672</u>	<u>\$46.24</u>	<u>17,402,954</u>

(a) Includes outstanding options to purchase Carnival Corporation common stock under the Carnival Cruise Lines, Inc. 1987 Stock Option Plan, Carnival Corporation 2002 Stock Plan and Carnival Corporation 2001 Outside Director Stock Plan. Also includes 1,826,721 restricted share units outstanding under the Carnival Corporation 2002 Stock Plan, 17,529 restricted share units outstanding under the Carnival Corporation 2001 Outside Director Stock Plan and 3,188 restricted share units outstanding under the Carnival Corporation 2011 Stock Plan.

(b) Includes Carnival Corporation common stock available for issuance as of November 30, 2011 as follows: 2,438,022 under the Carnival Corporation Employee Stock Purchase Plan, which includes 20,903 shares subject to purchase during the current purchase period and 14,964,932 under the Carnival Corporation 2011 Stock Plan.

(c) In addition to options, the Carnival Corporation 2011 Stock Plan provides for the award of restricted shares and restricted share units without limitation on the number of shares that can be awarded in either form.

II. Carnival plc

Set forth below is a table that summarizes compensation plans (including individual compensation arrangements) under which Carnival plc equity securities are authorized for issuance as of November 30, 2011.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (1)	<u>Weighted-average exercise price of outstanding options, warrants and rights (a)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1))</u>
Equity compensation plans approved by security holders	2,466,598 (b)	\$42.54	15,329,093 (c)
Equity compensation plans not approved by security holders	-	-	-
	<u>2,466,598</u>	<u>\$42.54</u>	<u>15,329,093</u>

(a) Converted from sterling, if applicable, using the November 30, 2011 exchange rate of \$1.5501:£1.

(b) Includes outstanding options to purchase Carnival plc ordinary shares under the Carnival plc Executive Share Option Plan and Carnival plc 2005 Employee Share Plan. Also includes 812,881 restricted share units outstanding under the Carnival plc 2005 Employee Share Plan.

(c) In addition to options, the Carnival plc 2005 Employee Share Plan provides for the award of restricted shares and restricted share units without limitation on the number of shares that can be awarded in either form.

The additional information required by Item 12 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive Proxy Statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the

2011 fiscal year.

Items 13 and 14. Certain Relationships and Related Transactions, and Director Independence and Principal Accounting Fees and Services.

The information required by Items 13 and 14 is incorporated herein by reference to the Carnival Corporation and Carnival plc joint definitive Proxy Statement to be filed with the U.S. Securities and Exchange Commission not later than 120 days after the close of the 2011 fiscal year.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) (1) Financial Statements

The financial statements shown in Exhibit 13 are incorporated herein by reference into this Form 10-K.

(2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instruction or are inapplicable and, therefore, have been omitted.

(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed or incorporated by reference as part of this Form 10-K and such Index to Exhibits is hereby incorporated herein by reference.

SIGNATURES

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

CARNIVAL CORPORATION

/s/ Micky Arison
Micky Arison
Chairman of the Board of
Directors and Chief Executive Officer
January 30, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of each of the registrants and in the capacities and on the dates indicated.

CARNIVAL CORPORATION

/s/ Micky Arison
Micky Arison
Chairman of the Board of
Directors and Chief Executive Officer
January 30, 2012

/s/ Howard S. Frank
Howard S. Frank
Vice Chairman of the Board of
Directors and Chief Operating Officer
January 30, 2012

/s/ David Bernstein
David Bernstein
Senior Vice President and
Chief Financial Officer
January 30, 2012

/s/ Larry Freedman
Larry Freedman
Chief Accounting Officer and
Vice President – Controller
January 30, 2012

/s/*Sir Jonathon Band
Sir Jonathon Band
Director
January 30, 2012

/s/*Robert H. Dickinson
Robert H. Dickinson
Director
January 30, 2012

/s/*Arnold W. Donald
Arnold W. Donald
Director
January 30, 2012

/s/*Pier Luigi Foschi
Pier Luigi Foschi
Director
January 30, 2012

CARNIVAL PLC

/s/ Micky Arison
Micky Arison
Chairman of the Board of
Directors and Chief Executive Officer
January 30, 2012

CARNIVAL PLC

/s/ Micky Arison
Micky Arison
Chairman of the Board of
Directors and Chief Executive Officer
January 30, 2012

/s/ Howard S. Frank
Howard S. Frank
Vice Chairman of the Board of
Directors and Chief Operating Officer
January 30, 2012

/s/ David Bernstein
David Bernstein
Senior Vice President and
Chief Financial Officer
January 30, 2012

/s/ Larry Freedman
Larry Freedman
Chief Accounting Officer and
Vice President - Controller
January 30, 2012

/s/*Sir Jonathon Band
Sir Jonathon Band
Director
January 30, 2012

/s/*Robert H. Dickinson
Robert H. Dickinson
Director
January 30, 2012

/s/*Arnold W. Donald
Arnold W. Donald
Director
January 30, 2012

/s/*Pier Luigi Foschi
Pier Luigi Foschi
Director
January 30, 2012

/s/*Richard J. Glasier
Richard J. Glasier
Director
January 30, 2012

/s/*Modesto A. Maidique
Modesto A. Maidique
Director
January 30, 2012

/s/*Sir John Parker
Sir John Parker
Director
January 30, 2012

/s/*Peter G. Ratcliffe
Peter G. Ratcliffe
Director
January 30, 2012

/s/*Stuart Subotnick
Stuart Subotnick
Director
January 30, 2012

/s/*Laura Weil
Laura Weil
Director
January 30, 2012

/s/*Randall J. Weisenburger
Randall J. Weisenburger
Director
January 30, 2012

/s/*Uzi Zucker
Uzi Zucker
Director
January 30, 2012

*By: /s/ Arnaldo Perez
Arnaldo Perez
(Attorney-in-fact)
January 30, 2012

/s/*Richard J. Glasier
Richard J. Glasier
Director
January 30, 2012

/s/*Modesto A. Maidique
Modesto A. Maidique
Director
January 30, 2012

/s/*Sir John Parker
Sir John Parker
Director
January 30, 2012

/s/*Peter G. Ratcliffe
Peter G. Ratcliffe
Director
January 30, 2012

/s/*Stuart Subotnick
Stuart Subotnick
Director
January 30, 2012

/s/*Laura Weil
Laura Weil
Director
January 30, 2012

/s/*Randall J. Weisenburger
Randall J. Weisenburger
Director
January 30, 2012

/s/*Uzi Zucker
Uzi Zucker
Director
January 30, 2012

*By: /s/ Arnaldo Perez
Arnaldo Perez
(Attorney-in-fact)
January 30, 2012

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
Articles of incorporation and by-laws					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation.	8-K	3.1	4/17/03	
3.2	Third Amended and Restated By-Laws of Carnival Corporation.	8-K	3.1	4/20/09	
3.3	Articles of Association of Carnival plc.	8-K	3.3	4/20/09	
3.4	Memorandum of Association of Carnival plc.	8-K	3.2	4/20/09	
Instruments defining the rights of security holders, including indenture					
4.1	Agreement of Carnival Corporation and Carnival plc, dated January 17, 2012 to furnish certain debt instruments to the Securities and Exchange Commission.				X
4.2	Carnival Corporation Deed, dated April 17, 2003, between Carnival Corporation and P&O Princess Cruises plc for the benefit of the P&O Princess Shareholders.	10-Q	4.1	10/15/03	
4.3	Equalization and Governance Agreement, dated April 17, 2003, between Carnival Corporation and P&O Princess Cruises plc.	10-Q	4.2	10/15/03	
4.4	Carnival Corporation Deed of Guarantee, dated as of April 17, 2003, between Carnival Corporation and Carnival plc.	S-4	4.3	5/30/03	
4.5	Carnival plc Deed of Guarantee, dated as of April 17, 2003, between Carnival Corporation and Carnival plc.	S-3 & F-3	4.10	6/19/03	
4.6	Specimen Common Stock Certificate.	S-3 & F-3	4.16	6/19/03	
4.7	Pairing Agreement, dated as of April 17, 2003, between Carnival Corporation, The Law Debenture Trust Corporation (Cayman) Limited, as trustee, and Computershare Investor Services (formerly SunTrust Bank), as transfer agent.	8-K	4.1	4/17/03	
4.8	Voting Trust Deed, dated as of April 17, 2003, between Carnival Corporation and The Law Debenture Trust Corporation (Cayman) Limited, as trustee.	8-K	4.2	4/17/03	
4.9	SVE Special Voting Deed, dated as of April 17, 2003, between Carnival Corporation, DLS SVC Limited, P&O Princess Cruises plc, The Law Debenture Trust Corporation (Cayman) Limited, as trustee, and The Law Debenture Trust Corporation, P.L.C.	8-K	4.3	4/17/03	

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
4.10	Form of Amended and Restated Deposit Agreement and holders from time to time of receipts issued thereunder.	Post Amend- ment to Form F-6	99-a	4/15/03	
4.11	Indenture, dated as of April 25, 2001, between Carnival Corporation and U.S. Bank Trust National Association, as trustee, relating to unsecured and unsubordinated debt securities.	S-3	4.5	6/13/01	
4.12	Form of Indenture, dated March 1, 1993, between Carnival Cruise Lines, Inc. and First Trust National Association, as Trustee, relating to the Debt Securities, including form of Debt Security.	S-3	4	3/2/93	
4.13	Second Supplemental Indenture, dated December 1, 2003, between Carnival plc and Carnival Corporation to The Bank of New York, as Trustee, relating to 7.875% debentures due 2027.	10-K	4.14	2/25/04	
Material contracts					
10.1*	Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees.	10-Q	10.1	9/28/07	
10.2*	Amendment to the Amended and Restated Carnival Corporation 1992 Stock Option Plan.	10-K	10.2	2/25/04	
10.3	Facilities Agreement dated May 18, 2011, among Carnival Corporation, Carnival plc and certain of Carnival Corporation and Carnival plc subsidiaries, Banc of America Securities Limited as facilities agent and a syndicate of financial institutions.	10-Q	10.4	7/1/11	
10.4*	Amended and Restated Carnival Corporation 1992 Stock Option Plan.	10-K	10.4	2/27/98	
10.5*	Carnival Cruise Lines, Inc. 1993 Restricted Stock Plan adopted on January 15, 1993 and as amended January 5, 1998 and December 21, 1998.	10-K	10.5	2/25/99	
10.6*	Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-K	10.6	2/27/98	
10.7*	Amendment to the Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees.	10-Q	10.1	3/30/07	
10.8*	Carnival Cruise Lines, Inc. Non-Qualified Retirement Plan.	10-K	10.4	2/22/91	

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.9*	Executive Long-term Compensation Agreement, dated as of January 16, 1998, between Robert H. Dickinson and Carnival Corporation.	10-K	10.2	2/27/98	
10.10*	Consulting Agreement/ Registration Rights Agreement, dated June 14, 1991, between Carnival Corporation and Ted Arison.	S-3A	4.3	7/16/91	
10.11*	First Amendment to Consulting Agreement/ Registration Rights Agreement between Carnival Corporation and Ted Arison.	10-K	10.40	2/25/93	
10.12*	Form of Appointment Letter for Non-Executive Directors.	10-Q	10.1	6/27/08	
10.13*	Form of Appointment Letter for Executive Directors.	10-Q	10.2	6/27/08	
10.14*	Amended and Restated Carnival plc 2005 Employee Share Plan.	10-Q	10.1	4/2/09	
10.15*	Carnival Corporation Supplemental Executive Retirement Plan.	10-K	10.32	2/28/00	
10.16*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	10-K	10.31	2/28/01	
10.17*	Amendment to the Carnival Corporation “Fun Ship” Nonqualified Savings Plan.	10-K	10.33	2/28/00	
10.18*	Amendment to the Carnival Corporation “Fun Ship” Nonqualified Savings Plan.	10-Q	10.2	3/30/07	
10.19*	Amendment to the Carnival Corporation “Fun Ship” Nonqualified Savings Plan.	10-K	10.34	2/28/01	
10.20*	Amendment to the Carnival Corporation “Fun Ship” Nonqualified Savings Plan.	10-K	10.37	2/28/02	
10.21*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	10-Q	10.3	3/30/07	
10.22*	Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.	10-Q	10.1	6/30/09	
10.23*	Amended and Restated Carnival Corporation 2002 Stock Plan.	10-Q	10.3	4/2/09	
10.24*	Agreement with Pier Luigi Foschi.	8-K	10.1	9/1/09	
10.25	Succession Agreement, dated as of May 28, 2002, to Registration Rights Agreement, dated June 14, 1991, between Carnival Corporation and Ted Arison.	10-Q	10.2	7/12/02	

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.26*	Carnival Corporation & plc Non-Executive Board of Director Cruise Benefit Policy.	10-Q	10.1	10/7/05	
10.27*	Amendment to the Carnival Corporation Nonqualified Retirement Plan For Highly Compensated Employees.	10-Q	10.1	3/28/06	
10.28*	Amendment of the Carnival Corporation “Fun Ship” Nonqualified Savings Plan.	10-Q	10.1	4/14/03	
10.29*	Amendment of the Carnival Corporation Nonqualified Retirement Plan For Highly Compensated Employees.	10-Q	10.2	4/14/03	
10.30*	The P&O Princess Cruises Executive Share Option Plan.	20-F	4.9	12/30/01	
10.31*	Form of Carnival Corporation Performance-Based Restricted Stock Unit Agreement.	10-Q	10.1	4/1/11	
10.32*	Carnival Cruise Lines Management Incentive Plan.	10-Q	10.1	9/26/08	
10.33*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	10-Q	10.1	4/8/04	
10.34*	Amendment to the Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees.	10-Q	10.2	4/8/04	
10.35*	Amendment to the Carnival Corporation “Fun Ship” Nonqualified Savings Plan.	10-Q	10.3	4/8/04	
10.36*	Amendment to the Carnival Corporation “Fun Ship” Nonqualified Savings Plan.	10-Q	10.1	4/7/05	
10.37*	Form of Nonqualified Stock Option Agreement for the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.	10-Q	10.5	10/7/05	
10.38*	Form of Restricted Stock Award Agreement for the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.	10-K	10.60	1/29/08	
10.39*	Form of Restricted Stock Unit Award Agreement for the Amended and Restated Carnival Corporation 2001 Outside Director Stock Plan.	10-K	10.61	1/29/08	
10.40*	Form of Share Option Certificate for the Amended and Restated Carnival plc 2005 Employee Share Plan.	10-Q	10.8	10/7/05	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.41*	Carnival Corporation 2011 Stock Plan Non-Employee Director Restricted Stock Unit.	10-Q	10.2	7/1/11	
10.42*	Carnival Corporation 2011 Stock Plan Non-Employee Director Restricted Stock Award Agreement.	10-Q	10.3	7/1/11	
10.43*	Corporate Aviation Administrative Policy Statement for the use of Carnival Corporation & plc aircraft.	10-Q	10.2	3/28/06	
10.44*	Form of Restricted Share Unit Award Certificate for the Amended and Restated Carnival plc 2005 Employee Share Plan.	10-Q	10.3	3/28/06	
10.45*	Form of Restricted Stock Unit Agreement for the Amended and Restated Carnival Corporation 2002 Stock Plan.	10-K	10.67	1/29/08	
10.46*	Princess Cruises Chief Executive Officer Supplemental Retirement Plan – 2008 restatement.	10-Q	10.6	4/2/09	
10.47*	Amendment to the P&O Princess Cruises Executive Share Option Plan.	10-Q	10.5	3/30/07	
10.48*	Carnival Corporation 2011 Stock Plan	10-Q	10.1	7/1/11	
10.49*	Form of Executive Restricted Stock Agreement for the Amended and Restated Carnival Corporation 2002 Stock Plan.	10-Q	10.4	4/2/09	
10.50*	Form of Carnival plc Performance-Based Restricted Stock Unit Agreement	10-Q	10.2	4/1/11	
10.51*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	8-K	10.1	10/19/07	
10.52*	Form of Executive Restricted Stock Agreement for Executives with Long-term Compensation Agreements.	10-Q	10.5	4/2/09	
10.53*	Amended and Restated Carnival Corporation & plc Management Incentive Plan for Executive Officers.	10-K	10.58	1/29/09	
10.54*	Amended and Restated Executive Long-term Compensation Agreement, dated January 15, 2008, between Carnival Corporation and Micky Arison.	10-Q	10.2	3/28/08	
10.55*	Amended and Restated Executive Long-term Compensation Agreement dated January 15, 2008, between Carnival Corporation and Howard S. Frank.	10-Q	10.3	3/28/08	
10.56*	Amendment to the Carnival Corporation Nonqualified Retirement Plan for Highly Compensated Employees.	10-Q	10.7	4/2/09	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.57*	Amendment to the Carnival Corporation Fun Ship Nonqualified Savings Plan.	10-Q	10.8	4/2/09	
10.58*	Amendment to the Carnival Corporation Supplemental Executive Retirement Plan.	10-Q	10.9	4/2/09	
10.59*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-Q	10.1	4/1/10	
10.60*	Carnival Corporation & plc Stock Ownership Policy for Section 16 Officers.	10-Q	10.2	4/1/10	
10.61*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-Q	10.3	4/1/10	
10.62*	Amendment to the Carnival Corporation "Fun Ship" Nonqualified Savings Plan.	10-Q	10.1	7/1/10	

Statements regarding computations of ratios

12	Ratio of Earnings to Fixed Charges.				X
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Annual report to security holders

13	Portions of 2011 Annual Report.				X
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Subsidiaries of the registrants

21	Significant Subsidiaries of Carnival Corporation and Carnival plc.				X
----	--	--	--	--	---

Consents of experts and counsel

23	Consent of Independent Registered Certified Public Accounting Firm.				X
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Power of attorney

24	Powers of Attorney given by certain Directors of Carnival Corporation and Carnival plc to Micky Arison, Howard S. Frank, David Bernstein and Arnaldo Perez authorizing such persons to sign this 2011 joint Annual Report on Form 10-K and any future amendments on their behalf.				X
----	---	--	--	--	---

Rule 13a-14(a)/15d-14(a) certifications

31.1	Certification of Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Operating Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			
		<u>Form</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
31.3	Certification of Senior Vice President and Chief Financial Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.4	Certification of Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.5	Certification of Chief Operating Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.6	Certification of Senior Vice President and Chief Financial Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
Section 1350 certifications					
32.1**	Certification of Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2**	Certification of Chief Operating Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.3**	Certification of Senior Vice President and Chief Financial Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.4**	Certification of Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.5**	Certification of Chief Operating Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.6**	Certification of Senior Vice President and Chief Financial Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Exhibit	
Interactive data file				
101	The financial statements from Carnival Corporation & plc's joint Annual Report on Form 10-K for the year ended November 30, 2011, as filed with the SEC on January 30, 2012 formatted in XBRL, as follows:			
	(i) the Consolidated Statements of Income for the years ended November 30, 2011, 2010 and 2009;			X
	(ii) the Consolidated Balance Sheets at November 30, 2011 and 2010;			X
	(iii) the Consolidated Statements of Cash Flows for the years ended November 30, 2011, 2010 and 2009;			X
	(iv) the Consolidated Statements of Shareholders' Equity for the years ended November 30, 2011, 2010 and 2009;			X
	and			
	(v) the notes to the consolidated financial statements, tagged in summary and detail.			X

*Indicates a management contract or compensation plan or arrangement.

**These items are furnished and not filed.

January 17, 2012

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, DC 20549

RE: Carnival Corporation, Commission File No. 1-9610, and
Carnival plc, Commission File No. 1-15136

Gentlemen:

Pursuant to Item 601(b) (4) (iii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, Carnival Corporation and Carnival plc (the “Companies”) hereby agree to furnish copies of certain long-term debt instruments to the Securities and Exchange Commission upon the request of the Commission, and, in accordance with such regulation, such instruments are not being filed as part of the joint Annual Report on Form 10-K of the Companies for their year ended November 30, 2011.

Very truly yours,

CARNIVAL CORPORATION AND CARNIVAL PLC

/s/ Arnaldo Perez

Senior Vice President, General Counsel and Secretary

CARNIVAL CORPORATION & PLC
RATIO OF EARNINGS TO FIXED CHARGES
(in millions, except ratios)

	Years Ended November 30,				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net income	\$1,912	\$ 1,978	\$ 1,790	\$ 2,324	\$ 2,395
Income tax expense, net	<u>-</u>	<u>1</u>	<u>16</u>	<u>47</u>	<u>16</u>
Income before income taxes	<u>1,912</u>	<u>1,979</u>	<u>1,806</u>	<u>2,371</u>	<u>2,411</u>
Fixed charges					
Interest expense, net	365	378	380	420	380
Interest portion of rent expense (a)	20	21	18	17	15
Capitalized interest	<u>21</u>	<u>26</u>	<u>37</u>	<u>52</u>	<u>44</u>
Total fixed charges	<u>406</u>	<u>425</u>	<u>435</u>	<u>489</u>	<u>439</u>
Fixed charges not affecting earnings					
Capitalized interest	<u>(21)</u>	<u>(26)</u>	<u>(37)</u>	<u>(52)</u>	<u>(44)</u>
Earnings before fixed charges	<u>\$ 2,297</u>	<u>\$ 2,378</u>	<u>\$ 2,204</u>	<u>\$ 2,808</u>	<u>\$ 2,806</u>
Ratio of earnings to fixed charges	<u>5.7x</u>	<u>5.6x</u>	<u>5.1x</u>	<u>5.7x</u>	<u>6.4x</u>

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

**CARNIVAL CORPORATION & PLC
EXHIBIT 13 TO FORM 10-K
FOR THE YEAR ENDED NOVEMBER 30, 2011**

Exhibit 13

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

	<u>Years Ended November 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues			
Cruise			
Passenger tickets	\$ 12,158	\$ 11,084	\$ 10,288
Onboard and other	3,357	3,104	2,885
Tour and other	<u>278</u>	<u>281</u>	<u>287</u>
	<u>15,793</u>	<u>14,469</u>	<u>13,460</u>
Costs and Expenses			
Operating			
Cruise			
Commissions, transportation and other	2,461	2,272	2,220
Onboard and other	506	474	461
Payroll and related	1,723	1,611	1,498
Fuel	2,193	1,622	1,156
Food	965	869	839
Other ship operating	2,247	2,032	1,997
Tour and other	<u>204</u>	<u>212</u>	<u>236</u>
Total	10,299	9,092	8,407
Selling and administrative	1,717	1,614	1,590
Depreciation and amortization	<u>1,522</u>	<u>1,416</u>	<u>1,309</u>
	<u>13,538</u>	<u>12,122</u>	<u>11,306</u>
Operating Income	<u>2,255</u>	<u>2,347</u>	<u>2,154</u>
Nonoperating (Expense) Income			
Interest income	11	12	14
Interest expense, net of capitalized interest	(365)	(378)	(380)
Gains on fuel derivatives, net	1	-	-
Other income (expense), net	<u>10</u>	<u>(2)</u>	<u>18</u>
	<u>(343)</u>	<u>(368)</u>	<u>(348)</u>
Income Before Income Taxes	1,912	1,979	1,806
Income Tax Expense, Net	<u>-</u>	<u>(1)</u>	<u>(16)</u>
Net Income	<u>\$ 1,912</u>	<u>\$ 1,978</u>	<u>\$ 1,790</u>
Earnings Per Share			
Basic	<u>\$ 2.43</u>	<u>\$ 2.51</u>	<u>\$ 2.27</u>
Diluted	<u>\$ 2.42</u>	<u>\$ 2.47</u>	<u>\$ 2.24</u>
Dividends Declared Per Share	<u>\$ 1.00</u>	<u>\$ 0.40</u>	

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

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

	November 30,	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 450	\$ 429
Trade and other receivables, net	263	248
Inventories	374	320
Prepaid expenses and other	225	247
Total current assets	1,312	1,244
Property and Equipment, Net	32,054	30,967
Goodwill	3,322	3,320
Other Intangibles	1,330	1,320
Other Assets	619	639
	\$ 38,637	\$ 37,490
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 281	\$ 740
Current portion of long-term debt	1,019	613
Accounts payable	576	503
Accrued liabilities and other	1,123	1,094
Customer deposits	3,106	2,805
Total current liabilities	6,105	5,755
Long-Term Debt	8,053	8,011
Other Long-Term Liabilities and Deferred Income	647	693
Commitments and Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 647 shares at 2011 and 646 shares at 2010 issued	6	6
Ordinary shares of Carnival plc, \$1.66 par value; 215 shares at 2011 and 214 shares at 2010 issued	357	355
Additional paid-in capital	8,180	8,094
Retained earnings	18,349	17,224
Accumulated other comprehensive loss	(209)	(254)
Treasury stock, 52 shares at 2011 and 39 shares at 2010 of Carnival Corporation and 33 shares at 2011 and 31 shares at 2010 of Carnival plc, at cost	(2,851)	(2,394)
Total shareholders' equity	23,832	23,031
	\$ 38,637	\$ 37,490

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

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

	<u>Years Ended November 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES			
Net income	\$ 1,912	\$ 1,978	\$ 1,790
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,522	1,416	1,309
Share-based compensation	46	43	50
Other	48	(15)	37
Changes in operating assets and liabilities			
Receivables	(43)	106	81
Inventories	(54)	(12)	10
Prepaid expenses and other	18	(14)	7
Accounts payable	67	(36)	74
Accrued and other liabilities	(41)	81	29
Customer deposits	291	271	(45)
Net cash provided by operating activities	<u>3,766</u>	<u>3,818</u>	<u>3,342</u>
INVESTING ACTIVITIES			
Additions to property and equipment	(2,696)	(3,579)	(3,380)
Other, net	50	78	(4)
Net cash used in investing activities	<u>(2,646)</u>	<u>(3,501)</u>	<u>(3,384)</u>
FINANCING ACTIVITIES			
(Repayments of) proceeds from short-term borrowings, net	(450)	626	(288)
Principal repayments of revolving	(13)	(350)	(1,749)
Proceeds from revolving	8	94	1,166
Principal repayments of other long-term debt	(1,237)	(1,842)	(1,273)
Proceeds from issuance of other long-term debt	1,696	1,280	2,299
Dividends paid	(671)	(237)	(314)
Purchases of treasury stock	(454)	(524)	(188)
Sales of treasury stock	-	545	196
Proceeds from settlement of foreign currency swaps	-	-	113
Other, net	28	4	(55)
Net cash used in financing activities	<u>(1,093)</u>	<u>(404)</u>	<u>(93)</u>
Effect of exchange rate changes on cash and cash equivalents	(6)	(22)	23
Net increase (decrease) in cash and cash equivalents	21	(109)	(112)
Cash and cash equivalents at beginning of year	429	538	650
Cash and cash equivalents at end of year	<u>\$ 450</u>	<u>\$ 429</u>	<u>\$ 538</u>

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock	Total shareholders' equity
Balances at November 30, 2008	\$ 6	\$ 354	\$ 7,925	\$ 13,771	\$ (623)	\$ (2,296)	\$ 19,137
Comprehensive income							
Net income	-	-	-	1,790	-	-	1,790
Change in foreign currency translation adjustment	-	-	-	-	1,043	-	1,043
Other	-	-	-	-	42	-	42
Total comprehensive income							2,875
Purchases and sales under the Stock							
Swap programs and other	-	-	(5)	-	-	32	27
Balances at November 30, 2009	6	354	7,920	15,561	462	(2,264)	22,039
Comprehensive income							
Net income	-	-	-	1,978	-	-	1,978
Change in foreign currency translation adjustment	-	-	-	-	(664)	-	(664)
Other	-	-	-	-	(52)	-	(52)
Total comprehensive income							1,262
Cash dividends declared	-	-	-	(315)	-	-	(315)
Purchases and sales under the Stock							
Swap program and other	-	1	174	-	-	(130)	45
Balances at November 30, 2010	6	355	8,094	17,224	(254)	(2,394)	23,031
Comprehensive income							
Net income	-	-	-	1,912	-	-	1,912
Change in foreign currency translation adjustment	-	-	-	-	(24)	-	(24)
Other	-	-	-	-	69	-	69
Total comprehensive income							1,957
Cash dividends declared	-	-	-	(787)	-	-	(787)
Purchases of treasury stock under the Repurchase Program and other	-	2	86	-	-	(457)	(369)
Balances at November 30, 2011	<u>\$ 6</u>	<u>\$ 357</u>	<u>\$ 8,180</u>	<u>\$ 18,349</u>	<u>\$ (209)</u>	<u>\$ (2,851)</u>	<u>\$ 23,832</u>

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

CARNIVAL CORPORATION & PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - General

Description of Business

Carnival Corporation is incorporated in Panama, and Carnival plc is incorporated in England and Wales. Carnival Corporation and Carnival plc operate a dual listed company (“DLC”), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation’s Articles of Incorporation and By-Laws and Carnival plc’s Articles of Association. The two companies operate as if they are a single economic enterprise, but each has retained its separate legal identity. Each company’s shares are publicly traded; on the New York Stock Exchange (“NYSE”) for Carnival Corporation and the London Stock Exchange for Carnival plc. In addition, Carnival plc American Depository Shares are traded on the NYSE. See Note 3.

The accompanying consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries. Together with their consolidated subsidiaries, they are referred to collectively in these consolidated financial statements and elsewhere in this 2011 Annual Report as “Carnival Corporation & plc,” “our,” “us,” and “we.”

We are the largest cruise company and among the largest vacation companies in the world. Each of our cruise brands is an operating segment that we aggregate into either the (1) North America or (2) Europe, Australia & Asia reportable cruise segments (see Note 11). As of January 23, 2012, the summary by cruise brand of our passenger capacity, the number of cruise ships we operate and the primary areas or countries from where our guests are sourced are as follows:

<u>Cruise Brands</u>	<u>Passenger Capacity (a)</u>	<u>Number of Cruise Ships</u>	<u>Primary Markets</u>
<u>North America</u>			
Carnival Cruise Lines	58,274	23	North America
Princess Cruises (“Princess”)	36,900	16	North America
Holland America Line	23,492	15	North America
Seabourn	<u>1,974</u>	<u>6</u>	North America
North America Cruise Brands	<u>120,640</u>	<u>60</u>	
<u>Europe, Australia & Asia (“EAA”)</u>			
Costa Cruises (“Costa”) (b)	29,286	14	Italy, France and Germany
P&O Cruises (UK)	14,610	7	United Kingdom (“UK”)
AIDA Cruises (“AIDA”)	14,248	8	Germany
Cunard	6,670	3	UK and North America
P&O Cruises (Australia) (c)	6,242	4	Australia
Ibero Cruises (“Ibero”)	<u>4,176</u>	<u>3</u>	Spain and South America
EAA Cruise Brands	<u>75,232</u>	<u>39</u>	
	<u>195,872</u>	<u>99</u>	

(a) In accordance with cruise business practice, passenger capacity is calculated based on the assumption of two passengers per cabin even though some cabins can accommodate three or more passengers.

(b) Does not include the 2,978-passenger capacity *Costa Concordia* (See Note 15).

(c) Includes the 1,460-passenger capacity *Pacific Sun*, which was sold in December 2011 to an unrelated entity and is being operated under a bareboat charter agreement until July 2012.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

We consolidate entities over which we have control, as typically evidenced by a direct ownership interest of greater than 50%, or for which we are the primary beneficiary (see Note 3). We do not separately present our noncontrolling interests in the consolidated financial statements since the amounts are insignificant. For affiliates where significant influence over financial and operating policies exists, as typically evidenced by a direct ownership interest from 20% to 50%, the investment is accounted for using the equity method.

Preparation of Financial Statements

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported and disclosed in our financial statements. Actual results may differ from the estimates used in preparing our consolidated financial statements. All significant intercompany balances and transactions are eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include investments with maturities of three months or less at acquisition, which are stated at cost. At November 30, 2011 and 2010, cash and cash equivalents are comprised of cash on hand, money market funds and time deposits.

Inventories

Inventories consist primarily of food and beverage provisions, hotel and restaurant products and supplies, fuel and gift shop and art merchandise held for resale, which are all carried at the lower of cost or market. Cost is determined using the weighted-average or first-in, first-out methods.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization were computed using the straight-line method over our estimates of average useful lives and residual values, as a percentage of original cost, as follows:

	<u>Years</u>	<u>Residual Values</u>
Ships	30	15%
Ship improvements	3-28	0% or 15%
Buildings and improvements	5-35	0-10%
Computer hardware and software	3-7	0-10%
Transportation equipment and other	2-20	0-10%
Leasehold improvements, including port facilities	Shorter of lease term or related asset life	-

Our cruise business is very capital intensive. Each year, a capital program is developed for the improvement of our ships, as well as asset replacements to enhance efficiency of operations, gain strategic benefits or provide newer improved product offerings to our guests. Ship improvement costs that we believe add value to our ships, such as those incurred for refurbishments, safety and operational efficiencies, are capitalized to the ships and depreciated over their or the ships' estimated remaining useful life, whichever is shorter, while costs of repairs and maintenance, including minor improvement costs, are charged to expense as incurred. We capitalize interest as part of acquiring ships and other capital projects during their construction period. The specifically identified or estimated cost and accumulated depreciation of previously capitalized ship components are written-off upon retirement, which may result in a loss on disposal that is included in other ship operating expenses.

Dry-dock costs primarily represent planned major maintenance activities that are incurred when a ship is taken out-of-service for scheduled maintenance. These costs are expensed as incurred and included in other ship operating expenses.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on our ability to recover the carrying value of our asset based on our estimate of its undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value.

Intangibles

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business acquisitions. We review our goodwill for impairment at least annually and, when events or circumstances dictate, more frequently. All of our goodwill has been allocated to our reporting units, also referred to as "cruise brands". Our goodwill impairment reviews consist of a two-step process. The first step is to determine the fair value of the cruise brand and compare it to the carrying value of the net assets allocated to the cruise brand. If this fair value exceeds the carrying value no further analysis or goodwill write-down is required. The second step is required if the fair value of the cruise brand is less than the carrying value of the net assets. In this step the estimated fair value of the cruise brand is allocated to all the underlying assets and liabilities, including both recognized and unrecognized tangible and intangible assets, based on their relative fair values. If necessary, goodwill is then written-down to its implied fair value.

Trademarks represent substantially all of our other intangibles. For certain acquisitions, we have allocated a portion of the purchase prices to the acquiree's identified trademarks. Trademarks are estimated to have an indefinite useful life and, therefore, are not amortizable, but are reviewed for impairment at least annually and, when events or circumstances dictate, more frequently. Our trademarks would be considered impaired if their carrying value exceeds their estimated fair value. The costs of developing and maintaining our trademarks are expensed as incurred.

A significant amount of judgment is required in estimating the fair values of our cruise brands and trademarks.

Revenue and Expense Recognition

Guest cruise deposits represent unearned revenues and are initially recorded as customer deposit liabilities generally when received. Customer deposits are subsequently recognized as cruise revenues, together with revenues from onboard and other activities, and all associated direct costs and expenses of a voyage are recognized as cruise costs and expenses, upon completion of voyages with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. The impact of recognizing these shorter duration cruise revenues and costs and expenses on a completed voyage basis versus on a pro rata basis is not material. Future travel discount vouchers issued to guests are recorded as a reduction of cruise passenger ticket revenues when such vouchers are utilized. Cancellation fees are recognized in cruise passenger ticket revenues at the time of the cancellation.

Our sale to guests of air and other transportation to and from our ships and the related cost of purchasing this service are recorded in cruise passenger ticket revenues and cruise transportation costs, respectively. The proceeds that we collect from the sale of third party shore excursions and on behalf of onboard concessionaires, net of the amounts remitted to them, are recorded as concession revenues in onboard and other cruise revenues. These amounts are recognized on a completed voyage or pro rata basis as discussed above.

Cruise passenger ticket revenues include fees and taxes levied by governmental authorities and collected by us from our guests. A portion of these fees and taxes vary with guest head counts and are directly imposed on a revenue-producing arrangement. This portion of the fees and taxes is expensed in commissions, transportation and other costs when the corresponding revenues are recognized. These fees and taxes included in passenger ticket revenues and commissions, transportation and other costs were \$405 million, \$346 million and \$303 million in fiscal 2011, 2010 and 2009, respectively. The remaining portion of governmental fees and taxes are also included in passenger ticket revenues but are expensed in other ship operating expenses.

Revenues and expenses from our hotel, tour and transportation operations are recognized at the time the services are performed or expenses are incurred. Revenues from the leasing of our owned ships to an unaffiliated entity are recognized ratably over the term of the charter agreement using the straight-line method. See Note 11.

Insurance and Self-Insurance

We use a combination of insurance and self-insurance to address a number of risks including, among others, illness and injury to crew, guest injuries, pollution, damages to hull and machinery for each of our ships, war risks, workers' compensation, employee health, directors and officers liability, property damages and general liabilities for third party claims. Substantially all the liabilities associated with crew illnesses and crew and guest injury claims are estimated actuarially based on historical claims experience, loss development factors and other assumptions. While we believe the estimated loss amounts accrued are adequate, the ultimate loss may differ from the amounts provided.

Selling and Administrative Expenses

Selling expenses include a broad range of advertising, such as marketing and promotional expenses. Advertising is charged to expense as incurred, except for media production costs. Media production costs are recorded as prepaid expenses and charged to expense upon the first airing of the advertisement. Advertising expenses totaled \$527 million, \$507 million and \$508 million in fiscal 2011, 2010 and 2009, respectively. Administrative expenses represent the costs of our shoreside ship support, reservations and other administrative functions, and include, among others, salaries and related benefits, professional fees and occupancy costs, which are typically expensed as incurred.

Foreign Currency Translations and Transactions

Our underlying businesses generate earnings in a number of different currencies, principally the U.S. dollar, euros, sterling and Australian dollar. Each business determines its functional currency by reference to its relevant economic environment. We translate the assets and liabilities of our foreign operations that have functional currencies other than the U.S. dollar at exchange rates in effect at the balance sheet date. Revenues and expenses of these foreign operations are translated at weighted-average exchange rates for the reporting period. Their equity is translated at historical rates and the resulting cumulative foreign currency translation adjustments are included as a component of accumulated other comprehensive income (“AOCI”). Therefore, the U.S. dollar value of these non-equity translated items in our consolidated financial statements will fluctuate from period to period, depending on the changing value of the U.S. dollar versus these currencies.

Gains and losses arising from the remeasurement of monetary assets and liabilities and foreign currency transactions denominated in a currency other than the functional currency of the entity involved are immediately included in nonoperating earnings, unless such monetary liabilities have been designated to act as hedges of net investments in our foreign operations or such assets have been designated to act as hedges of ship commitments. These net gains or losses included in nonoperating earnings were insignificant in fiscal 2011, 2010 and 2009. In addition, the unrealized gains or losses on our long-term intercompany receivables denominated in a non-functional currency, which are not expected to be repaid in the foreseeable future and are therefore considered to form part of our net investments, are recorded as foreign currency translation adjustments, which are included as a component of AOCI.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed by dividing adjusted net income by the weighted-average number of shares, common stock equivalents and other potentially dilutive securities outstanding during each period. For earnings per share purposes, Carnival Corporation common stock and Carnival plc ordinary shares are considered a single class of shares since they have equivalent rights (see Note 3). All shares that were issuable under our outstanding convertible notes that had contingent share conversion features were considered outstanding for our diluted earnings per share computations, if dilutive, using the “if converted” method of accounting from the date of issuance.

Share-Based Compensation

We recognize compensation expense for all share-based compensation awards using the fair value method. Share-based compensation cost is recognized ratably using the straight-line attribution method over the expected vesting period or to the retirement eligibility date, if less than the vesting period, when vesting is not contingent upon any future performance. For performance-based share awards, we recognize compensation cost over the vesting period based on the probability of the performance condition being achieved over the vesting period. If the performance condition is not met, compensation expense will not be recognized and any previously recognized compensation expense will be reversed. In addition, we estimate the amount of expected forfeitures, based on historical forfeiture experience, when calculating compensation cost. If the actual forfeitures that occur are significantly different from the estimate, then we revise our estimates.

NOTE 3 – DLC Arrangement

In 2003, Carnival Corporation and Carnival plc (formerly known as P&O Princess Cruises plc) completed a DLC transaction, which implemented Carnival Corporation & plc’s DLC arrangement. The contracts governing the DLC arrangement provide that Carnival Corporation and Carnival plc each continue to have separate boards of directors, but the boards and senior executive management of both companies are identical. The constitutional documents of each of the companies also provide that, on most matters, the holders of the common equity of both companies effectively vote as a single body. On specified matters where the interests of Carnival Corporation’s shareholders may differ from the interests of Carnival plc’s shareholders (a “class rights action” such as transactions primarily designed to amend or unwind the DLC arrangement), each shareholder body will vote separately as a class. Generally, no class rights action will be implemented unless approved by both shareholder bodies.

Upon the closing of the DLC transaction, Carnival Corporation and Carnival plc also executed the Equalization and Governance Agreement, which provides for the equalization of dividends and liquidation distributions based on an equalization ratio and contains provisions relating to the governance of the DLC arrangement. Because the current equalization ratio is 1 to 1, one Carnival plc ordinary share is entitled to the same distributions, subject to the terms of the Equalization and Governance Agreement, as one share of Carnival Corporation common stock. In a liquidation of either company or both companies, if the hypothetical potential per share liquidation distributions to each company’s shareholders are not equivalent, taking into account the relative value of the two companies’ assets and the indebtedness of each company, to the extent that one company has greater net assets so that any liquidation distribution to its shareholders would not be equivalent on a per share basis, the company with the ability to make a higher net distribution is required to make a payment to the other company to equalize the possible net distribution to shareholders, subject to certain exceptions.

At the closing of the DLC transaction, Carnival Corporation and Carnival plc also executed deeds of guarantee. Under the terms of Carnival Corporation’s deed of guarantee, Carnival Corporation has agreed to guarantee all indebtedness and certain other monetary obligations of Carnival plc that are incurred under agreements entered into on or after the closing date of the DLC transaction. The terms

of Carnival plc's deed of guarantee mirror those of Carnival Corporation's. In addition, Carnival Corporation and Carnival plc have each extended their respective deeds of guarantee to the other's pre-DLC indebtedness and certain other monetary obligations, or alternatively have provided standalone guarantees in lieu of utilization of these deeds of guarantee, thus effectively cross guaranteeing all Carnival Corporation and Carnival plc indebtedness and certain other monetary obligations. Each deed of guarantee provides that the creditors to whom the obligations are owed are intended third party beneficiaries of such deed of guarantee.

The deeds of guarantee are governed and construed in accordance with the laws of the Isle of Man. Subject to the terms of the deeds of guarantee, the holders of indebtedness and other obligations that are subject to the deeds of guarantee will have recourse to both Carnival plc and Carnival Corporation, though a Carnival plc creditor must first make written demand on Carnival plc and a Carnival Corporation creditor on Carnival Corporation. Once the written demand is made by letter or other form of notice, the holders of indebtedness or other obligations may immediately commence an action against the relevant guarantor. Accordingly, there is no requirement under the deeds of guarantee to obtain a judgment, take other enforcement actions or wait any period of time prior to taking steps against the relevant guarantor. All actions or proceedings arising out of or in connection with the deeds of guarantee must be exclusively brought in courts in England.

Under the terms of the DLC transaction documents, Carnival Corporation and Carnival plc are permitted to transfer assets between the companies, make loans to or investments in each other and otherwise enter into intercompany transactions. The companies have entered into some of these types of transactions and may enter into additional transactions in the future to take advantage of the flexibility provided by the DLC arrangement, and to operate both companies as a single unified economic enterprise in the most effective manner. In addition, under the terms of the Equalization and Governance Agreement and the deeds of guarantee, the cash flow and assets of one company are required to be used to pay the obligations of the other company, if necessary.

Given our DLC arrangement, we believe that providing separate financial statements for each of Carnival Corporation and Carnival plc would not present a true and fair view of the economic realities of their operations. Accordingly, separate financial statements for both Carnival Corporation and Carnival plc have not been presented.

NOTE 4 - Property and Equipment

Property and equipment consisted of the following (in millions):

	November 30,	
	2011	2010
Ships, including ship improvements	\$ 39,764	\$ 37,348
Ships under construction	<u>526</u>	<u>696</u>
	40,290	38,044
Land, buildings and improvements, including leasehold improvements and port facilities	898	858
Computer hardware and software, transportation equipment and other	<u>1,016</u>	<u>934</u>
Total property and equipment	42,204	39,836
Less accumulated depreciation and amortization	<u>(10,150)</u>	<u>(8,869)</u>
	<u>\$ 32,054</u> (a)	<u>\$ 30,967</u> (a)

(a) At November 30, 2011 and 2010, the net carrying values of ships and ships under construction for our North America, EAA, Cruise Support and Tour and Other segments were \$17.9 billion, \$12.8 billion, \$0.2 billion and \$0.1 billion and \$17.5 billion, \$12.1 billion, \$0.2 billion and \$0.2 billion, respectively.

Ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. Capitalized interest, substantially all on our ships under construction, amounted to \$21 million, \$26 million and \$37 million in fiscal 2011, 2010 and 2009, respectively.

Repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were \$830 million, \$797 million and \$749 million in fiscal 2011, 2010 and 2009, respectively, and are substantially all included in other ship operating expenses.

In 2010, we recognized a \$44 million gain on the sale of P&O Cruises (UK)'s *Artemis* as a reduction of other ship operating expenses. We operated *Artemis* under a bareboat charter agreement until April 2011.

During fiscal 2011, we reviewed certain of our ships for impairment since there were indicators of impairment. As a result of these reviews, in August 2011 we recorded \$28 million of estimated impairment charges in other ship operating expenses as a result of the possible sales of the 754-passenger capacity *Costa Marina*, which was sold in November 2011, and the 1,460-passenger capacity *Pacific Sun*, which was sold in December 2011.

See Note 15 for a discussion of the January 2012 *Costa Concordia* incident.

NOTE 5 – Debt

Long-term debt and short-term borrowings consisted of the following (in millions):

	<u>November 30,</u>	
	<u>2011</u> (a)	<u>2010</u> (a)
<u>SECURED LONG-TERM DEBT</u>		
Fixed rate export credit facilities, bearing interest at 5.4% and 5.5%, collateral released in 2011	\$ -	\$ 328
Other	<u>3</u>	<u>3</u>
Total Secured Long-term Debt	<u>3</u>	<u>331</u>
<u>UNSECURED LONG-TERM DEBT</u>		
Export Credit Facilities		
Fixed rate, bearing interest at 4.2% to 5.5%, due through 2020 (b)	2,340	2,339
Euro fixed rate, bearing interest at 3.8% to 4.5%, due through 2025 (b)	470	503
Floating rate, bearing interest at LIBOR plus 1.3% to 1.6% (1.6% to 2.0%), due through 2023 (c)(d)	872	688
Euro floating rate, bearing interest at EURIBOR plus 0.2% to 1.0% (1.7% to 2.8%), due through 2026 (b)(e)	1,314	824
Bank Loans		
Fixed rate, bearing interest at 2.7% to 4.4%, due through 2015 (b)(f)(g)	850	851
Euro fixed rate, bearing interest at 3.9% to 4.7%, due through 2021 (b)	350	406
Floating rate, bearing interest at LIBOR plus 0.7% to 0.9% (1.1% to 1.5%), due through 2016 (g)(h)	500	150
Euro floating rate, bearing interest at EURIBOR plus 0.6% (2.1%), due in 2014 (b)(i)	135	262
Private Placement Notes		
Fixed rate, bearing interest at 5.9% to 6.0%, due through 2016	121	123
Euro fixed rate, bearing interest at 6.7% to 7.3%, due through 2018 (b)	247	246
Publicly-Traded Notes		
Fixed rate, bearing interest at 6.7% to 7.2%, due through 2028	528	529
Euro fixed rate, bearing interest at 4.3%, due in 2013	997	991
Sterling fixed rate, bearing interest at 5.6%, due in 2012	314	322
Other	<u>31</u>	<u>59</u>
Total Unsecured Long-term Debt	<u>9,069</u>	<u>8,293</u>
<u>UNSECURED SHORT-TERM BORROWINGS</u>		
Commercial paper, with aggregate weighted-average interest rate of 0.3%, repaid in December 2011	162	696
Euro bank loans, with aggregate weighted-average interest rate of 1.8%, repaid in December 2011	<u>119</u>	<u>44</u>
Total Unsecured Short-term Borrowings	<u>281</u>	<u>740</u>
Total Unsecured Debt	<u>9,350</u>	<u>9,033</u>
Total Debt	<u>9,353</u>	<u>9,364</u>
Less short-term borrowings	(281)	(740)
Less current portion of long-term debt	<u>(1,019)</u>	<u>(613)</u>
Total Long-term Debt	<u>\$ 8,053</u>	<u>\$ 8,011</u>

- (a) All interest rates are as of the latest balance sheet date for which there is an outstanding debt balance. The debt table does not include the impact of our foreign currency and interest rate swaps. At November 30, 2011, 56%, 41% and 3% (60%, 37% and 3% at November 30, 2010) of our debt was U.S. dollar, euro and sterling-denominated, respectively, including the effect of foreign currency swaps. Substantially all of our debt agreements, including our main revolving credit facility, contain one or more financial covenants that require us, among other things, to maintain minimum debt service coverage and minimum shareholders' equity and to limit our debt to capital and debt to equity ratios and the amounts of our secured assets and secured and other indebtedness. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables (see Note 10) could become due, and all debt and derivative contracts could be terminated. At November 30, 2011, we believe we were in compliance with all of our debt covenants.
- (b) Includes an aggregate \$3.5 billion of debt whose interest rate would increase upon a downgrade of the long-term senior unsecured credit ratings of Carnival Corporation or Carnival plc from BBB+ to BBB, or A3 to Baa2, and will increase further upon additional credit rating downgrades, exclusive of the amount shown in Note (g).
- (c) In 2011, we borrowed \$583 million under an unsecured export credit facility, the proceeds of which were used to pay for a portion of *Carnival Magic's* purchase price. This facility bears interest at LIBOR plus a margin of 160 basis points ("bps") and is due in semi-annual installments through April 2023.
- (d) In 2011, we repaid \$300 million of an unsecured floating rate export credit facility that was borrowed to pay for a portion of *Queen Elizabeth's* purchase price prior to its maturity dates through 2022.
- (e) In 2011, we borrowed \$406 million under an unsecured euro-denominated export credit facility, the proceeds of which were used to pay for a portion of *AIDAsol's* purchase price. This facility bears interest at EURIBOR plus a margin of 20 bps and is due in semi-annual installments through March 2023. In addition, in 2011 Costa borrowed \$209 million under an unsecured euro-denominated export credit facility, which bears interest at EURIBOR plus a margin of 98 bps and is due in semi-annual installments through October 2026.
- (f) Includes a \$150 million bank loan that currently carries a fixed interest rate. However, the loan can be converted to a floating interest rate at the option of the lenders.
- (g) Includes an aggregate \$600 million of bank loans whose interest rate, and in the case of our main revolver its commitment fees, would increase upon a downgrade in the long-term senior unsecured credit ratings of Carnival Corporation or Carnival plc from A3 to Baa1, and will increase further upon additional credit rating downgrades.
- (h) In 2011, we repaid \$150 million of an unsecured floating rate bank loan prior to its 2013 maturity date. In addition, in 2011 we borrowed an aggregate \$500 million under four unsecured floating rate bank loans that mature through October 2016.
- (i) In 2011, we repaid \$136 million of an unsecured floating rate euro-denominated bank loan prior to its 2014 maturity date.

At November 30, 2011, the scheduled annual maturities of our debt were as follows (in millions):

	Fiscal					There- after	Total
	2012	2013	2014	2015	2016		
Short-term borrowings	\$ 281						\$ 281
Long-term debt	<u>1,019</u>	<u>\$ 1,624</u>	<u>\$ 1,557</u>	<u>\$ 1,195</u>	<u>\$ 780</u>	<u>\$ 2,897</u>	<u>9,072</u>
	<u>\$ 1,300</u>	<u>\$ 1,624</u>	<u>\$ 1,557</u>	<u>\$ 1,195</u>	<u>\$ 780</u>	<u>\$ 2,897</u>	<u>\$ 9,353</u>

Debt issuance costs are generally amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the debt. In addition, all debt issue discounts are amortized to interest expense using the effective interest rate method over the term of the notes.

Committed Ship Financings

We have unsecured long-term export credit committed ship financings, for which we have the option to draw in euros and/or U.S. dollars depending on the facility, in order to pay for a portion of our ships' purchase prices. These commitments, if drawn, are generally repayable semi-annually over 12 years. We have the option to cancel each one at specified dates prior to the underlying ship's delivery date.

At January 23, 2012, our committed ship financings are as follows:

<u>Cruise Brands and Ships</u>	<u>Fiscal Year Scheduled for Funding</u>	<u>Amount</u> (in millions)
<u>North America</u>		
<u>Carnival Cruise Lines</u>		
<i>Carnival Breeze</i>	2012	\$ 560
<u>Princess</u>		
<i>Royal Princess</i>	2013	538
Newbuild	2014	<u>538</u>
North America Cruise Brands		<u>1,636</u>
<u>EAA</u>		
<u>AIDA</u>		
<i>AIDamar</i>	2012	389
Newbuild	2013	318
Newbuild	2015	452
Newbuild	2016	452
<u>P&O Cruises (UK)</u>		
Newbuild	2015	554
<u>Costa</u>		
Newbuild	2014	<u>522</u>
EAA Cruise Brands		<u>2,687</u>
		<u>\$ 4,323</u>

Revolving Credit Facilities

In 2011, concurrent with the early termination of our existing multi-currency revolving credit facility for \$2.0 billion (comprised of \$1.2 billion, €400 million and £200 million), Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries entered into a five-year multi-currency revolving credit facility for \$2.5 billion (comprised of \$1.6 billion, €450 million and £150 million) (the "Facility"). The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 65 bps. The margin will vary based on changes to Carnival Corporation's and Carnival plc's long-term senior unsecured credit ratings. We are required to pay a commitment fee of 35% of the margin per annum on any undrawn portion. If more than one-third or if more than two-thirds of the Facility is drawn, we will incur an additional 15 bps or 30 bps utilization fee, respectively, on the total amount outstanding.

At November 30, 2011, we also had two other revolving credit facilities with an aggregate \$161 million available that mature through 2015. At November 30, 2011, \$2.4 billion was available under our Facility and our other revolving credit facilities, net of outstanding commercial paper.

NOTE 6 – Commitments

Ship Commitments

At November 30, 2011, we had 10 ships under contract for construction with an aggregate passenger capacity of 31,987. The estimated total cost of these ships is \$6.6 billion, which includes the contract prices with the shipyards, design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. We have paid \$0.5 billion through November 30, 2011 and anticipate paying \$1.8 billion, \$1.1 billion, \$1.4 billion, \$1.2 billion and \$0.5 billion of the remaining estimated total costs in fiscal 2012, 2013, 2014, 2015 and 2016, respectively.

Operating Leases, Port Facilities and Other Commitments

Rent expense under our operating leases, primarily for office and warehouse space, was \$59 million, \$61 million and \$54 million in fiscal 2011, 2010 and 2009, respectively.

At November 30, 2011, minimum amounts payable for our operating leases, with initial or remaining terms in excess of one year, and for the annual usage of port facilities and other contractual commitments with remaining terms in excess of one year, were as follows (in millions):

	<u>Fiscal</u>					<u>There- after</u>	<u>Total</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>		
Operating leases	\$ 41	\$ 39	\$ 34	\$ 31	\$ 28	\$ 180	\$ 353
Port facilities and other	120	118	104	101	103	743	1,289
	<u>\$ 161</u>	<u>\$ 157</u>	<u>\$ 138</u>	<u>\$ 132</u>	<u>\$ 131</u>	<u>\$ 923</u>	<u>\$ 1,642</u>

NOTE 7 – Contingencies

Litigation

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

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

In April 2011, Carnival Corporation and certain participants voluntarily unwound \$87 million of one of its LILO contingent liability transactions. Accordingly, at November 30, 2011 Carnival Corporation had estimated contingent obligations totaling \$425 million, excluding termination payments as discussed below, to participants in LILO transactions for two of its ships. At the inception of these leases, the aggregate of the net present value of these obligations was paid by Carnival Corporation to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished, and neither the funds nor the contingent obligations have been included in our accompanying Consolidated Balance Sheets.

In the event that Carnival Corporation were to default on its contingent obligations and assuming performance by all other participants, we estimate that we would, as of November 30, 2011, be responsible for a termination payment of \$61 million. In 2017, we have the right to exercise options that would terminate these two LILO transactions at no cost to us.

In certain cases, if the credit ratings of the financial institutions who are directly paying the contingent obligations fall below AA-, then Carnival Corporation will be required to replace these financial institutions with other financial institutions whose credit ratings are at least AA or meet other specified credit requirements. In such circumstances we would incur additional costs, although we estimate that they would be immaterial to our consolidated financial statements. The two financial institution payment undertakers subject to this AA- credit rating threshold each have a credit rating of AA. If Carnival Corporation’s credit rating, which is BBB+, falls below BBB, it will be required to provide a standby letter of credit for \$47 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

Contingent Obligations – Indemnifications

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

NOTE 8 - Income and Other Taxes

The following is a summary of our principal taxes and exemptions, which do not result in a material income tax expense. Income taxes in other jurisdictions where we do business are nominal.

U.S. Income Tax

We are primarily foreign corporations engaged in the business of operating cruise ships in international transportation. Our North American cruise ship business and certain ship-owning subsidiaries are engaged in a trade or business within the U.S. Depending on the itinerary of any particular ship, that ship may generate income from sources within the U.S. We believe that our U.S. source income and

the income of our ship-owning subsidiaries, to the extent derived from, or incidental to, the international operation of a ship or ships, is currently exempt from U.S. federal income and branch profits tax.

In general, under Section 883 of the Internal Revenue Code, certain non-U.S. corporations (such as our North American cruise ship businesses) are not subject to U.S. federal income tax or branch profits tax on U.S. source income derived from, or incidental to, the international operation of a ship or ships. Applicable U.S. Treasury regulations provide, in general that a foreign corporation will qualify for the benefits of Section 883 if, in relevant part, (i) the foreign country in which the foreign corporation is organized grants an equivalent exemption to corporations organized in the U.S. (an “equivalent exemption jurisdiction”) and (ii) the foreign corporation meets a defined publicly-traded test. Subsidiaries of foreign corporations that are organized in an equivalent exemption jurisdiction and meet the publicly-traded test also benefit from Section 883. We believe that Panama is an equivalent exemption jurisdiction and Carnival Corporation currently qualifies as a publicly-traded corporation under the regulations. Accordingly, substantially all of Carnival Corporation’s income is exempt from U.S. federal income and branch profits tax.

Regulations under Section 883 list items that the Internal Revenue Service does not consider to be incidental to ship operations. Among the items identified as not incidental is income from the sale of air transportation, transfers, shore excursions and pre- and post-cruise land and tour packages to the extent earned from sources within the U.S.

We believe that the U.S. source transportation income earned by Carnival plc and its UK and Italian resident subsidiaries currently qualifies for exemption from U.S. federal income tax under applicable bilateral U.S. income tax treaties.

Our domestic U.S. operations, principally the hotel and transportation business of Holland America Princess Alaska Tours, are subject to state and federal income taxation in the U.S.

Carnival Corporation and Carnival plc and certain of their subsidiaries are subject to various U.S. state income taxes generally imposed on each state’s portion of the U.S. source income subject to U.S. federal income taxes. However, the state of Alaska imposes an income tax on its allocated portion of the total income of our companies doing business in Alaska and certain of their subsidiaries.

UK and Australian Income Tax

Cunard, P&O Cruises (UK) and P&O Cruises (Australia) are divisions of Carnival plc, which have elected to enter the UK tonnage tax regime. Companies to which the tonnage tax regime applies pay corporation taxes on profits calculated by reference to the net tonnage of qualifying ships. UK corporation tax is not chargeable under the normal UK tax rules on these brands’ relevant shipping income. Relevant shipping income includes income from the operation of qualifying ships and from shipping related activities.

For a company to be eligible for the regime, it must be subject to UK corporation tax and, among other matters, operate qualifying ships that are strategically and commercially managed in the UK. Companies within UK tonnage tax are also subject to a seafarer training requirement.

Our UK non-shipping activities that do not qualify under the UK tonnage tax regime remain subject to normal UK corporation tax. Dividends received from subsidiaries of Carnival plc doing business outside the UK are generally exempt from UK corporation tax.

Substantially all of P&O Cruises (Australia)’s income is exempt from Australian corporation taxes by virtue of the UK/Australian income tax treaty.

Italian, German, Portuguese and Spanish Income Tax

Carnival plc’s German and Spanish brands, AIDA and Ibero, are both divisions of Costa. Effective through fiscal 2014, Costa is entered into the Italian Tonnage Tax regime and Costa intends to reapply for an additional ten-year period beginning 2015. This regime taxes Costa’s, AIDA’s and Ibero’s shipping profits, as defined, which are principally all of their earnings, calculated by reference to the net tonnage of their qualifying ships.

Most of Costa’s and AIDA’s earnings not considered to be shipping profits for Italian Tonnage Tax purposes, will be taxed at an effective tax rate of approximately 6% under the Italian tax regime since all of their ships are Italian registered. The majority of AIDA’s earnings are exempt from German corporation taxes by virtue of the Italy/Germany income tax treaty.

All of Ibero’s ships are registered in Portugal. Provided certain local employment requirements are satisfied, most of Ibero’s income that is not considered to be shipping profits for Italian Tonnage Tax purposes was exempt from Portuguese income tax through 2011 and, in 2012, will be subject to Portuguese income tax at an effective rate of 3%, which will gradually increase to 5% in 2020. Ibero’s Spanish operations are minimal and, therefore, its Spanish income taxes are minimal.

In fiscal 2010, AIDA and Costa recognized a \$30 million income tax benefit from an Italian investment incentive related to certain of their newbuild expenditures.

Brazilian and Mexican Income Tax

From November through March, Costa charters certain of its ships for operation in Brazil to a Brazilian subsidiary. The subsidiary's earnings are subject to Brazilian resident income tax, and we believe payments this subsidiary makes to Costa are exempt from Brazilian income tax under Brazilian domestic law and the Italy/Brazil income tax treaty.

The operation of our port facility in Mexico is subject to the tax regime applicable to Mexican resident businesses.

Other

We recognize income tax benefits for uncertain tax positions, based solely on their technical merits, when it is more likely than not to be sustained upon examination by the relevant tax authority. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution. All interest expense related to income tax liabilities is included in income tax expense. Based on all known facts and circumstances and current tax law, we believe that the total amount of our uncertain income tax position liabilities and related accrued interest are not material to our financial position.

We do not expect to incur income taxes on future distributions of undistributed earnings of foreign subsidiaries and, accordingly, no deferred income taxes have been provided for the distribution of these earnings. In addition to or in place of income taxes, virtually all jurisdictions where our ships call impose taxes and/or fees based on guest counts, ship tonnage, passenger capacity or some other measure, and these taxes and/or fees are included in other ship operating expenses.

NOTE 9 - Shareholders' Equity

Carnival Corporation's Articles of Incorporation authorize its Board of Directors, at its discretion, to issue up to 40 million shares of preferred stock. At November 30, 2011 and 2010, no Carnival Corporation preferred stock had been issued and only a nominal amount of Carnival plc preference shares had been issued.

In September 2007, our Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and Carnival plc ordinary shares subject to certain restrictions (the "Repurchase Program"). The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

During fiscal 2011, we repurchased 13.5 million shares of Carnival Corporation common stock for \$413 million under the Repurchase Program. In addition, during 2011 Carnival Investments Limited, a subsidiary of Carnival Corporation, also repurchased 1.3 million ordinary shares of Carnival plc for \$41 million under the Repurchase Program. During 2010 and 2009, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. At November 30, 2011, the remaining availability under the Repurchase Program was \$334 million. There were no repurchases under the Repurchase Program from December 1, 2011 through January 23, 2012.

In addition to the Repurchase Program, the Boards of Directors have authorized the repurchase of up to 19.2 million Carnival plc ordinary shares and up to 31.5 million shares of Carnival Corporation common stock under the "Stock Swap" programs described below. 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. This economic benefit is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program. During 2011, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the "Stock Swap" programs. All Carnival plc share repurchases under both the Repurchase Program and the "Stock Swap" authorizations require annual shareholder approval.

In fiscal 2010 and 2009, we sold 14.8 million shares and 5.8 million shares of Carnival plc ordinary shares held as treasury stock for \$545 million and \$187 million of net proceeds, respectively. In fiscal 2010 and 2009, substantially all of these net proceeds were used to fund the repurchase of 14.8 million shares and 5.8 million shares of Carnival Corporation common stock, respectively. We sold Carnival plc ordinary shares held in treasury, only to the extent we were able to purchase shares of Carnival Corporation in the U.S. on at least an equivalent basis under the "Stock Swap" program.

In fiscal 2009, we also sold 450,000 shares of Carnival Corporation common stock for \$9 million of net proceeds, substantially all of which were used to fund the repurchase of 450,000 shares of Carnival plc ordinary shares. We sold Carnival Corporation common stock in the U.S., only to the extent we were able to purchase shares of Carnival plc in the UK on at least an equivalent basis under the "Stock Swap" program.

At November 30, 2011, there were 28.3 million shares of Carnival Corporation common stock reserved for issuance under its employee benefit and dividend reinvestment plans. In addition, Carnival plc shareholders have authorized 17.8 million ordinary shares for future issuance under its employee benefit plans.

At November 30, 2011 and 2010, accumulated other comprehensive loss consisted of the following (in millions):

	<u>2011</u>	<u>2010</u>
Cumulative foreign currency translation adjustments, net	\$ (123)	\$ (99)
Unrecognized pension expenses	(96)	(91)
Unrealized loss on marketable security	(17)	(16)
Net gains (losses) on cash flow derivative hedges	<u>27</u>	<u>(48)</u>
	<u>\$ (209)</u>	<u>\$ (254)</u>

NOTE 10 - Fair Value Measurements, Derivative Instruments and Hedging Activities

Fair Value Measurements

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

- Level 1 measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.
- Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.
- Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a material impact on the fair values of our financial instruments at November 30, 2011 and 2010. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair values presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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

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

	<u>November 30, 2011</u>		<u>November 30, 2010</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents (a)	\$ 358	\$ 358	\$ 404	\$ 404
Long-term other assets (b)	\$ 96	\$ 90	\$ 191	\$ 178
Fixed rate debt (c)	\$ (6,251)	\$ (6,715)	\$ (6,689)	\$ (7,076)
Floating rate debt (c)	\$ (3,102)	\$ (3,057)	\$ (2,669)	\$ (2,630)
Other	\$ -	\$ -	\$ (6)	\$ (7)

- (a) Cash and cash equivalents are comprised of cash on hand and time deposits and, due to their short maturities, the carrying values approximate their fair values.
- (b) At November 30, 2011 and 2010, substantially all of our long-term other assets were comprised of notes and other receivables. The fair values of notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates.
- (c) The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at November 30, 2011 and 2010 being lower than the fixed interest rates on these debt obligations, including the impact of changes in our credit ratings, if any. The net difference between the fair value of our floating rate debt and its carrying value was due to the market

interest rates in existence at November 30, 2011 and 2010 being higher than the floating interest rates on these debt obligations, including the impact of changes in our credit ratings, if any. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in active markets. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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

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

	<u>November 30, 2011</u>		<u>November 30, 2010</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 1</u>	<u>Level 2</u>
Cash equivalents (a)	\$ 92	\$ -	\$ 25	\$ -
Marketable securities held in rabbi trusts (b)	\$ 98	\$ 18	\$ 105	\$ 21
Derivatives				
Fuel (c)	\$ -	\$ 1	\$ -	\$ -
Ship foreign currency options (d)	\$ -	\$ -	\$ -	\$ 8
Net investment hedges (e)	\$ -	\$ 2	\$ -	\$ 12
Interest rate swaps (f)	\$ -	\$ (9)	\$ -	\$ 1

(a) Cash equivalents are comprised of money market funds.

(b) Level 1 and 2 marketable securities are held in rabbi trusts and are primarily comprised of frequently-priced mutual funds invested in common stocks and other investments, respectively. Their use is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.

(c) In fiscal 2011, we bought Brent crude oil (“Brent”) call options and sold Brent put options, collectively referred to as zero costs collars that established ceiling and floor Brent prices. At November 30, 2011, we had fuel derivatives for approximately 10% of our estimated fuel consumption for the second half of fiscal 2012 through fiscal 2015.

(d) At November 30, 2010, we had foreign currency options totaling \$785 million that were designated as foreign currency cash flow hedges for certain of our euro-denominated shipbuilding contracts. These foreign currency options matured in 2011.

(e) At November 30, 2011 and 2010, we had foreign currency forwards totaling \$183 million and \$352 million, respectively, that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency and were principally entered into to convert U.S. dollar-denominated debt into euro debt. These foreign currency forwards mature through July 2017.

(f) We have both U.S. dollar and sterling interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. At November 30, 2011 and 2010, these interest rate swap agreements effectively changed \$510 million and \$512 million, respectively, of fixed rate debt to U.S. dollar LIBOR or GBP LIBOR-based floating rate debt. These interest rate swaps mature through June 2012. In addition, we have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At November 30, 2011 and 2010, these interest rate swap agreements effectively changed \$320 million and \$333 million, respectively, of EURIBOR-based floating rate euro debt to fixed rate debt. These interest rate swaps mature through February 2022.

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

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

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

	<u>North America</u>	<u>EAA</u>	<u>Total</u>
	<u>Cruise Brands</u>	<u>Cruise Brands</u>	
Balance at November 30, 2009	\$ 1,898	\$ 1,553	\$ 3,451
Foreign currency translation adjustment	-	(131)	(131)
Balance at November 30, 2010	1,898	1,422	3,320
Foreign currency translation adjustment	-	2	2
Balance at November 30, 2011	<u>\$ 1,898</u>	<u>\$ 1,424</u>	<u>\$ 3,322</u>

As of July 31, 2011, we performed our annual goodwill impairment reviews by comparing the estimated fair value of the cruise brand to the carrying value of the net assets allocated to that cruise brand. All of our cruise brands carry goodwill, except for Seabourn. No goodwill was considered to be impaired because the estimated fair value of each cruise brand exceeded its respective carrying value and, accordingly, we did not proceed to step two of the impairment analysis.

In determining the estimated cruise brand fair values, we considered both their (a) discounted future cash flow analysis and (b) market multiples of comparable publicly-traded companies. The principal assumptions used in our cash flow analysis related to forecasting future operating results, include net revenue yields, net cruise costs including fuel prices, capacity changes, including the expected deployment of vessels into, or out of, the cruise brand, weighted-average cost of capital for comparable publicly-traded companies, adjusted for the risk attributable to the cruise brand including the geographic region in which it operates, that ranged from 10% to 13%, and terminal values, which are all considered level 3 inputs.

We believe the estimated fair value for each of our cruise brands that carry goodwill significantly exceeds the carrying value of their allocated net assets, except for Ibero. At July 31, 2011, Ibero's estimated fair value only exceeded its carrying value by 2%, or \$12 million, therefore, minor changes to these assumptions would lead to an Ibero impairment.

Given the continuing weakness of the Spanish economy and its impact on the vacation industry, it is possible that Ibero's goodwill, which was \$154 million at November 30, 2011, could become impaired in the future if the Spanish vacation industry does not recover enough to enable Ibero to increase its cruise pricing. The recoverability of Ibero's goodwill is not without doubt because it is difficult to predict the timing of the resurgence of the Spanish economy and its vacation industry.

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

	North America	EAA	Total
	<u>Cruise Brands</u>	<u>Cruise Brands</u>	<u>Total</u>
Balance at November 30, 2009	\$ 927	\$ 409	\$ 1,336
Foreign currency translation adjustment	<u>-</u>	<u>(25)</u>	<u>(25)</u>
Balance at November 30, 2010	927	384	\$ 1,311
Foreign currency translation adjustment	<u>-</u>	<u>2</u>	<u>2</u>
Balance at November 30, 2011	<u>\$ 927</u>	<u>\$ 386</u>	<u>\$ 1,313</u>

As of July 31, 2011, we also performed our annual trademark impairment reviews by comparing the estimated fair values of our trademarks to their carrying values. The cruise brands that have trademarks recorded are AIDA, Ibero, P&O Cruises (Australia), P&O Cruises (UK) and Princess. We believe the estimated fair value for each of our recorded trademarks significantly exceeds its respective carrying value and, therefore, none of our trademarks were impaired. We estimated fair values based upon a discounted future cash flow analysis, which estimated the amount of royalties that we are relieved from having to pay for use of the associated trademarks, based upon forecasted cruise revenues and royalty rates that a market participant would use. The royalty rates are estimated primarily using comparable royalty agreements for similar industries.

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

There have not been any events or circumstances subsequent to July 31, 2011, which we believe would require us to perform interim goodwill or trademark impairment reviews.

At November 30, 2011 and 2010, our intangible assets subject to amortization are immaterial to our consolidated financial statements.

Derivative Instruments and Hedging Activities

We utilize derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates, and interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. In November 2011, we implemented a fuel derivatives program to mitigate a portion of the risk to our future cash flows attributable to potentially significant fuel price increases, which we define as our "economic risk." Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. The changes in fair value are immediately included in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is

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

We classify the fair values of all our derivative contracts and the fair values of our hedged firm commitments as either current or long-term depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. Our derivative fair value amounts are included in prepaid expenses and other assets and accrued and other liabilities as the amounts are not significant. The cash flows from derivatives treated as hedges are classified in our accompanying Consolidated Statements of Cash Flows in the same category as the item being hedged. Our cash flows related to fuel derivatives, if any, will be classified within investing activities.

The effective portions of our net foreign currency derivative gains and (losses) on cash flow hedges recognized in other comprehensive income (loss) in fiscal 2011, 2010 and 2009 totaled \$72 million, \$(64) million and \$101 million, respectively.

The effective portions of our net foreign currency derivative (losses) and gains on net investment hedges recognized in other comprehensive income (loss) in fiscal 2011, 2010 and 2009 totaled \$(13) million, \$84 million and \$(49) million, respectively.

In fiscal 2011, we recognized unrealized net gains of \$1 million on our fuel derivatives. There were no realized gains or losses recognized in fiscal 2011 on our fuel derivatives.

In fiscal 2010, we recognized a gain of \$18 million on foreign currency forwards that were not designated as hedges, which we entered into for treasury management purposes. The gain on these foreign currency forwards included in nonoperating other income was offset by the loss incurred on the remeasurement of a non-functional currency monetary liability, which was also included in nonoperating other income.

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require interest-bearing, non-restricted cash to be posted or received as collateral to the extent the fuel derivative fair value payable to or receivable from an individual counterparty, respectively, exceeds \$100 million. At November 30, 2011, no collateral was required to be posted to or received from our fuel derivative counterparties.

The amount of estimated cash flow hedges' unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of November 30, 2011 and 2010 and for the years ended November 30, 2011, 2010 and 2009 where such impacts were not significant.

Foreign Currency Exchange Rate Risks

Overall Strategy

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

Operational and Investment Currency Risks

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

Most of our brands have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and primarily includes the euro, sterling and Australian, Canadian and U.S. dollars. In

addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, these brands' revenues and expenses in non-functional currencies create some degree of natural offset for recognized transactional currency gains and losses due to currency exchange movements.

We consider our investments in foreign operations to be denominated in relatively stable currencies and of a long-term nature. We partially mitigate our net investment currency exposures by denominating a portion of our debt and other obligations, including the effect of foreign currency forwards, in our foreign operations' functional currencies, generally the euro or sterling. As of November 30, 2011 and 2010, we have designated \$3.6 billion and \$3.0 billion of our euro and sterling debt and other obligations, respectively, which debt matures through 2021, as nonderivative hedges of our net investments in foreign operations. Accordingly, we have included \$204 million and \$183 million of cumulative foreign currency transaction gains in the cumulative translation adjustment component of AOCI at November 30, 2011 and 2010, respectively, which offsets a portion of the losses recorded in AOCI upon translating our foreign operations' net assets into U.S. dollars. During fiscal 2011, 2010 and 2009, we recognized foreign currency transaction gains and (losses) of \$21 million, \$271 million and \$(407) million, respectively, in the cumulative translation adjustment component of AOCI.

Newbuild Currency Risks

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

At November 30, 2011, none of our newbuild passenger capacity under contract that is exposed to currency exchange risk is hedged. The only newbuild contracts that have currency exchange risk for our cruise brands are two Princess and one P&O Cruises (UK) euro-denominated newbuild contracts with remaining commitments totaling \$2.0 billion.

The cost of shipbuilding orders that we may place in the future for our cruise brands that is denominated in a currency that is different than their functional currency is expected to be affected by foreign currency exchange rate fluctuations. Given the movement in the U.S. dollar and sterling relative to the euro over the past several years, the U.S. dollar and sterling cost to order new cruise ships has been volatile. If the U.S. dollar or sterling declines against the euro, this may affect our desire to order future new cruise ships for U.S. dollar or sterling functional currency brands.

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our investment and debt portfolio management strategies. These strategies include purchasing high quality short-term investments with floating interest rates, and evaluating our debt portfolio to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. At November 30, 2011, 65% and 35% (69% and 31% at November 30, 2010) of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relate to the consumption of fuel on our ships. As previously discussed, in fiscal 2011 we implemented a fuel derivatives program to mitigate a portion of our economic risk attributable to potentially significant fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity. As part of our fuel derivatives program, we will evaluate various derivative products and strategies. During 2011, we entered into zero cost collars that established ceiling and floor Brent prices. These derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices. We will not realize any economic gain or loss upon the maturity of our zero cost collars unless the price of Brent is above the ceiling price or below the floor price. We believe that these derivatives will act as economic hedges, however hedge accounting is not applied.

At November 30, 2011, our outstanding fuel derivatives consisted of zero cost collars on Brent for a portion of our estimated fuel consumption as follows:

<u>Maturities (a)</u>	<u>Barrels (in thousands)</u>	<u>Weighted-Average Floor Price</u>	<u>Weighted-Average Ceiling Price</u>	<u>Percent of Estimated Fuel Consumption</u>
<u>2012</u>				
Q3	522	\$ 75	\$ 135	10%
Q4	<u>522</u>	<u>75</u>	<u>135</u>	10%
	<u>1,044</u>	<u>\$ 75</u>	<u>\$ 135</u>	
Fiscal 2013	<u>2,112</u>	<u>\$ 74</u>	<u>\$ 132</u>	10%
Fiscal 2014	<u>2,112</u>	<u>\$ 71</u>	<u>\$ 128</u>	10%
Fiscal 2015	<u>2,160</u>	<u>\$ 71</u>	<u>\$ 125</u>	10%

(a) Fuel derivatives mature evenly over each quarter within the above fiscal years.

Concentrations of Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Our maximum exposure under foreign currency and fuel derivative contracts and interest rate swap agreements that are in-the-money, which were not significant at November 30, 2011, is the replacement cost, net of any collateral received, which includes the value of the contracts, in the event of nonperformance by the counterparties to the contracts, all of which are currently our lending banks. We seek to minimize credit risk exposure, including counterparty nonperformance primarily associated with our cash equivalents, investments, committed financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, by normally conducting business with large, well-established financial institutions and insurance companies, and by diversifying our counterparties. In addition, we have guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimize risk. We normally do require collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards. We currently believe the risk of nonperformance by any of our significant counterparties is remote.

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

NOTE 11 - Segment Information

We have three reportable cruise segments that are comprised of our (1) North America cruise brands, (2) EAA cruise brands and (3) Cruise Support. In addition, we have a Tour and Other segment.

Our North America cruise segment includes Carnival Cruise Lines, Holland America Line, Princess and Seabourn. Our EAA cruise segment includes AIDA, Costa, Cunard, Ibero, P&O Cruises (Australia) and P&O Cruises (UK). These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, maintenance requirements, supporting systems and processes and products and services they provide. Our Cruise Support segment represents certain of our port and related facilities and other corporate-wide services that are provided for the benefit of our cruise brands. Our Tour and Other segment represents the hotel, tour and transportation operations of Holland America Princess Alaska Tours and our two owned ships that we charter to an unaffiliated entity. The significant accounting policies of our segments are the same as those described in Note 2 – “Summary of Significant Accounting Policies.”

Selected information for our Cruise and Tour and Other segments as of and for the years ended November 30 was as follows (in millions):

	<u>Revenues</u>	<u>Operating expenses</u>	<u>Selling and administrative</u>	<u>Depreciation and amortization</u>	<u>Operating income (loss)</u>	<u>Capital expenditures</u>	<u>Total assets</u>
2011							
North America Cruise Brands	\$ 8,921	\$ 5,848	\$ 938	\$ 869	\$ 1,266	\$ 1,232	\$ 21,642
EAA Cruise Brands	6,504	4,244	655	579	1,026	1,380	15,626
Cruise Support	90	3	103	31	(47)	68	795
Tour and Other	392	318	21	43	10	16	574 (b)
Intersegment elimination (a)	<u>(114)</u>	<u>(114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,793</u>	<u>\$ 10,299</u>	<u>\$ 1,717</u>	<u>\$ 1,522</u>	<u>\$ 2,255</u>	<u>\$ 2,696</u>	<u>\$ 38,637</u>
2010							
North America Cruise Brands	\$ 8,379	\$ 5,294	\$ 902	\$ 843	\$ 1,340	\$ 1,082	\$ 21,239
EAA Cruise Brands	5,730	3,572	584	505	1,069	2,260	14,849
Cruise Support	79	14	98	27	(60)	218	802
Tour and Other	403	334	30	41	(2)	19	600 (b)
Intersegment elimination (a)	<u>(122)</u>	<u>(122)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,469</u>	<u>\$ 9,092</u>	<u>\$ 1,614</u>	<u>\$ 1,416</u>	<u>\$ 2,347</u>	<u>\$ 3,579</u>	<u>\$ 37,490</u>
2009							
North America Cruise Brands	\$ 7,815	\$ 4,944	\$ 896	\$ 791	\$ 1,184	\$ 1,474	\$ 21,073
EAA Cruise Brands	5,280	3,215	573	458	1,034	1,823	14,659
Cruise Support	78	12	89	25	(48)	58	593
Tour and Other	427	376	32	35	(16)	25	510 (b)
Intersegment elimination (a)	<u>(140)</u>	<u>(140)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,460</u>	<u>\$ 8,407</u>	<u>\$ 1,590</u>	<u>\$ 1,309</u>	<u>\$ 2,154</u>	<u>\$ 3,380</u>	<u>\$ 36,835</u>

(a) A portion of Tour and Other segment revenues include revenues for the cruise portion of a tour, when a cruise is sold along with a land tour package by Holland America Princess Alaska Tours, and shore excursion and port hospitality services provided to cruise guests by this tour company. These intersegment revenues, which are included in full in the cruise brand segments, are eliminated directly against the Tour and Other segment revenues and operating expenses in the line "Intersegment elimination."

(b) Tour and Other segment assets primarily include hotels and lodges in the state of Alaska and the Canadian Yukon, motorcoaches used for sightseeing and charters, domed rail cars, which run on the Alaska Railroad, and our owned ships under long-term charter to an unaffiliated entity.

Non-U.S. revenues for our cruise brands represent sales generated from outside the U.S. primarily by non-U.S. tour operators and non-U.S. travel agencies. Substantially all of our long-lived assets are located outside of the U.S. and consist principally of our ships and ships under construction.

Revenues by geographic areas, which are based on where our guests are sourced and not the cruise brands on which they sailed, were as follows (in millions):

	<u>Years Ended November 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
North America	\$ 7,835	\$ 7,467	\$ 7,085
Europe	5,961	5,574	5,190
Australia and Asia	1,528	1,063	790
Others	<u>469</u>	<u>365</u>	<u>395</u>
	<u>\$ 15,793</u>	<u>\$ 14,469</u>	<u>\$ 13,460</u>

NOTE 12 – Compensation Plans

Equity Plans

We issue our share-based compensation awards under the Carnival Corporation and Carnival plc stock plans, which have an aggregate of 30.3 million shares available for future grant at November 30, 2011. These plans allow us to issue restricted stock awards, restricted stock units, performance-based share (“PBS”) awards and stock options (collectively “equity awards”). Equity awards are primarily granted to management level employees and members of our Boards of Directors. The plans are administered by a committee of our independent directors (the “Committee”) that determines which employees are eligible to participate, the monetary value or number of shares for which equity awards are to be granted and the amounts that may be exercised or sold within a specified term. These plans allow us to fulfill our equity award obligations using shares purchased in the open market or with unissued or treasury shares. Certain equity awards provide for accelerated vesting if we have a change in control, as defined.

Our total share-based compensation expense was \$46 million, \$43 million and \$50 million in fiscal 2011, 2010 and 2009, respectively, of which \$42 million, \$40 million and \$46 million has been included in selling and administrative expenses and \$4 million, \$3 million and \$4 million in cruise payroll and related expenses in fiscal 2011, 2010 and 2009, respectively.

Stock Option Plans

The Committee generally set stock option exercise prices at 100% or more of the fair market value of the underlying common stock/ordinary shares on the date the option was granted. Generally, employee options either vest evenly over five years or at the end of three years. Our employee options granted prior to October 2005 have a ten-year term and those options granted thereafter have a seven-year term. In the fourth quarter of fiscal 2007, the Committee decided to cease granting employee stock options and to instead grant restricted stock awards (“RSAs”) or restricted stock units (“RSUs”) to our employee groups who were previously granted options. This change from options to RSAs or RSUs enables us to grant equity awards in a more uniform method to our employees. Since fiscal 2001, Carnival Corporation Board of Director options vest evenly over five years and have a ten-year term. In 2008, the Committee decided to also cease granting stock options to non-executive board members and will instead grant them RSAs and/or RSUs.

A combined summary of Carnival Corporation and Carnival plc stock option activity during the year ended November 30, 2011 was as follows:

	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u> (in years)	<u>Aggregate Intrinsic Value</u> (a) (in millions)
Outstanding at November 30, 2010	12,719,848	\$43.91		
Exercised	(1,640,145)	\$32.04		
Forfeited or expired	<u>(650,752)</u>	\$44.93		
Outstanding at November 30, 2011	<u>10,428,951</u>	\$45.65	<u>2.0</u>	<u>\$6</u>
Exercisable at November 30, 2011	<u>10,379,088</u>	\$45.66	<u>2.0</u>	<u>\$6</u>

(a) The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the option exercise price at November 30, 2011.

As of the dates of exercise, the total intrinsic value of options exercised in fiscal 2011, 2010 and 2009 was \$18 million, \$17 million and \$1 million, respectively. As of November 30, 2011, unrecognized compensation cost related to unvested stock options that will be recognized in 2012 was not significant.

RSAs/RSUs and PBS Awards

RSAs generally have the same rights as Carnival Corporation common stock, except for transfer restrictions and forfeiture provisions. RSAs have been granted to certain officers and non-executive board members and either have three or five-year cliff vesting or vest evenly over five years after the grant date. In addition, Carnival Corporation and Carnival plc grant RSUs that vest evenly over five years or at the end of three or five years after the grant date and accrue forfeitable dividend equivalents on each outstanding RSU, in the form of additional RSUs, based on dividends declared. The share-based compensation expense associated with RSAs/RSUs is based on the quoted market price of the Carnival Corporation or Carnival plc shares on the date of grant, and is amortized to expense using the straight-line method from the grant date through the earlier of the vesting date or the estimated retirement eligibility date.

In 2011, the Committee approved PBS awards to be granted to certain key Carnival Corporation & plc executives. These PBS awards are based on our earnings per share growth over a three-year period, with award opportunity to earn from zero to 200% of the number of

target shares underlying the award achieved at the end of the third year. The PBS awards will accrue forfeitable dividend equivalents based on dividends declared.

During the year ended November 30, 2011, RSA/RSU and PBS activity was as follows:

	<u>RSAs/RSUs</u>		<u>PBSs</u>	
	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Outstanding at November 30, 2010	4,153,127	\$33.61	-	\$ -
Granted	940,623	\$46.32	130,088	\$45.07
Vested	(1,260,378)	\$42.42	(12,508)	\$44.61
Forfeited	<u>(207,406)</u>	\$36.03	<u>(588)</u>	\$44.61
Outstanding at November 30, 2011	<u>3,625,966</u>	\$33.70	<u>116,992</u>	\$45.12

The total grant date fair value of RSAs/RSUs vested was \$53 million, \$28 million and \$18 million in fiscal 2011, 2010 and 2009, respectively. As of November 30, 2011, there was \$34 million of total unrecognized compensation cost related to RSAs/RSUs and PBSs. As of November 30, 2011, the total unrecognized compensation costs related to RSAs/RSUs and PBSs are expected to be recognized over a weighted-average period of 1.7 years and 2.2 years, respectively.

Defined Benefit Pension Plans

We have several single-employer defined benefit pension plans, which cover some of our shipboard and shoreside employees. The U.S. and UK shoreside employee plans are closed to new membership and are funded at or above the level required by U.S. or UK regulations. The remaining defined benefit plans are primarily unfunded. In determining all of our plans' benefit obligations at November 30, 2011 and 2010, we assumed weighted-average discount rates of 4.5% and 5.0%, respectively. The net asset or net liability positions under these single-employer defined benefit pension plans are not material.

In addition, P&O Cruises (UK), Princess and Cunard participate in an industry-wide British Merchant Navy Officers Pension Fund ("MNOFP" or the "fund"), which is a defined benefit multiemployer pension plan available to certain of their British shipboard officers. The MNOFP is divided into two sections, the "New Section" and the "Old Section," each of which covers a different group of participants, with the Old Section closed to further benefit accrual and the New Section only closed to new membership. At November 30, 2011, the New Section was estimated to have a funding deficit.

The MNOFP trustee had previously determined that the MNOFP's New Section funding was inadequate based on its actuarially determined deficit. Substantially all of any MNOFP New Section deficit liability that we may have relates to the obligations of P&O Cruises (UK) and Princess, which existed prior to the formation of our DLC in 2003. We have not been able to record our estimated share of the ultimate fund deficit as of the DLC formation date or thereafter because our ultimate amount of the deficit was and remains uncertain. The amount of our share of the fund's ultimate deficit could vary considerably if different assumptions and estimates are used to estimate the fund deficit. Therefore, we expense our portion of any deficit as amounts are invoiced by, and become due and payable to, the fund's trustee. In 2010, we received a special assessment invoice from the fund's trustee for an amount the trustee calculated to be our additional share of the entire MNOFP New Section deficit. The calculation was based on the March 31, 2009 actuarial valuations, as adjusted for subsequent market value recoveries. Accordingly, we recorded the full invoiced liability of \$41 million in cruise payroll and related expense in 2010. It is still possible that the fund's trustee may invoice us in the future for additional amounts.

We believe that while the Old Section had a funding deficit at November 30, 2008, there has been a surplus since November 30, 2009 and, accordingly, no expenses have been recorded for the Old Section in fiscal 2011, 2010 and 2009. If the Old Section has a funding deficit in the future and the fund's trustee believes the fund requires further contributions, then it could result in them also invoicing us for our share of such amounts. We will record any required Old Section contributions in the same manner as the New Section. Our share of the Old Section deficit, if any, which covers predecessor employers' officers employed prior to 1978, is not currently known and, accordingly, our share of any such contribution is not currently determinable.

P&O Cruises (UK) participates in an industry-wide British Merchant Navy Ratings Pension Fund ("MNRPF"), which is a defined benefit multiemployer pension plan available to certain of their shipboard British personnel. This plan is closed to new membership and has a significant funding deficit. Our estimated share of the ultimate fund deficit relates to the obligations of P&O Cruises (UK) that existed prior to the formation of our DLC in 2003. In 1999, we withdrew from the plan, but continued making voluntary payments through 2006. However, pursuant to a 2011 court order, it was determined that P&O Cruises (UK), along with other unrelated employers, were required to continue to be named participating employers of the plan. Based on the most recent actuarial valuation, which was performed as of March 31, 2008, the MNRPF had an accumulated funding deficit of \$270 million. No decision has yet been reached as to how the deficit will be recovered, but we expect that the participating employers will be invoiced for their allocated share. We estimate probable contributions relating to our allocated share of the deficit to be \$18 million, which is recorded as a liability in our accompanying

Consolidated Balance Sheets. Depending on the outcome of future actuarial valuations and other decisions made by the trustee, it is possible that we will be required to fund amounts in excess of our recorded liability, which we will recognize in cruise payroll and related expense in future periods as amounts are invoiced by, and become due and payable to, the MNRPF's trustee. The amount of such additional funding is not currently determinable, but is not expected to be material.

Total expense for all defined benefit pension plans, including multiemployer plans, was \$46 million, \$85 million and \$36 million in fiscal 2011, 2010 and 2009, respectively.

Defined Contribution Plans

We have several defined contribution plans available to most of our employees. We contribute to these plans based on employee contributions, salary levels and length of service. Total expense for these plans was \$21 million, \$20 million and \$16 million in fiscal 2011, 2010 and 2009, respectively.

NOTE 13 - Earnings Per Share

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

	<u>Years Ended November 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net income	\$ 1,912	\$ 1,978	\$ 1,790
Interest on dilutive convertible notes	<u>-</u>	<u>11</u>	<u>12</u>
Net income for diluted earnings per share	<u>\$ 1,912</u>	<u>\$ 1,989</u>	<u>\$ 1,802</u>
Weighted-average common and ordinary shares outstanding	787	788	787
Dilutive effect of convertible notes	-	14	15
Dilutive effect of equity plans	<u>2</u>	<u>3</u>	<u>2</u>
Diluted weighted-average shares outstanding	<u>789</u>	<u>805</u>	<u>804</u>
Basic earnings per share	<u>\$ 2.43</u>	<u>\$ 2.51</u>	<u>\$ 2.27</u>
Diluted earnings per share	<u>\$ 2.42</u>	<u>\$ 2.47</u>	<u>\$ 2.24</u>
Anti-dilutive stock options excluded from diluted earnings per share computations	<u>9</u>	<u>10</u>	<u>14</u>

NOTE 14 - Supplemental Cash Flow Information

Cash paid for interest, net of capitalized interest, was \$358 million, \$361 million and \$366 million in fiscal 2011, 2010 and 2009, respectively. In addition, cash received (paid), net for income taxes was \$9 million, \$(15) million and \$(27) million in fiscal 2011, 2010 and 2009, respectively.

NOTE 15 – Subsequent Event

On January 13, 2012, the 2,978-passenger capacity *Costa Concordia* grounded off the coast of Isola del Giglio, Italy and sustained significant damage. The ship remains grounded and partially submerged. The net carrying value of this euro-denominated ship, including ship improvements, at December 31, 2011 was \$490 million (at the December 31, 2011 exchange rate or €379 million). We have euro-denominated insurance coverage of \$510 million (at the December 31, 2011 exchange rate or €395 million) for damage to the ship with a potential deductible of approximately \$30 million as well as insurance for third party personal injury liability subject to an additional deductible of approximately \$10 million for this incident. We self-insure for loss of use of the ship.

A damage assessment review of the ship is being undertaken to determine whether the ship can be repaired and what the total cost would be. If the ship is repairable, it is expected to be out-of-service for the remainder of fiscal 2012 if not longer.

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

To the Boards of Directors and Shareholders of Carnival Corporation and Carnival plc:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Carnival Corporation & plc (comprising Carnival Corporation and Carnival plc and their respective subsidiaries, the "Company") at November 30, 2011 and November 30, 2010, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A of the 2011 Annual Report on Form 10-K. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP

Miami, Florida

January 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained in this 2011 Annual Report are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have tried, whenever possible, to identify these statements by using words like "will," "may," "could," "should," "would," "believe," "depends," "expect," "anticipate," "forecast," "future," "intend," "plan," "estimate," "target" 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 our actual results, performance or achievements to differ materially from those expressed or implied in this 2011 Annual Report. Forward-looking statements include those statements that may impact, among other things, the forecasting of our non-GAAP earnings per share ("EPS"); net revenue yields; booking levels; pricing; occupancy; operating; financing and tax costs, including fuel expenses; costs per available lower berth day ("ALBDs"); 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;
- increases in fuel prices;
- accidents, the spread of contagious diseases and threats thereof, adverse weather conditions or natural disasters and other incidents affecting the health, safety, security and satisfaction of guests and crew;
- the international political climate, armed conflicts, terrorist and pirate attacks, vessel seizures, and threats thereof, and other world events affecting the safety and security of travel;
- negative publicity concerning the cruise business in general or us in particular, including any adverse environmental impacts of cruising;
- Litigation, enforcement actions, fines or penalties, including those relating to *Costa Concordia's* incident;
- economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- changes in and compliance with laws and regulations relating to the protection of persons with disabilities, employment, environment, health, safety, security, tax and other regulations under which we operate;
- our ability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations;
- increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- lack of continuing availability of attractive, convenient and safe port destinations;
- continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the pricing for, the services and products provided by these vendors;
- disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- competition from and overcapacity in the cruise ship or land-based vacation industry;
- loss of key personnel or our ability to recruit or retain qualified personnel;
- union disputes and other employee relation issues;
- disruptions in the global financial markets or other events may negatively affect the ability of our counterparties and others to perform their obligations to us;
- the continued strength of our cruise brands and our ability to implement our brand strategies;
- our international operations are subject to additional risks not generally applicable to our U.S. operations;
- geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect;
- our decisions to self-insure against various risks or our inability to obtain insurance for certain risks at reasonable rates;
- fluctuations in foreign currency exchange rates;
- whether our future operating cash flow will be sufficient to fund future obligations and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations;
- risks associated with the DLC arrangement; and
- uncertainties of a foreign legal system as we are not incorporated in the U.S.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this 2011 Annual Report, 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.

2011 Executive Overview

Overall, in fiscal 2011 (“2011”) our brands performed very well, mitigating the impact of geo-political events in the Middle East and North Africa (“MENA”), the earthquake and resulting nuclear disaster in Japan, which together resulted in over 300 itinerary changes, the European debt crisis, recessionary fears and stock market volatility. We generated \$1.9 billion of net income in 2011 despite all of these unexpected challenges. This is a testament to the quality of our management teams, the power of our brands, the exceptional value proposition of a cruise vacation and the other favorable characteristic of the cruise business.

Our cash flow from operations was \$3.8 billion in 2011, which was more than enough to fund our \$2.7 billion capital investment program and enabled us to return excess cash to our shareholders. Earlier this year, our quarterly dividend was increased from \$0.10 to \$0.25 per share resulting in \$671 million of dividend distributions in 2011. In addition, in 2011 we repurchased 14.8 million of Carnival Corporation common stock and Carnival plc ordinary shares in the open market at a cost of \$454 million. During 2011, the dividend distributions and the repurchases of shares totaled \$1.1 billion, which represented all of our 2011 free cash flow.

During 2011, our North American brands performed well, achieving an almost four percent net revenue yield increase in comparison to fiscal 2010 (“2010”). Our EAA brands net revenue yields on a constant dollar basis were in line with 2010 despite all of their challenges, including MENA, the earthquake and resulting nuclear disaster in Japan and the European debt crisis. During 2011, we took delivery of four ships, which drove an over 5% increase in our passenger capacity. We had a 9% increase in our EAA cruise segment passenger capacity, while our North America cruise segment passenger capacity grew by almost 3%.

Our net income decreased \$66 million in 2011 compared to 2010 as a result of higher fuel prices, which cost an additional \$535 million. The higher fuel prices were partially offset by an over 2% increase in constant dollar net revenue yields, which accounted for \$253 million, an almost 5% capacity increase in ALBDs, which accounted for \$121 million, and a weaker U.S. dollar compared to other currencies, which accounted for \$113 million. As always, we worked diligently throughout 2011 to improve our cost structure benefitting from our ongoing cost containment programs and leveraging our size to reduce costs, thus offsetting some of the inflationary pressures we experienced during the year. As a result of our ongoing efforts to reduce fuel usage, our consumption per ALBD declined by almost 3%, continuing our multiple-year savings trend. In total, this represents a 15% savings in our fuel consumption per ALBD since 2005.

We recently implemented a fuel derivatives program to mitigate a portion of our economic risk attributable to potentially significant fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity. As part of our fuel derivatives program, we will evaluate various derivative products and strategies. To date under this program, we have bought Brent call options and sold Brent put options, collectively referred to as zero cost collars that established ceiling and floor Brent prices. We believe that these derivatives will act as economic hedges, however hedge accounting is not applied. Accordingly, the impact of any realized gains and losses on fuel derivatives that mature during each period, as well as changes in unrealized gains and losses resulting from fair value adjustments on our outstanding derivatives, are recorded as a nonoperating item in the Consolidated Statements of Income. At November 30, 2011, we had fuel derivatives for approximately 10% of our estimated fuel consumption for the second half of fiscal 2012 through fiscal 2015. In 2011, we recognized \$1 million of unrealized gains on fuel derivatives. See “Note 10 – Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements for additional discussion of our fuel derivatives program.

We continue to build new and innovative ships and to invest in our existing ships to strengthen the leadership position of each of our brands. During 2011, we ordered four new cruise ships – one 132,500-ton vessel for our Costa brand, one 141,000-ton vessel for our P&O Cruises (UK) brand and two 125,000-ton ships for our AIDA brand. These ships will be the largest ever constructed for these three cruise lines. As of January 23, 2012, including these four orders, we currently have ten cruise ships scheduled to enter service between May 2012 and March 2016, three of which will enter service in 2012 (see “Note 6 – Commitments” in the accompanying consolidated financial statements). Our current intention is to have an average of two to three new cruise ships enter service annually, some of which will replace existing capacity from possible sales of older ships. Since we have slowed down the pace of our newbuilding program, we currently believe this will lead to an increase in free cash flows.

The year-over-year percentage increase in our capacity for fiscal 2012, 2013, 2014 and 2015 is currently expected to be 3.4%, 2.8%, 2.4% and 4.5%, respectively. These percentage increases result primarily from contracted new ships entering service and include the scheduled withdrawal from service of P&O Cruises (Australia’s) *Pacific Sun* in July 2012 and withdrawal from service of *Costa Concordia* for all years (see “Note 15 – Subsequent Events” in the accompanying consolidated financial statements), but exclude any unannounced future ship orders, acquisitions, retirements, charters or sales.

Outlook for Fiscal 2012

On December 20, 2011, we said that we expected our non-GAAP fully diluted earnings per share for the 2012 first quarter and full year would be in the ranges of \$0.06 to \$0.10 and \$2.55 to \$2.85, respectively. Our guidance was based on the fuel and currency assumptions noted in the “2012 Selected Key Forecast Assumptions - December 20, 2011” table below.

On January 13, 2012, *Costa Concordia* grounded off the coast of Isola del Giglio, Italy and sustained significant damage. The ship remains grounded and partially submerged off the coast. The cause of the accident is currently under investigation by the Italian authorities. The net carrying value of this euro-denominated ship, including ship improvements, at December 31, 2011 was \$490 million (at the December 31, 2011 exchange rate or €379 million). We have euro-denominated insurance coverage of \$510 million (at the December 31, 2011 exchange rate or €395 million) for damage to the ship with a potential deductible of approximately \$30 million as well as insurance for third party personal injury liability subject to an additional deductible of approximately \$10 million for this incident.

A damage assessment review of the ship is being undertaken to determine whether the ship can be repaired and what the total cost would be. If the ship is repairable, it is expected to be out-of-service for the remainder of fiscal 2012 if not longer. We self-insure for loss of use of the ship, which we expect to impact the 2012 full year net income by approximately \$85 million to \$95 million. Furthermore, we anticipate approximately \$30 million to \$40 million of other incident related costs.

After the incident, we significantly reduced our marketing activities. Excluding *Costa*, our fleetwide booking volumes, subsequent to the incident through January 25, 2012, declined in the mid-teens compared to the prior year, after bottoming out on January 16, 2012. *Costa*'s booking activity is difficult to interpret because of the significant re-booking activity stemming from the loss of the ship's use and related re-deployments, however we believe it to be down significantly. Despite these recent trends, we believe the incident will not have a significant long-term impact on our business.

Since the December 20, 2011 guidance, certain events have occurred that will have a material impact on our 2012 results. For those events where the financial impacts can be reasonably estimated, we have quantified them below. In addition, as a result of *Costa Concordia*'s incident, we anticipate other financial impacts to our business, including lower net revenue yields, that are not possible to reasonably determine at this time. In March 2012, we expect to provide revised 2012 full year earnings guidance, including these financial impacts.

	<u>(Decrease) in 2012 First Quarter</u>		<u>(Decrease) Increase in 2012 Full Year</u>	
	<u>Net Income</u> <u>(in millions)</u>	<u>Non-GAAP Fully</u> <u>Diluted EPS</u>	<u>Net Income</u> <u>(in millions)</u>	<u>Non-GAAP Fully</u> <u>Diluted EPS</u>
<i>Costa Concordia</i> incident:				
Loss of use	\$ (8)	\$ (0.01)	\$(85) to \$(95)	\$(0.11) to \$(0.12)
Insurance deductibles	(40)	(0.05)	(40)	(0.05)
Other incident related costs	<u>(23)</u>	<u>(0.03)</u>	<u>(30) to (40)</u>	<u>(0.04) to (0.05)</u>
	(71)	(0.09)	(155) to (175)	(0.20) to (0.22)
Fuel (a)	(46)	(0.06)	(230)	(0.30)
Currency (a)	<u>-</u>	<u>-</u>	<u>10</u>	<u>0.01</u>
	<u>\$(117)</u>	<u>\$ (0.15)</u>	<u>\$(375) to \$(395)</u>	<u>\$(0.48) to \$(0.51)</u>

(a) Reflects the impact of the change in our fuel and currency assumptions used in our December 20, 2011 guidance compared to January 23, 2012, which are included in the “2012 Selected Key Forecast Assumptions” table below.

2012 Selected Key Forecast Assumptions (a)

	<u>December 20, 2011</u>	<u>January 23, 2012</u>
First quarter fuel cost per metric ton consumed	\$652	\$705
Full year fuel cost per metric ton consumed	\$650	\$717
Currencies		
U.S. dollar to €1	\$1.30	\$1.30
U.S. dollar to £1	\$1.55	\$1.56
U.S. dollar to Australian dollar	\$0.99	\$1.05

(a) The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions.

We believe it is more meaningful to evaluate our earnings performance by excluding the impact of unrealized gains and losses on fuel derivatives from non-GAAP fully diluted EPS. Therefore, we will not include any year-to-date impact or future estimates of unrealized gains and losses on fuel derivatives in our non-GAAP EPS guidance. However, we will forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period. Based on this approach and current prices, we are not forecasting any realized gains or losses for fiscal 2012 under our current fuel derivative portfolio.

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

Critical Accounting Estimates

Our critical accounting estimates are those which we believe require our most significant judgments about the effect of matters that are inherently uncertain. A discussion of our critical accounting estimates, the underlying judgments and uncertainties used to make them and the likelihood that materially different estimates would be reported under different conditions or using different assumptions is as follows:

Ship Accounting

Our most significant assets are our ships, ship improvements and ships under construction, which represent 80% of our total assets. We make several critical accounting estimates with respect to our ship accounting. First, in order to compute our ships’ depreciation expense, which represented 11% of our cruise costs and expenses in 2011, we have to estimate the average useful life of each of our ships as well as their residual values. Secondly, we account for ship improvement costs by capitalizing those costs that we believe add value to our ships and depreciate those improvements over their or the ships’ estimated remaining useful life, whichever is shorter, while the costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred. Finally, when we record the retirement of a ship component that is included within the ship’s cost basis, we may have to estimate the net book value of the asset being retired in order to remove it from the ship’s cost basis.

We determine the average useful life of our ships and their residual values based primarily on our estimates of the weighted-average useful lives and residual values of the ships’ major component systems, such as cabins, engines and hull. In addition, we consider, among other things, long-term vacation market conditions, competition and historical useful lives of similarly-built ships. We have estimated our ships’ weighted-average useful lives at 30 years and their average residual values at 15% of our original ship cost. Further, we determine the useful life of ship improvements based on estimates of the period over which the assets will be of economic benefit to us. In determining such lives, we consider factors, including but not limited to, physical deterioration, obsolescence, regulatory constraints and maintenance policies.

Given the size and complexity of our ships, ship accounting estimates require considerable judgment and are inherently uncertain. We do not have cost segregation studies performed to specifically componentize our ships. In addition, since we do not separately componentize our ships, we do not identify and track depreciation of specific original ship components. Therefore, we typically have to estimate the net book value of components that are retired, based primarily upon their replacement cost, their age and their original estimated useful lives.

If materially different conditions existed, or if we materially changed our assumptions of ship lives and residual values, our depreciation expense or loss on retirement of ship components and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs. Our 2011 ship depreciation expense would increase by an estimated \$37 million for every year we reduce our estimated average 30 year ship useful life. In addition, if our ships were estimated to have no residual value, our 2011 depreciation expense would increase by approximately \$190 million.

We believe that the estimates we made for ship accounting purposes are reasonable and our methods are consistently applied in all material respects and, accordingly, result in depreciation expense that is based on a rational and systematic method to equitably allocate the costs of our ships to the periods during which they are used. In addition, we believe that the estimates we made are reasonable and our methods consistently applied in all material respects (1) in determining the average useful life and average residual values of our ships, including ship improvements; (2) in determining which ship improvement costs add value to our ships; and (3) in determining the net book value of ship component assets being retired. Finally, we believe our critical ship accounting estimates are generally comparable with those of other major cruise companies.

Asset Impairments

Impairment reviews of our cruise ships, goodwill and trademarks require us to make significant estimates to determine the fair values of these assets or cruise brands. For our cruise ships, we perform our impairment reviews, if required, at the individual cruise ship level. See “Note 4 – Property and Equipment” in the accompanying consolidated financial statements for additional discussion of certain ship impairment charges recorded in 2011. We believe the estimated fair value of each of our cruise brands that carry goodwill significantly exceeds the carrying value of their allocated net assets, except for Ibero. We believe the estimated fair value of each of our recorded trademarks significantly exceeds its respective carrying value. See “Note 10 – Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements for additional discussion of our goodwill and trademark impairment tests and further details related to Ibero’s goodwill.

The determination of fair value includes numerous uncertainties, unless a comparable, viable actively-traded market exists, which is usually not the case for cruise ships, cruise brands and trademarks. Our ship fair values are typically estimated based on individual or comparable ship sale prices and other comparable ship values in inactive markets. In determining the estimated fair values of cruise brands utilizing discounted future cash flow analysis, significant judgments are made related to forecasting future operating results, including net revenue yields, net cruise costs including fuel prices, capacity changes, including the expected deployment of vessels into, or out of, the cruise brand, weighted-average cost of capital for comparable publicly-traded companies, terminal values, cruise itineraries, technological changes, consumer demand, governmental regulations and the effects of competition, among others. In addition, third party appraisers are sometimes used to help determine fair values of cruise brands and trademarks, and their valuation methodologies are also typically subject to uncertainties similar to those discussed above.

In addition, in determining our trademark estimated fair values we also use discounted future cash flow analysis, which requires some of the same significant judgments discussed above. Specifically, determining the estimated amount of royalties avoided by our ownership of the trademark is based upon forecasted cruise revenues and royalty rates that a market participant would use. The royalty rates are estimated primarily using comparable royalty agreements for similar industries.

We believe that we have made reasonable estimates and judgments in determining whether our cruise ships, goodwill and trademarks have been impaired. However, if there is a material change in assumptions used in our determination of fair values, or if there is a material change in the conditions or circumstances influencing fair values, then we may need to recognize a material impairment.

Contingencies

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, guest and crew, and tax matters. In addition, we periodically assess the recoverability of our trade and other receivables and other counterparty credit exposures, such as contractual nonperformance by financial and other institutions with which we conduct significant business. Our credit exposure includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in most of the European Union for which we are obligated to provide credit in a like amount to these guests even if we do not receive payment from the travel agents or tour operators. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine if it is probable, or more likely than not (“MLTN”) for income tax matters, that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable or MLTN loss, if any, can be made. In assessing probable losses, we make estimates of the amount of probable insurance recoveries, if any, which are recorded as assets. We accrue a liability and establish a reserve when we believe a loss is probable or MLTN for income tax matters, and the amount of the loss can be reasonably estimated in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). Such accruals and reserves are typically based on developments to date, management’s estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar non-income tax matters, historical claims experience, actuarially determined assumptions of liabilities and any related insurance coverages. See “Note 7 - Contingencies,” “Note 8 - Income and Other Taxes” and “Note 10 - Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements for additional information concerning our contingencies.

Given the inherent uncertainty related to the eventual outcome of these matters and potential insurance recoveries, it is possible that all or some of these matters may be resolved for amounts materially different from any provisions or disclosures that we may have made with respect to their resolution. In addition, as new information becomes available, we may need to reassess the amount of asset or liability that needs to be accrued related to our contingencies. All such revisions in our estimates could materially impact our results of operations and financial position.

Results of Operations

We earn substantially all of our cruise revenues from the following:

- sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from our ships and cancellation fees. The cruise ticket price includes accommodation, most meals, some non-alcoholic beverages, most onboard entertainment and many onboard activities. We also collect governmental fees and taxes from our guests, and
- sales of goods and services primarily onboard our ships not included in the cruise ticket price including, among other things, bar and some beverage sales, shore excursions, casino gaming, gift shop sales, photo sales, spa services, internet and phone services and cruise vacation protection programs. These goods and services are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee.

We incur cruise operating costs and expenses for the following:

- the costs of passenger cruise bookings, which represent costs that are directly associated with passenger cruise ticket revenues, and include travel agent commissions, air and other transportation related costs, governmental fees and taxes that vary with guest head counts and related credit card fees,
- onboard and other cruise costs, which represent costs that are directly associated with onboard and other revenues, and include among

- other things, the costs of liquor and some non-alcoholic beverages, costs of tangible goods sold by us from our gift shop and photo sales, communication costs, costs of pre and post-cruise land packages and related credit card fees. Concession revenues do not have significant associated expenses because the costs and services incurred for concession revenues are borne by our concessionaires,
- payroll and related costs, which represent all costs related to our shipboard personnel, including deck and engine crew, including officers, and hotel and administrative employees,
 - fuel costs, which include fuel delivery costs,
 - food costs, which include both our guest and crew food costs, and
 - other ship operating costs, which include port costs that do not vary with guest head counts, repairs and maintenance, including minor improvements and dry-dock expenses, hotel supplies, entertainment, freight and logistics and all other ship operating costs and expenses.

For segment information related to our North America and EAA cruise brands' revenues, expenses, operating income and other financial information, see "Note 11- Segment Information" in the accompanying consolidated financial statements.

Statistical Information

	<u>Years Ended November 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Passengers carried (in thousands)	9,559	9,147	8,519
Occupancy percentage (a)	106.2%	105.6%	105.5%
Fuel consumption (metric tons in thousands)	3,395	3,319	3,184
Fuel cost per metric ton consumed	\$ 646	\$ 489	\$ 363
Currencies			
U.S. dollar to €	\$ 1.40	\$ 1.33	\$ 1.39
U.S. dollar to £1	\$ 1.60	\$ 1.55	\$ 1.56
U.S. dollar to Australian dollar	\$ 1.03	\$ 0.91	\$ 0.77

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

Fiscal 2011 ("2011") Compared to Fiscal 2010 ("2010")

Revenues

Consolidated

Approximately 77% of 2011 total revenues are comprised of cruise passenger ticket revenues. Cruise passenger ticket revenues increased by \$1.1 billion, or 9.7%, to \$12.2 billion in 2011 from \$11.1 billion in 2010. This increase was substantially due to our 5.1% capacity increase in ALBDs, which accounted for \$571 million, a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$257 million, an overall continuing recovery in cruise ticket pricing, which accounted for \$155 million, and a 0.6 percentage point increase in occupancy, which accounted for \$57 million. Our 2011 cruise passenger ticket pricing increase was affected by the close-in deployment changes resulting from the geo-political events in MENA, and to a lesser extent, the earthquake and resulting nuclear disaster in Japan as well as the European debt crisis (see "Key Performance Non-GAAP Financial Indicators").

The remaining 23% of 2011 total revenues is substantially all comprised of onboard and other cruise revenues, which increased by \$253 million, or 8.1%, to \$3.4 billion in 2011 from \$3.1 billion in 2010. This increase was principally driven by our 5.1% capacity increase in ALBDs, which accounted for \$160 million, and a weaker U.S. dollar against the euro, sterling and Australian dollar, which accounted for \$58 million. Onboard and other revenues included concession revenues of \$1.1 billion in 2011 and \$958 million in 2010.

North America Brands

Approximately 76% of 2011 total revenues are comprised of cruise passenger ticket revenues. Cruise passenger ticket revenues increased by \$444 million, or 7.0%, to \$6.8 billion in 2011 from \$6.3 billion in 2010. This increase was substantially due to a continuing recovery in cruise ticket pricing, particularly in the second half of 2011, which accounted for \$186 million, our 2.8% capacity increase in ALBDs, which accounted for \$176 million, and a 1.1 percentage point increase in occupancy, which accounted for \$62 million.

The remaining 24% of 2011 total revenues is comprised of onboard and other cruise revenues, which increased \$98 million, or 4.8%, to \$2.2 billion in 2011 from \$2.1 billion in 2010. This increase was primarily driven by our 2.8% capacity increase in ALBDs, which accounted for \$57 million. Onboard and other revenues included concession revenues of \$681 million in 2011 and \$628 million in 2010.

EAA Brands

Approximately 83% of 2011 total revenues are comprised of cruise passenger ticket revenues. Cruise passenger ticket revenues increased \$633 million, or 13.3%, to \$5.4 billion in 2011 from \$4.8 billion in 2010. This increase was caused by our 9.0% capacity increase in ALBDs, which accounted for \$431 million, and a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$257 million. Cruise passenger ticket revenues were impacted by the close-in MENA deployment changes.

The remaining 17% of 2011 total revenues is comprised of onboard and other cruise revenues, which increased \$141 million, or 14.6%, to \$1.1 billion in 2011 from \$1.0 billion in 2010. This increase was caused by our 9.0% capacity increase in ALBDs, which accounted for \$87 million, and a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$58 million. Onboard and other revenues included concession revenues of \$397 million in 2011 and \$330 million in 2010.

Costs and Expenses

Consolidated

Operating costs and expenses increased \$1.2 billion, or 13.3%, to \$10.3 billion in 2011 from \$9.1 billion in 2010. This increase was substantially due to higher fuel prices, which accounted for \$535 million, our 5.1% capacity increase in ALBDs, which accounted for \$457 million, a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$143 million, and inflationary pressures on crew travel, food, freight and other hotel operating expenses.

Selling and administrative expenses increased \$103 million, or 6.4%, to \$1.7 billion in 2011 from \$1.6 billion in 2010. The increase was caused by our 5.1% capacity increase in ALBDs, which accounted for \$82 million, and a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$29 million.

Depreciation and amortization expense increased \$106 million, or 7.5%, to \$1.5 billion in 2011 from \$1.4 billion in 2010. The increase was substantially due to \$71 million from our 5.1% capacity increase in ALBDs principally through the addition of new ships, and a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$26 million.

Our total costs and expenses as a percentage of revenues increased to 85.7% in 2011 from 83.8% in 2010.

North America Brands

Operating costs and expenses increased \$554 million, or 10.5%, to \$5.8 billion in 2011 from \$5.3 billion in 2010. This increase was principally due to higher fuel prices, which accounted for \$328 million, and our 2.8% capacity increase in ALBDs, which accounted for \$148 million.

Selling and administrative expenses increased \$36 million, or 4.0%, to \$938 million in 2011 from \$902 million in 2010.

Depreciation and amortization expense increased \$26 million, or 3.1%, to \$869 million in 2011 from \$843 million in 2010.

Our total costs and expenses as a percentage of total revenues increased to 85.8% in 2011 from 84.0% in 2010.

EAA Brands

Operating costs and expenses increased \$672 million, or 18.8%, to \$4.2 billion in 2011 from \$3.6 billion in 2010. This increase was caused by our 9.0% capacity increase in ALBDs, which accounted for \$323 million, higher fuel prices, which accounted for \$207 million, and a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$143 million.

Selling and administrative expenses increased \$71 million, or 12.2%, to \$655 million in 2011 from \$584 million in 2010. The increase was caused by our 9.0% capacity increase in ALBDs, which accounted for \$53 million, and a weaker U.S. dollar against euro, sterling and Australian dollar, which accounted for \$29 million.

Depreciation and amortization expense increased \$74 million, or 14.7%, to \$579 million in 2011 from \$505 million in 2010. The increase was substantially due to \$46 million from our 9.0% capacity increase in ALBDs principally through the addition of new ships and a weaker U.S. dollar against the euro, sterling and Australian dollar, which accounted for \$26 million.

Our total costs and expenses as a percentage of total revenues increased to 84.2% in 2011 from 81.3% in 2010.

Operating Income

Our consolidated operating income of \$2.3 billion decreased slightly in 2011 compared to 2010. Our North America brands' operating income of \$1.3 billion decreased \$74 million, or 5.5%, in 2011 compared to 2010, and our EAA brands' operating income of \$1.0 billion decreased \$43 million, or 4.0%, in 2011 compared to 2010. These decreases were primarily due to the reasons discussed above.

Key Performance Non-GAAP Financial Indicators

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.

We use net cruise revenues per ALBD ("net revenue yields"), net cruise costs per ALBD and net cruise costs excluding fuel per ALBD as significant non-GAAP financial measures of our cruise 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 useful information to investors and expanded insight to measure our revenue and cost performance as a supplement to our U.S. GAAP consolidated financial statements.

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

Net passenger ticket revenues reflect gross cruise revenues, net of (1) onboard and other revenues, (2) commissions, transportation and other costs and (3) onboard and other cruise costs. Net onboard and other revenues reflect gross cruise revenues, net of (1) passenger ticket revenues, (2) commissions, transportation and other costs and (3) onboard and other cruise costs. Net passenger ticket revenue yields and net onboard and other revenue yields are computed by dividing net passenger ticket revenues and net onboard and other revenues by ALBDs.

Net cruise costs per ALBD and net cruise costs excluding fuel per ALBD are the most significant measures we use to monitor our ability to control our cruise 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 with and without fuel to avoid duplicating these variable costs in our non-GAAP financial measures.

In addition, because our EAA cruise brands utilize the euro, sterling and Australian dollar to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies, and decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies. Accordingly, we also monitor and report these non-GAAP financial measures assuming the 2011 and 2010 periods' currency exchange rates have remained constant with the 2010 and 2009 periods' rates, respectively, 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.

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

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

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

	Years Ended November 30,				
	2011	2011 Constant Dollar	2010	2010 Constant Dollar	2009
Passenger ticket revenues	\$ 12,158	\$ 11,901	\$ 11,084	\$ 11,194	\$ 10,288
Onboard and other revenues	<u>3,357</u>	<u>3,299</u>	<u>3,104</u>	<u>3,117</u>	<u>2,885</u>
Gross cruise revenues	<u>15,515</u>	<u>15,200</u>	<u>14,188</u>	<u>14,311</u>	<u>13,173</u>
Less cruise costs					
Commissions, transportation and other	(2,461)	(2,421)	(2,272)	(2,287)	(2,220)
Onboard and other	<u>(506)</u>	<u>(495)</u>	<u>(474)</u>	<u>(474)</u>	<u>(461)</u>
	<u>(2,967)</u>	<u>(2,916)</u>	<u>(2,746)</u>	<u>(2,761)</u>	<u>(2,681)</u>
Net passenger ticket revenues	9,697	9,480	8,812	8,907	8,068
Net onboard and other revenues	<u>2,851</u>	<u>2,804</u>	<u>2,630</u>	<u>2,643</u>	<u>2,424</u>
Net cruise revenues	<u>\$ 12,548</u>	<u>\$ 12,284</u>	<u>\$ 11,442</u>	<u>\$ 11,550</u>	<u>\$ 10,492</u>
ALBDs	<u>69,970,910</u>	<u>69,970,910</u>	<u>66,545,164</u>	<u>66,545,164</u>	<u>62,105,916</u>
Gross revenue yields	\$ 221.74	\$ 217.24	\$ 213.21	\$ 215.06	\$ 212.10
% increase vs. prior year	4.0%	1.9%	0.5%	1.4%	
Net revenue yields	\$ 179.35	\$ 175.56	\$ 171.94	\$ 173.57	\$ 168.94
% increase vs. prior year	4.3%	2.1%	1.8%	2.7%	
Net passenger ticket revenue yields	\$ 138.60	\$ 135.49	\$ 132.41	\$ 133.86	\$ 129.91
% increase vs. prior year	4.7%	2.3%	1.9%	3.0%	
Net onboard and other revenue yields	\$ 40.75	\$ 40.07	\$ 39.52	\$ 39.72	\$ 39.03
% increase vs. prior year	3.1%	1.4%	1.3%	1.8%	

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

	Years Ended November 30,				
	2011	2011 Constant Dollar	2010	2010 Constant Dollar	2009
Cruise operating expenses	\$ 10,095	\$ 9,952	\$ 8,880	\$ 8,911	\$ 8,171
Cruise selling and administrative expenses	<u>1,696</u>	<u>1,666</u>	<u>1,583</u>	<u>1,587</u>	<u>1,558</u>
Gross cruise costs	<u>11,791</u>	<u>11,618</u>	<u>10,463</u>	<u>10,498</u>	<u>9,729</u>
Less cruise costs included in net cruise revenues					
Commissions, transportation and other	(2,461)	(2,421)	(2,272)	(2,287)	(2,220)
Onboard and other	<u>(506)</u>	<u>(495)</u>	<u>(474)</u>	<u>(474)</u>	<u>(461)</u>
Net cruise costs	8,824	8,702	7,717	7,737	7,048
Less fuel	<u>(2,193)</u>	<u>(2,193)</u>	<u>(1,622)</u>	<u>(1,622)</u>	<u>(1,156)</u>
Net cruise costs excluding fuel	<u>\$ 6,631</u>	<u>\$ 6,509</u>	<u>\$ 6,095</u>	<u>\$ 6,115</u>	<u>\$ 5,892</u>
ALBDs	<u>69,970,910</u>	<u>69,970,910</u>	<u>66,545,164</u>	<u>66,545,164</u>	<u>62,105,916</u>
Gross cruise costs per ALBD	\$ 168.51	\$ 166.05	\$ 157.23	\$ 157.77	\$ 156.64
% increase vs. prior year	7.2%	5.6%	0.4%	0.7%	
Net cruise costs per ALBD	\$ 126.11	\$ 124.37	\$ 115.96	\$ 116.28	\$ 113.48
% increase vs. prior year	8.8%	7.3%	2.2%	2.5%	
Net cruise costs excluding fuel per ALBD	\$ 94.76	\$ 93.02	\$ 91.59	\$ 91.91	\$ 94.86
% increase (decrease) vs. prior year	3.5%	1.6%	(3.4)%	(3.1)%	

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

	<u>Years Ended November 30,</u>	
	<u>2011</u>	<u>2010</u>
Net income - diluted		
U.S. GAAP net income (a)	\$ 1,912	\$ 1,989
Unrealized gains on fuel derivatives, net	(1)	-
Non-GAAP net income (a)	<u>\$ 1,911</u>	<u>\$ 1,989</u>
Weighted-average shares outstanding - diluted	789	805
Earnings per share - diluted		
U.S. GAAP earnings per share	\$ 2.42	\$ 2.47
Unrealized gains on fuel derivatives, net	-	-
Non-GAAP earnings per share	<u>\$ 2.42</u>	<u>\$ 2.47</u>

(a) For fiscal 2010, diluted net income included an add-back of interest expense on dilutive convertible notes.

Net cruise revenues increased \$1.1 billion, or 9.7%, to \$12.5 billion in 2011 from \$11.4 billion in 2010. This was caused by a 5.1% capacity increase in ALBDs, which accounted for \$589 million, a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$265 million, and a 2.1% increase in constant dollar net revenue yields, which accounted for \$253 million. The 2.1% increase in net revenue yields on a constant dollar basis was comprised of a 2.3% increase in net passenger ticket revenue yields and a 1.4% increase in net onboard and other revenue yields. The 2.3% increase in net passenger ticket revenue yields was driven by the continuing recovery in pricing at our North American brands as they achieved an almost four percent net revenue yield increase while our EAA brands net revenue yields were in line with the prior year despite all of their challenges, including MENA, the earthquake and resulting nuclear disaster in Japan and the European debt crisis. Gross cruise revenues increased \$1.3 billion, or 9.4%, to \$15.5 billion in 2011 from \$14.2 billion in 2010 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased \$536 million, or 8.8%, to \$6.6 billion in 2011 from \$6.1 billion in 2010. This was caused by our 5.1% capacity increase in ALBDs, which accounted for \$314 million, a weaker U.S. dollar against the euro, sterling and Australia dollar, which accounted for \$122 million, and a 1.6% increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for \$100 million. The 1.6% increase in constant dollar net cruise costs excluding fuel per ALBD was principally driven by inflationary pressures on crew travel, food, freight and other hotel operating expenses.

Fuel costs increased \$571 million, or 35.2%, to \$2.2 billion in 2011 from \$1.6 billion in 2010. This was caused by higher fuel prices, which accounted for \$535 million, and a 5.1% capacity increase in ALBDs, which accounted for \$83 million, partially offset by lower fuel consumption per ALBD.

Gross cruise costs increased \$1.3 billion, or 12.7% to \$11.8 billion in 2011 from \$10.5 billion in 2010 for principally the same reasons as discussed above.

Fiscal 2010 (“2010”) Compared to Fiscal 2009 (“2009”)

Revenues

Consolidated

Approximately 77% of 2010 total revenues are comprised of cruise passenger ticket revenues. Cruise passenger ticket revenues increased by \$796 million, or 7.7%, to \$11.1 billion in 2010 from \$10.3 billion in 2009. This increase was caused by our 7.1% capacity increase in ALBDs, which accounted for \$735 million, and a recovery in overall cruise ticket pricing, which accounted for \$317 million. Our 2010 cruise passenger ticket revenue increase was partially offset by the impacts of lower air transportation revenues due to fewer guests purchasing their air travel through us, and a stronger U.S. dollar against the euro and sterling compared to 2009 (see “Key Performance Non-GAAP Financial Indicators”).

The remaining 23% of 2010 total revenues is principally comprised of onboard and other cruise revenues, which increased by \$219 million, or 7.6%, to \$3.1 billion in 2010 from \$2.9 billion in 2009. This increase was substantially all due to our 7.1% capacity increase in ALBDs, which accounted for \$206 million. Onboard and other revenues included concession revenues of \$958 million in 2010 and \$881 million in 2009.

North America Brands

Approximately 75% of 2010 total revenues are comprised of cruise passenger ticket revenues. Cruise passenger ticket revenues increased

by \$458 million, or 7.8%, to \$6.3 billion in 2010 from \$5.9 billion in 2009. This increase was caused by a significant recovery in cruise ticket pricing, which accounted for \$311 million, and our 3.4% capacity increase in ALBDs, which accounted for \$197 million. Our 2010 cruise passenger ticket revenue increase was partially offset by impacts of lower air transportation revenues from fewer guests purchasing their air travel through us.

The remaining 25% of 2010 total revenues is comprised of onboard and other cruise revenues, which increased \$106 million, or 5.4%, to \$2.1 billion in 2010 from \$2.0 billion in 2009. This increase was primarily driven by our 3.4% capacity increase in ALBDs, which accounted for \$66 million. Onboard and other revenues included concession revenues of \$628 million in 2010 and \$589 million in 2009.

EAA Brands

Approximately 83% of 2010 total revenues are comprised of cruise passenger ticket revenues. Cruise passenger ticket revenues increased \$338 million, or 7.7%, to \$4.8 billion in 2010 from \$4.4 billion in 2009. This increase was caused by our 14.0% capacity increase in ALBDs, which accounted for \$622 million. This increase was partially offset by the impact of the stronger U.S. dollar against the euro and sterling compared to 2009, which accounted for \$111 million, the impact of lower air transportation revenues from fewer guests purchasing their air travel through us and a decrease in cruise ticket pricing primarily caused by the challenging winter season in the Brazilian market, which had significant increases in cruise business capacity.

The remaining 17% of 2010 total revenues is comprised of onboard and other cruise revenues, which increased \$112 million, or 13.1%, to \$965 million in 2010 from \$853 million in 2009. This increase was caused by our 14.0% capacity increase in ALBDs, which accounted for \$120 million. Onboard and other revenues included concession revenues of \$330 million in 2010 and \$291 million in 2009.

Costs and Expenses

Consolidated

Operating costs and expenses increased \$685 million, or 8.1%, to \$9.1 billion in 2010 from \$8.4 billion in 2009. This increase was caused by our 7.1% capacity increase in ALBDs, which accounted for \$584 million, and higher fuel prices, which accounted for \$417 million. These increases were partially offset by the benefits from cost reduction programs and economies of scale, lower air transportation costs due to fewer guests purchasing their air travel through us and \$61 million of aggregate gains recognized from the sale of P&O Cruises (UK)'s *Artemis* and a Cunard litigation settlement.

Selling and administrative expenses of \$1.6 billion were flat in 2010 compared to 2009 despite our 7.1% capacity increase in ALBDs. The impact from the increase in capacity, which accounted for \$111 million, was offset by the benefits from cost reduction programs and economies of scale.

Depreciation and amortization expense increased \$107 million, or 8.2%, to \$1.4 billion in 2010 from \$1.3 billion in 2009 caused by \$91 million from our 7.1% capacity increase in ALBDs through the addition of new ships, and additional ship and other improvement expenditures, net of disposals.

Our total costs and expenses as a percentage of revenues decreased slightly to 83.8% in 2010 from 84.0% in 2009.

North America Brands

Operating costs and expenses increased \$350 million, or 7.1%, to \$5.3 billion in 2010 from \$4.9 billion in 2009. This increase was caused by higher fuel prices, which accounted for \$260 million, and our 3.4% capacity increase in ALBDs, which accounted for \$167 million. These increases were partially offset by the benefits from cost reduction programs and economies of scale and lower air transportation costs due to fewer guests purchasing air travel through us.

Selling and administrative expenses of \$902 million were flat in 2010 compared to 2009 despite our 3.4% increase in ALBDs. The impact from the increase in capacity, which accounted for \$30 million, was offset by the benefits from cost reduction programs and economies of scale.

Depreciation and amortization expense increased \$52 million, or 6.6%, to \$843 million in 2010 from \$791 million in 2009, caused by \$27 million from our 3.4% capacity increase in ALBDs through the addition of new ships, and additional ship and other improvement expenditures.

Our total costs and expenses as a percentage of total revenues decreased to 84.0% in 2010 from 84.8% in 2009.

EAA Brands

Operating costs and expenses increased \$357 million, or 11.1%, to \$3.6 billion in 2010 from \$3.2 billion in 2009. This increase was caused

by our 14.0% capacity increase in ALBDs, which accounted for \$451 million, and higher fuel prices, which accounted for \$157 million. These increases were partially offset by the benefits from cost reduction programs and economies of scale, lower air transportation costs due to fewer guests purchasing their air travel through us and \$61 million of aggregate gains recognized from the sale of P&O Cruises (UK)'s *Artemis* and Cunard's litigation settlement.

Selling and administrative expenses of \$584 million were flat in 2010 compared to 2009 despite our 14.0% capacity increase in ALBDs. The impact from the increase in capacity, which accounted for \$80 million, was offset by the benefits from cost reductions programs and economies of scale.

Depreciation and amortization expense increased \$47 million, or 10.3%, to \$505 million in 2010 from \$458 million in 2009, caused by \$64 million from our 14.0% capacity increase in ALBDs through the addition of new ships, and additional ship and other improvement expenditures, net of disposals.

Our total costs and expenses as a percentage of total revenues increased to 81.3% in 2010 from 80.4% in 2009.

Operating Income

Our consolidated operating income increased \$193 million, or 9.0%, to \$2.3 billion in 2010 from \$2.2 billion in 2009. Our North America brands' operating income increased \$156 million, or 13.2%, to \$1.3 billion in 2010 from \$1.2 billion in 2009, and our EAA brands' operating income increased \$35 million, or 3.4%, to \$1.1 billion in 2010 from \$1.0 billion in 2009. These increases were primarily due to the reasons discussed above.

Key Performance Non-GAAP Financial Indicators

Net cruise revenues increased \$950 million, or 9.1%, to \$11.4 billion in 2010 from \$10.5 billion in 2009. This was caused by a 7.1% capacity increase in ALBDs, which accounted for \$750 million, and a 2.7% increase in constant dollar net revenue yields, which accounted for \$308 million, partially offset by the impact of a stronger U.S. dollar against the euro and sterling, which accounted for \$108 million. The 2.7% increase in net revenue yields on a constant dollar basis was comprised of a 3.0% increase in net passenger ticket revenue yields and a 1.8% increase in net onboard and other revenue yields. The 3.0% increase in net passenger ticket revenue yields was driven by stronger North American brand yields as business trends improved from a gradually recovering economy, partially offset by slightly weaker EAA brand yields that were primarily caused by the challenging winter season in the Brazilian market, which had significant increases in cruise business capacity. Net onboard and other revenue yields increased 1.8% on a constant dollar basis due to higher onboard spending by our guests. Gross cruise revenues increased \$1.0 billion, or 7.7%, to \$14.2 billion in 2010 from \$13.2 billion in 2009 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased \$203 million, or 3.4%, to \$6.1 billion in 2010 from \$5.9 billion in 2009. This was caused by a 7.1% capacity increase in ALBDs, which accounted for \$421 million, partially offset by a 3.1% decrease in constant dollar net cruise costs excluding fuel per ALBD, which accounted for \$196 million. The 3.1% decrease in constant dollar net cruise costs excluding fuel per ALBD was primarily due to the benefits from cost reduction programs and economies of scale and \$61 million of aggregate gains recognized from the sale of P&O Cruises (UK)'s *Artemis* and Cunard's litigation settlement. On a constant dollar basis, net cruise costs per ALBD excluding fuel and the gains recognized from the sale of P&O Cruises (UK)'s *Artemis* and Cunard's litigation settlement decreased 2.2% in 2010 compared to 2009.

Fuel costs increased \$466 million, or 40.3%, to \$1.6 billion in 2010 from \$1.2 billion in 2009. This was driven by higher fuel prices, which accounted for \$417 million, a 7.1% capacity increase in ALBDs, which accounted for \$83 million and was partially offset by lower fuel consumption per ALBD.

Gross cruise costs increased \$734 million, or 7.5% in 2010 to \$10.5 billion from \$9.7 billion in 2009 for largely the same reasons as discussed above.

Liquidity, Financial Condition and Capital Resources

Our primary financial goal is to profitably grow our cruise business, while maintaining a strong balance sheet, which allows us to return free cash flow to shareholders. Our ability to generate significant operating cash flows has allowed us to internally fund all of our capital investment program. Our current intention is to have an average of two to three new cruise ships enter service annually, some of which will replace the existing capacity from possible sales of older ships. Since we have slowed down the pace of our newbuilding program, we currently believe this will lead to an increase in free cash flows. Other objectives of our capital structure policy are to maintain an acceptable level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years.

Based on our historical results, projections and financial condition, we believe that our existing liquidity and cash flow from future operations will be sufficient to fund all of our expected capital projects, including shipbuilding commitments, debt service requirements,

working capital needs, other firm commitments and dividends over the next several years. Our projected cash flow from operations and access to the capital markets can be adversely impacted by numerous factors outside our control including, but not limited to, those noted under “Cautionary Note Concerning Factors That May Affect Future Results.” If additional debt funding is required, our ability to generate significant cash from operations and our investment grade credit ratings provide us with the ability in most financial credit market environments to obtain such debt funding. If our long-term senior unsecured credit ratings were to be downgraded or assigned a negative outlook, our access to, and cost of, financing may be negatively impacted.

At November 30, 2011 and 2010, we had working capital deficits of \$4.8 billion and \$4.5 billion, respectively. Our November 30, 2011 deficit included \$3.1 billion of customer deposits, which represent the passenger revenues we collect in advance of sailing dates and, accordingly, are substantially more like deferred revenue transactions rather than actual current cash liabilities. Our November 30, 2011 working capital deficit included \$1.3 billion of current debt obligations, which included \$162 million outstanding under our commercial paper programs and \$1.1 billion outstanding under our export credit facilities, bank loans and other debt. We continue to generate substantial cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations as they become due in most financial credit market environments. We also have our main revolver available to provide long-term rollover financing should the need arise, or we choose to do so. After excluding customer deposits and current debt obligations from our November 30, 2011 working capital deficit balance, our non-GAAP adjusted working capital deficit was only \$387 million. Our business model allows us to operate with an adjusted working capital deficit and, accordingly, we believe we will continue to have a working capital deficit for the foreseeable future.

Sources and Uses of Cash

Our business provided \$3.8 billion of net cash from operations during fiscal 2011 and 2010.

During fiscal 2011, our expenditures for capital projects were \$2.7 billion, of which \$2.2 billion was spent on our ongoing new shipbuilding program, including \$1.8 billion for the final delivery payments for *AIDAsol*, *Carnival Magic*, *Costa Favolosa* and *Seabourn Quest*. In addition to our new shipbuilding program, we had capital expenditures of \$337 million for ship improvements and replacements and \$176 million for information technology, buildings and other assets.

During fiscal 2011, we repaid a net \$450 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the year. In addition, we repaid \$1.2 billion of other long-term debt substantially for scheduled payments on export credit facilities and the early repayment of two floating rate bank loans and a portion of one export credit facility. Also, we borrowed \$1.7 billion of new other long-term debt during fiscal 2011, under three export credit facilities and four bank loans. Finally, we paid cash dividends of \$671 million and purchased \$454 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions during fiscal 2011, which represented all of our \$1.1 billion of fiscal 2011 free cash flow.

Future Commitments and Funding Sources

At November 30, 2011, our contractual cash obligations were as follows (in millions):

	Payments Due by Fiscal						Total
	2012	2013	2014	2015	2016	There-after	
<u>Recorded Contractual Cash Obligations</u>							
Short-term borrowings (a)	\$ 281						\$ 281
Long-term debt (a)	1,019	\$ 1,624	\$ 1,557	\$ 1,195	\$ 780	\$ 2,897	9,072
Other long-term liabilities reflected on the balance sheet (b)	54	110	93	62	54	202	575
<u>Unrecorded Contractual Cash Obligations</u>							
Shipbuilding (c)	1,847	1,141	1,418	1,178	507	-	6,091
Operating leases (c)	41	39	34	31	28	180	353
Port facilities and other (c)	120	118	104	101	103	743	1,289
Purchase obligations (d)	767	63	38	31	24	27	950
Fixed rate interest payments (e)	362	309	205	183	135	717	1,911
Floating rate interest payments (e)	51	46	51	46	47	150	391
Total Contractual Cash Obligations (f)	\$ 4,542	\$ 3,450	\$ 3,500	\$ 2,827	\$ 1,678	\$ 4,916	\$ 20,913

(a) Our debt, excluding short-term borrowings, has a weighted-average maturity of five years. See “Note 5 – Debt” in the accompanying consolidated financial statements for additional information regarding these debt obligations.

(b) Represents cash outflows for certain of our long-term liabilities, including their current portion, that could be reasonably estimated.

The primary outflows are for estimates of our compensation plans’ obligations, crew and guest claims, uncertain income tax position

liabilities and certain deferred income taxes. Deferred income and certain deferred income taxes have been excluded from the table because they do not require a cash settlement in the future.

- (c) Our shipbuilding contractual obligations are legal commitments and, accordingly, cannot be cancelled without cause by the shipyards or us, and such cancellation will subject the defaulting party to significant contractual liquidating damage payments. See “Note 6 – Commitments” in the accompanying consolidated financial statements for additional information regarding these contractual cash obligations.
- (d) Represents legally-binding commitments to purchase inventory and other goods and services made in the normal course of business to meet operational requirements. Many of our contracts contain clauses that allow us to terminate the contract with notice, either with or without a termination penalty. Termination penalties are generally an amount less than the original obligation. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for termination of our contractual obligations.
- (e) Fixed rate interest payments represent cash outflows for fixed interest payments, including interest swapped from a floating rate to a fixed rate and excluding the reverse of such a swap. Floating rate interest payments represent forecasted cash outflows for interest payments on floating rate debt, including interest swapped from a fixed rate to a floating rate, and excluding the reverse of such a swap, using the November 30, 2011 forward interest rates for the remaining terms of the loans.
- (f) Amounts payable in foreign currencies, which are principally the euro, sterling and Australian dollars, are based on the November 30, 2011 exchange rates.

In September 2007, our Boards of Directors authorized the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and Carnival plc ordinary shares subject to certain restrictions (the “Repurchase Program”). The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

During fiscal 2011, we repurchased 13.5 million shares of Carnival Corporation common stock at an average price of \$30.72 and 1.3 million ordinary shares of Carnival plc at an average price of \$30.73 under the Repurchase Program. During fiscal 2010 and 2009, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. At November 30, 2011, the remaining availability under the Repurchase Program was \$334 million. There were no repurchases under the Repurchase Program from December 1, 2011 through January 23, 2012.

In addition to the Repurchase Program, the Boards of Directors have authorized the repurchase of up to 19.2 million Carnival plc ordinary shares and up to 31.5 million shares of Carnival Corporation common stock under the “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. This economic benefit is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program. All Carnival plc ordinary share repurchases under both the Repurchase Program and the “Stock Swap” authorizations require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.4 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2012 annual general meeting, or October 12, 2012. Finally, under the “Stock Swap” programs, any sales of the Carnival Corporation common stock and Carnival plc ordinary shares have been or will be registered under the Securities Act. At January 23, 2012, the remaining availability under the “Stock Swap” programs repurchase authorization was 18.1 million Carnival plc ordinary shares and 31.5 million Carnival Corporation shares.

At November 30, 2011, we had liquidity of \$6.9 billion. Our liquidity consisted of \$450 million of cash and cash equivalents, excluding \$293 million of cash used for current operations, \$2.4 billion available for borrowing under our revolving credit facilities, net of commercial paper borrowings, and \$4.3 billion under committed ship financings. Of this \$4.3 billion of committed ship financings, \$949 million, \$856 million, \$1.1 billion, \$1.0 billion and \$452 million are scheduled to be funded in fiscal 2012, 2013, 2014, 2015 and 2016, respectively. Substantially all of our revolving credit facilities are scheduled to mature in 2016. We rely on, and have banking relationships with, numerous large, well-established banks, which we believe will assist us in accessing multiple sources of funding in the event that some lenders are unwilling or unable to lend to us. However, we believe that our revolving credit facilities and committed financings will be honored as required pursuant to their contractual terms.

Substantially all of our debt agreements contain financial covenants as described in “Note 5 – Debt” in the accompanying consolidated financial statements. At November 30, 2011, we believe we were in compliance with all of our debt covenants. In addition, based on our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants over the next several years. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our hedging strategies and market risks see the discussion below and “Note 10 - Fair Value Measurements, Derivative Instruments and Hedging Activities,” in the accompanying consolidated financial statements.

Foreign Currency Exchange Rate Risks

Operational and Investment Currency Risks

We have \$183 million of foreign currency forwards that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting this foreign currency exchange rate risk. Based upon a 10% hypothetical change in the U.S. dollar compared to the euro as of November 30, 2011, assuming no changes in comparative interest rates, we estimate that these foreign currency forwards' fair values would change by \$18 million, which would be offset by a corresponding change of \$18 million in the U.S. dollar value of our net investments. In addition, based upon a 10% hypothetical change in the U.S. dollar compared to the euro, sterling and Australian dollar, which are the functional currencies that we translate into our U.S. dollar reporting currency, assuming no changes in comparative interest rates, we estimate that our 2012 full year December 20, 2011 non-GAAP guidance would change by approximately \$200 million.

Newbuild Currency Risks

At November 30, 2011, none of our newbuild passenger capacity under contract that is exposed to currency exchange risk is hedged. The only newbuild contracts that have currency exchange risk for our cruise brands are two Princess and one P&O Cruises (UK) euro-denominated newbuild contracts with remaining commitments totaling \$2.0 billion. The functional currency cost of each of these ships will increase or decrease based upon changes in the exchange rate until the payments are made under the shipbuilding contract, or we enter into a foreign currency hedge. Based upon a 10% hypothetical change in the U.S. dollar and sterling compared to the euro as of November 30, 2011, assuming no changes in comparative interest rates, the unpaid cost of these ships would have a corresponding change of approximately \$200 million.

Interest Rate Risks

At November 30, 2011, we have interest rate swaps that effectively changed (1) \$510 million of fixed rate debt to U.S. dollar LIBOR or GBP LIBOR-based floating rate debt and (2) \$320 million of EURIBOR-based floating rate euro debt to fixed rate euro debt. Based upon a 10% hypothetical change in the November 30, 2011 market interest rates, assuming no change in currency exchange rates, the fair value of all our debt and related interest rate swaps would change by approximately \$125 million. In addition, based upon a 10% hypothetical change in the November 30, 2011 market interest rates, our annual interest expense on floating rate debt, including the effect of our interest rate swaps, would change by an insignificant amount.

These amounts are determined by considering the impact of the hypothetical market interest rates on our existing debt and interest rate swaps. This analysis does not consider the effects of the changes in the level of overall economic activity that could exist in such environments. Currently, substantially all of our fixed rate debt can only be called or prepaid by incurring significant break fees, therefore it is unlikely we will be able to take any significant steps in the short-term to mitigate our exposure in the event of a significant decrease in market interest rates.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relate to the consumption of fuel on our ships. As previously discussed, in fiscal 2011 we implemented a fuel derivatives program to mitigate a portion of our economic risk attributable to potentially significant fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity. As part of our fuel derivatives program, we will evaluate various derivative products and strategies. During 2011, we entered into zero cost collars that established ceiling and floor Brent prices. These derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices. We will not realize any economic gain or loss upon the maturity of our zero cost collars unless the price of Brent is above the ceiling price or below the floor price. We believe that these derivatives will act as economic hedges, however hedge accounting is not applied.

At November 30, 2011, we have fuel derivatives for approximately 10% of our estimated fuel consumption for the second half of fiscal 2012 through fiscal 2015. The volume and derivative products used in our fuel derivatives program may change based on our expectation of future market prices. Based on a 10% hypothetical change in Brent spot prices as of November 30, 2011, assuming no changes in comparative interest rates, there would be no impact to our cash flows resulting from fuel derivatives, as the resulting Brent price would remain within the ceiling and floor Brent prices established by these collars. We estimate that our fiscal 2012 fuel expenses would change by approximately \$3.5 million for each \$1 per metric ton change in our average fuel price. See “Note 10 – Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements for additional discussion of our fuel derivatives program.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for fiscal 2007 through 2011 and as of the end of each such year, except for the other statistical data, are derived from our audited consolidated financial statements and should be read in conjunction with those consolidated financial statements and the related notes.

	Years Ended November 30,				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(dollars in millions, except per share, per ton and currency data)				
Statements of Income Data					
Revenues	\$ 15,793	\$14,469	\$13,460	\$14,947	\$13,306
Operating income	\$ 2,255	\$ 2,347	\$ 2,154	\$ 2,729	\$ 2,725
Net income	\$ 1,912	\$ 1,978	\$ 1,790	\$ 2,324	\$ 2,395
Earnings per share					
Basic	\$ 2.43	\$ 2.51	\$ 2.27	\$ 2.96	\$ 3.04
Diluted	\$ 2.42	\$ 2.47	\$ 2.24	\$ 2.90	\$ 2.95
Non-GAAP earnings per share – diluted (a)	\$ 2.42	\$ 2.47	\$ 2.24	\$ 2.90	\$ 2.95
Dividends declared per share	\$ 1.00	\$ 0.40	\$ -	\$ 1.60	\$ 1.375
Statements of Cash Flow Data					
Cash provided by operating activities	\$ 3,766	\$ 3,818	\$ 3,342	\$ 3,391	\$ 4,069
Cash used in investing activities	\$ 2,646	\$ 3,501	\$ 3,384	\$ 3,255	\$ 3,746
Capital expenditures	\$ 2,696	\$ 3,579	\$ 3,380	\$ 3,353	\$ 3,312
Cash used in financing activities	\$ 1,093	\$ 404	\$ 93	\$ 315	\$ 604
Dividends paid	\$ 671	\$ 237	\$ 314	\$ 1,261	\$ 990
Other Statistical Data					
ALBDs (in thousands)	69,971	66,545	62,106	58,943	54,133
Passengers carried (in thousands)	9,559	9,147	8,519	8,183	7,672
Occupancy percentage	106.2%	105.6%	105.5%	105.7%	105.6%
Fuel consumption (metric tons in thousands)	3,395	3,319	3,184	3,179	3,033
Fuel cost per metric ton consumed	\$ 646	\$ 489	\$ 363	\$ 558	\$ 361
Currencies					
U.S. dollar to €	\$ 1.40	\$ 1.33	\$ 1.39	\$ 1.49	\$ 1.36
U.S. dollar to £	\$ 1.60	\$ 1.55	\$ 1.56	\$ 1.90	\$ 2.00
U.S. dollar to Australian dollar	\$ 1.03	\$ 0.91	\$ 0.77	\$ 0.87	\$ 0.83
	As of November 30,				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(dollars in millions)				
Balance Sheet and Other Data					
Total assets	\$ 38,637	\$37,490	\$36,835	\$33,400	\$34,181
Total debt	\$ 9,353	\$ 9,364	\$10,047	\$ 9,343	\$ 8,846
Total shareholders' equity	\$ 23,832	\$23,031	\$22,039	\$19,137	\$20,023
Total debt to capital (b)	28.2%	28.9%	31.3%	32.9%	30.6%

(a) For a discussion of the reconciliation to U.S. GAAP, see “Management’s Discussion and Analysis of Financial Conditions and Results of Operations.”

(b) Percentage of total debt to the sum of total debt and shareholders’ equity.

MARKET PRICE FOR COMMON STOCK AND ORDINARY SHARES

Carnival Corporation's common stock, together with paired trust shares of beneficial interest in the P&O Princess Special Voting Trust, which holds a Special Voting Share of Carnival plc, is traded on the NYSE under the symbol "CCL." Carnival plc's ordinary shares trade on the London Stock Exchange under the symbol "CCL." Carnival plc's American Depository Shares ("ADSs"), each one of which represents one Carnival plc ordinary share, are traded on the NYSE under the symbol "CUK." The depository for the ADSs is JPMorgan Chase Bank. The daily high and low stock sales price for the periods indicated on their primary exchange was as follows:

	<u>Carnival Corporation</u>		<u>Carnival plc</u>			
	<u>Per Share</u>		<u>Per Ordinary Share</u>		<u>Per ADS</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
<u>Fiscal 2011</u>						
Fourth Quarter	\$37.31	\$28.52	£23.78	£18.23	\$38.59	\$28.85
Third Quarter	\$38.83	\$29.07	£24.83	£16.77	\$40.06	\$28.63
Second Quarter	\$42.58	\$36.90	£27.88	£23.42	\$44.49	\$38.54
First Quarter	\$48.11	\$40.52	£32.34	£26.04	\$50.35	\$41.58
<u>Fiscal 2010</u>						
Fourth Quarter	\$44.90	\$31.74	£27.92	£21.10	\$45.48	\$33.24
Third Quarter	\$37.53	\$29.68	£27.12	£20.29	\$39.94	\$31.49
Second Quarter	\$44.21	\$34.07	£29.37	£24.70	\$45.78	\$35.56
First Quarter	\$36.16	\$31.14	£24.85	£20.40	\$38.33	\$33.14

As of January 23, 2012, there were 3,585 holders of record of Carnival Corporation common stock and 35,949 holders of record of Carnival plc ordinary shares and 88 holders of record of Carnival plc ADSs. The past performance of our share prices cannot be relied on as a guide to their future performance.

All dividends for both Carnival Corporation and Carnival plc are declared in U.S. dollars. If declared, holders of Carnival Corporation common stock and Carnival plc ADSs receive a dividend payable in U.S. dollars. The dividends payable for Carnival plc ordinary shares are payable in sterling, unless the shareholders elect to receive the dividends in U.S. dollars. Dividends payable in sterling will be converted from U.S. dollars into sterling at the U.S. dollar to sterling exchange rate quoted by the Bank of England in London at 12:00 p.m. on the next combined U.S. and UK business day that follows the quarter end.

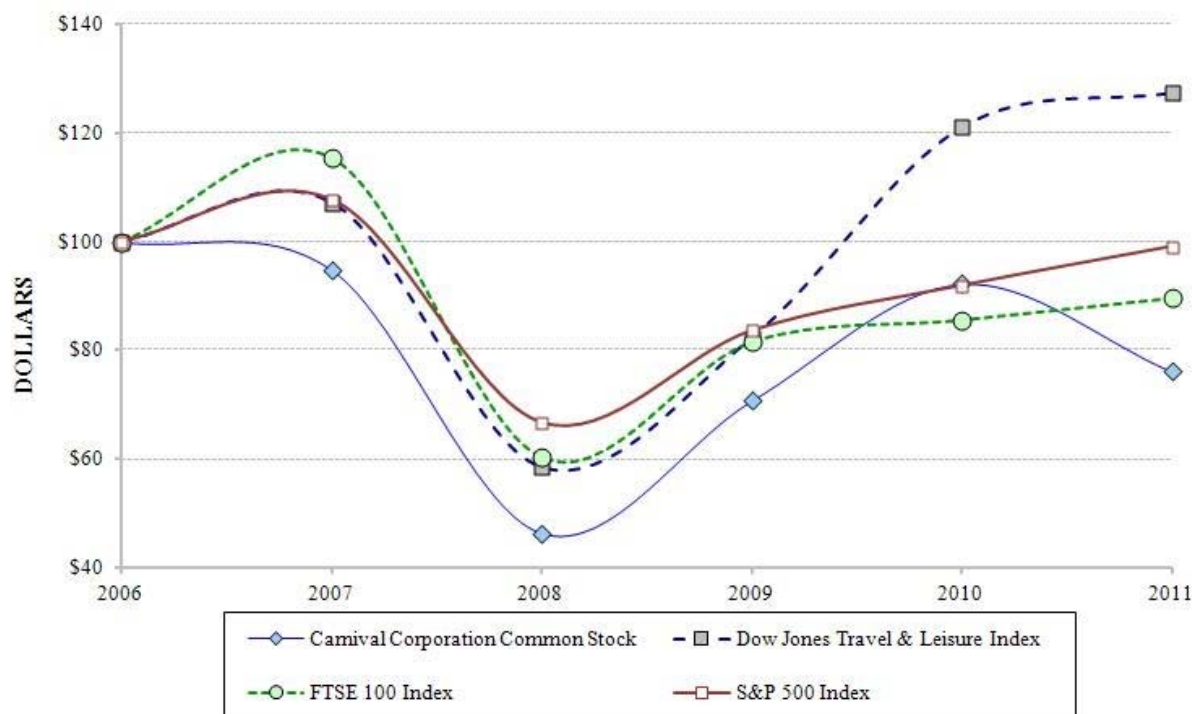
The payment and amount of any future dividend is within the discretion of the Boards of Directors. Our dividends were and will be based on a number of factors, including our earnings, liquidity position, financial condition, tone of business, capital requirements, credit ratings and the availability and cost of obtaining new debt. We cannot be certain that Carnival Corporation and Carnival plc will continue their dividend in the future, and if so, the amount and timing of such future dividends are not determinable and may be different than prior declarations.

STOCK PERFORMANCE GRAPHS

Carnival Corporation

The following graph compares the Price Performance of \$100 if invested in Carnival Corporation common stock with the Price Performance of \$100 if invested in each of the Dow Jones U.S. Travel and Leisure Index (the “Dow Jones Travel & Leisure Index”), the FTSE 100 Index and the S&P 500 Index. The Price Performance, as used in the Performance Graph, is calculated by assuming \$100 is invested at the beginning of the period in Carnival Corporation common stock at a price equal to the market value. At the end of each fiscal year, the total value of the investment is computed by taking the number of shares owned, assuming Carnival Corporation dividends are reinvested on an annual basis, multiplied by the market price of the shares at the end of each fiscal year.

5-YEAR CUMULATIVE TOTAL RETURNS



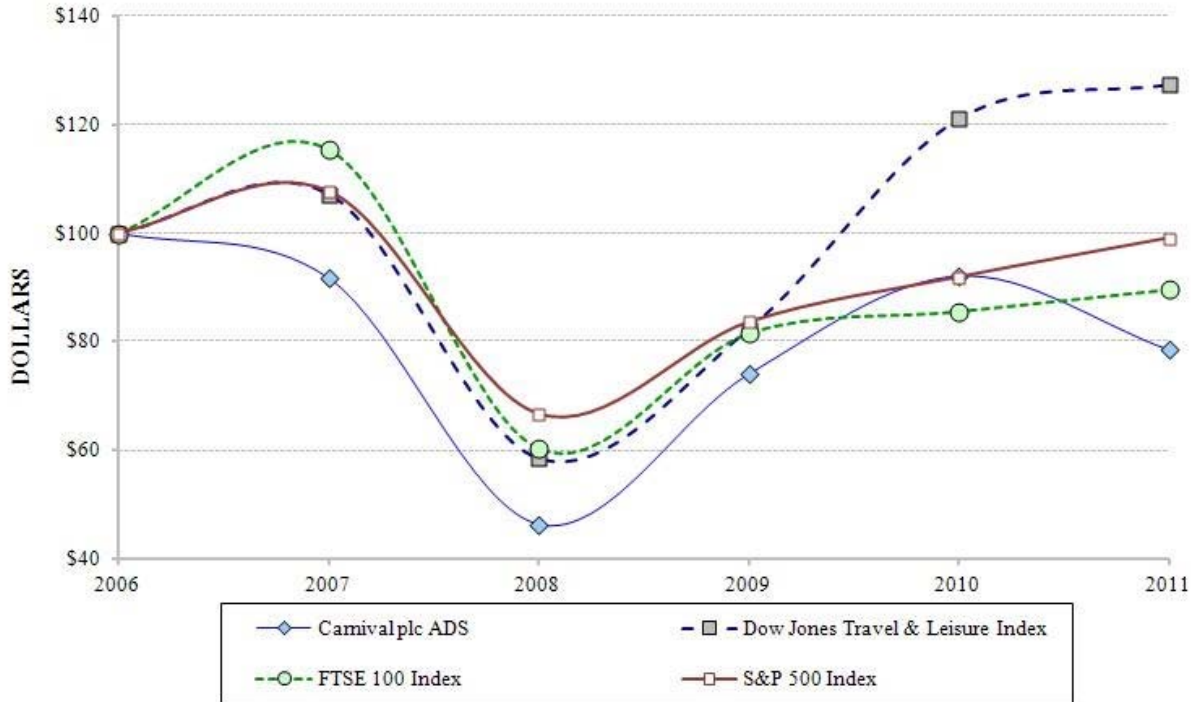
Assumes \$100 Invested on November 30, 2006
Assumes Dividends Reinvested
Years Ended November 30,

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Carnival Corporation Common Stock	\$100	\$ 95	\$ 46	\$ 71	\$ 92	\$ 76
Dow Jones Travel & Leisure Index	\$100	\$107	\$ 58	\$ 82	\$121	\$127
FTSE 100 Index	\$100	\$115	\$ 60	\$ 82	\$ 86	\$ 90
S&P 500 Index	\$100	\$108	\$ 67	\$ 84	\$ 92	\$ 99

Carnival plc

The following graph compares the Price Performance of \$100 invested in Carnival plc ADSs, each representing one ordinary share of Carnival plc, with the Price Performance of \$100 invested in each of the indexes noted below. The Price Performance is calculated in a similar manner as previously discussed.

5-YEAR CUMULATIVE TOTAL RETURNS



Assumes \$100 Invested on November 30, 2006
Assumes Dividends Reinvested
Years Ended November 30,

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Carnival plc ADS	\$100	\$ 92	\$ 46	\$ 74	\$ 92	\$ 79
Dow Jones Travel & Leisure Index	\$100	\$107	\$ 58	\$ 82	\$121	\$127
FTSE 100 Index	\$100	\$115	\$ 60	\$ 82	\$ 86	\$ 90
S&P 500 Composite	\$100	\$108	\$ 67	\$ 84	\$ 92	\$ 99

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Our revenues from the sale of passenger tickets are seasonal. Historically, demand for cruises has been greatest during our third fiscal quarter, which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher ticket prices and occupancy levels and, accordingly, the largest share of our operating income is earned during this period. The seasonality of our results also increases due to ships being taken out-of-service for maintenance, which we schedule during non-peak demand periods. In addition, substantially all of Holland America Princess Alaska Tours' revenue and net income is generated from May through September in conjunction with the Alaska cruise season. The seasonality of our results will continue to increase as we expand our EAA brands, which tend to be more seasonal than our North America brands although our North America brands have also been trending towards an increasing level of seasonality.

Quarterly financial results for fiscal 2011 were as follows (in millions, except per share data):

	Quarters Ended			
	February 28	May 31	August 31	November 30
Revenues	\$ 3,419	\$ 3,620	\$ 5,058	\$ 3,696
Operating income	\$ 235	\$ 279	\$ 1,433 (a)	\$ 308
Net income	\$ 152	\$ 206	\$ 1,337 (a)	\$ 217
Earnings per share				
Basic	\$ 0.19	\$ 0.26	\$ 1.69	\$ 0.28
Diluted	\$ 0.19	\$ 0.26	\$ 1.69	\$ 0.28
Non-GAAP earnings per share – diluted (b)	\$ 0.19	\$ 0.26	\$ 1.69	\$ 0.28
Dividends declared per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25

(a) Includes \$28 million of ship impairment charges.

(b) For a discussion of the reconciliation to U.S. GAAP, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

Quarterly financial results for fiscal 2010 were as follows (in millions, except per share data):

	Quarters Ended			
	February 28	May 31	August 31	November 30
Revenues	\$ 3,178	\$ 3,267	\$ 4,527	\$ 3,497
Operating income	\$ 255 (a)	\$ 349	\$ 1,402 (c)	\$ 341
Net income	\$ 175 (a)(b)	\$ 252	\$ 1,303 (c)(d)	\$ 248
Earnings per share				
Basic	\$ 0.22	\$ 0.32	\$ 1.65	\$ 0.31
Diluted	\$ 0.22	\$ 0.32	\$ 1.62	\$ 0.31
Dividends declared per share	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10

(a) Includes \$19 million of income from minimum guarantees and a litigation settlement and a \$44 million gain recognized from the sale of P&O Cruises (UK)'s *Artemis*.

(b) Includes an \$18 million Italian investment income tax benefit.

(c) Includes a \$41 million expense related to the British Merchant Navy Officers Pension Fund and a \$17 million gain from Cunard's litigation settlement.

(d) Includes a \$12 million Italian investment income tax benefit.

SIGNIFICANT SUBSIDIARIES OF CARNIVAL CORPORATION AND CARNIVAL PLC (1)

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation or Organization</u>
Costa Crociere, S.p.A. (“Costa”) (2)	Italy
HAL Antillen N.V.	Curacao
Holland America Line N.V. (3)	Curacao
Princess Bermuda Holdings Ltd.	Bermuda
Princess Cruise Lines Ltd. (4)	Bermuda
Sunshine Shipping Corporation Ltd. (“Sunshine”) (5)	Bermuda

(1) Carnival Corporation, incorporated in the Republic of Panama, and Carnival plc, incorporated in England and Wales, are separate legal entities, which have entered into a DLC arrangement as discussed in Notes 1 and 3 to the Consolidated Financial Statements in Exhibit 13 to the joint Annual Report on Form 10-K. We have accounted for the DLC transaction under U.S. GAAP as an acquisition by Carnival Corporation of Carnival plc. Accordingly, we have determined the significant subsidiaries based upon the consolidated results of operations and financial position of Carnival Corporation & plc. All of our cruise brands are 100% owned, except as noted in (2) below.

(2) Subsidiary of Carnival plc (99.97% owned by Carnival plc).

(3) Subsidiary of HAL Antillen N.V.

(4) Subsidiary of Sunshine.

(5) Subsidiary of Princess Bermuda Holdings Ltd.

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the joint Registration Statements on Form S-3 (File Nos. 333-106553, 333-106553-01, 333-157861 and 333-157861-01) of Carnival Corporation and Carnival plc, the Registration Statements on Form S-8 (File Nos. 333-173465, 333-125418, 333-105672, 333-87036, 333-67394, 333-60558, 333-43885, 33-51195 and 33-26898) of Carnival Corporation, the Registration Statement on Form S-3 (File No. 333-160411) of Carnival plc and the Registration Statements on Form S-8 (File Nos. 333-125418-01, 333-124640, 333-104609, 333-84968, 333-13794 and 333-12742) of Carnival plc, of our report dated January 30, 2012 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this joint Annual Report on Form 10-K.

/s/PricewaterhouseCoopers LLP

Miami, Florida
January 30, 2012

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned directors of Carnival Corporation, a company incorporated under the laws of the Republic of Panama, and Carnival plc, a company organized and existing under the laws of England and Wales, do and each of them does, hereby constitute and appoint Micky Arison, Howard S. Frank, David Bernstein and Arnaldo Perez, his or her true and lawful attorneys-in-fact and agents, and each of them with full power to act without the others, for him or her and in his or her name, place and stead, to sign the Carnival Corporation and Carnival plc joint Annual Report on Form 10-K (“Form 10-K”) for the year ended November 30, 2011 and any and all future amendments thereto; and to file said Form 10-K and any such amendments with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals as of the 10th day of October 2011.

CARNIVAL CORPORATION

/s/ Sir Jonathon Band
Sir Jonathon Band
Director

/s/ Robert H. Dickinson
Robert H. Dickinson
Director

/s/ Arnold W. Donald
Arnold W. Donald
Director

/s/ Pier Luigi Foschi
Pier Luigi Foschi
Director

/s/ Richard J. Glasier
Richard J. Glasier
Director

/s/ Modesto A. Maidique
Modesto A. Maidique
Director

/s/ Sir John Parker
Sir John Parker
Director

/s/ Peter G. Ratcliffe
Peter G. Ratcliffe
Director

/s/ Stuart Subotnick
Stuart Subotnick
Director

/s/ Laura Weil
Laura Weil
Director

/s/ Randall J. Weisenburger
Randall J. Weisenburger
Director

/s/ Uzi Zucker
Uzi Zucker
Director

CARNIVAL PLC

/s/ Sir Jonathon Band
Sir Jonathon Band
Director

/s/ Robert H. Dickinson
Robert H. Dickinson
Director

/s/ Arnold W. Donald
Arnold W. Donald
Director

/s/ Pier Luigi Foschi
Pier Luigi Foschi
Director

/s/ Richard J. Glasier
Richard J. Glasier
Director

/s/ Modesto A. Maidique
Modesto A. Maidique
Director

/s/ Sir John Parker
Sir John Parker
Director

/s/ Peter G. Ratcliffe
Peter G. Ratcliffe
Director

/s/ Stuart Subotnick
Stuart Subotnick
Director

/s/ Laura Weil
Laura Weil
Director

/s/ Randall J. Weisenburger
Randall J. Weisenburger
Director

/s/ Uzi Zucker
Uzi Zucker
Director

I, Micky Arison, certify that:

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

Date: January 30, 2012

By:/s/ Micky Arison

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

I, Howard S. Frank, certify that:

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

Date: January 30, 2012

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

I, David Bernstein, certify that:

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

Date: January 30, 2012

By:/s/ David Bernstein
David Bernstein
Senior Vice President and
Chief Financial Officer

I, Micky Arison, certify that:

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

Date: January 30, 2012

By:/s/ Micky Arison

Micky Arison

Chairman of the Board of Directors

and Chief Executive Officer

I, Howard S. Frank, certify that:

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

Date: January 30, 2012

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

I, David Bernstein, certify that:

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

Date: January 30, 2012

By:/s/ David Bernstein
David Bernstein
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

In connection with the Annual Report on Form 10-K for the year ended November 30, 2011 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 30, 2012

By: /s/ Micky Arison

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

Exhibit 32.2

In connection with the Annual Report on Form 10-K for the year ended November 30, 2011 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 30, 2012

By: /s/ Howard S. Frank

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

Exhibit 32.3

In connection with the Annual Report on Form 10-K for the year ended November 30, 2011 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 30, 2012

By: /s/ David Bernstein

David Bernstein
Senior Vice President and
Chief Financial Officer

Exhibit 32.4

In connection with the Annual Report on Form 10-K for the year ended November 30, 2011 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 30, 2012

By: /s/ Micky Arison

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

Exhibit 32.5

In connection with the Annual Report on Form 10-K for the year ended November 30, 2011 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 30, 2012

By: /s/ Howard S. Frank

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

Exhibit 32.6

In connection with the Annual Report on Form 10-K for the year ended November 30, 2011 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 30, 2012

By: /s/ David Bernstein

David Bernstein
Senior Vice President and
Chief Financial Officer