**MARCH 28, 2006**

**RELEASE OF CARNIVAL CORPORATION & PLC QUARTERLY REPORT ON FORM 10-Q FOR THE FIRST QUARTER OF 2006**

Carnival Corporation & plc announced its first quarter results of operations in its earnings release issued on March 23, 2006. Carnival Corporation & plc is hereby announcing that it has filed with the U.S. Securities and Exchange Commission ("SEC") a joint Quarterly Report on Form 10-Q today containing the Carnival Corporation & plc 2006 first quarter financial statements. The reported results remain unchanged from those previously announced on March 23, 2006. However, Carnival Corporation & plc has updated its outlook for the remainder of 2006, which update is included in Schedule A.

The information included in the attached Schedules A and B is extracted from the Form 10-Q and has been prepared in accordance with SEC rules and regulations. Schedules A and B contain the unaudited quarterly consolidated financial statements for Carnival Corporation & plc as of and for the three months ended February 28, 2006, together with management's discussion and analysis of financial condition and results of operations. These Carnival Corporation & plc consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and present the results of the combined Carnival Corporation & plc group following the formation of the dual listed company ("DLC") on April 17, 2003. The Directors consider that within the DLC arrangement, the most appropriate presentation of Carnival plc's results and financial position is by reference to the U.S. GAAP financial statements of Carnival Corporation & plc.


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The full joint Quarterly Report on Form 10-Q (including the portion extracted for this announcement) is available for viewing on the SEC website at www.sec.gov under Carnival Corporation or Carnival plc and the Carnival Corporation & plc website at www.carnivalcorp.com or www.carnivalplc.com. A copy of the Quarterly Report on Form 10-Q will be available shortly at the UKLA Document Viewing Facility of the Financial Services Authority at 25 The North Colonnade, London E14 5HS, United Kingdom.

Carnival Corporation & plc is the largest cruise vacation group in the world, with a portfolio of 12 cruise brands in North America, Europe and Australia, comprised of Carnival Cruise Lines, Holland America Line, Princess Cruises, Seabourn Cruise Line, Windstar Cruises, AIDA Cruises, Costa Cruises, Cunard Line, Ocean Village, P&O Cruises, Swan Hellenic, and P&O Cruises Australia.

Together, these brands operate 80 ships totaling approximately 139,000 lower berths with 15 new ships scheduled to enter service between June 2006 and fall 2009. Carnival Corporation & plc also operates the leading tour companies in Alaska and the Canadian Yukon, Holland America Tours and Princess Tours. Traded on both the New York and London Stock Exchanges, Carnival Corporation & plc is the only group in the world to be included in both the S&P 500 and the FTSE 100 indices.

Additional information can be obtained via Carnival Corporation & plc's website at www.carnivalcorp.com or www.carnivalplc.com or by writing to Carnival plc at Carnival House, 5 Gainsford Street, London SE1 2NE, United Kingdom.

**SCHEDULE A**

## CARNIVAL CORPORATION & PLC – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS UNDER U.S. GAAP

### Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this joint Quarterly Report on Form 10-Q are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlook, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can find many, but not all, of these statements by looking for words like "will," "may," "believes," "expects," "anticipates," "forecast," "future," "intends," "plans," and "estimates" and for similar expressions.

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

- risks associated with the DLC structure, including the uncertainty of its tax status;
- general economic and business conditions, which may impact levels of disposable income of consumers and net revenue yields for our cruise brands;
- conditions in the cruise and land-based vacation industries, including competition from other cruise ship operators and providers of other vacation alternatives and increases in capacity offered by cruise ship and land-based vacation alternatives;
- risks associated with operating internationally;
- the implementation of U.S. regulations requiring U.S. citizens to obtain passports for travel to or from additional foreign destinations;
- the international political and economic climate, armed conflicts, terrorist attacks and threats thereof, availability of air service, other world events and adverse publicity, and their impact on the demand for cruises;
- accidents and other incidents affecting the health, safety, security and vacation satisfaction of passengers, including machinery and equipment failures, which could cause the alteration of itineraries or cancellation of a cruise or series of cruises and the impact of the spread of contagious diseases;
- changing consumer preferences, which may, among other things, adversely impact the demand for cruises;
- our ability to implement our shipbuilding programs and brand strategies and to continue to expand our business worldwide;
- our ability to attract and retain qualified shipboard crew and maintain good relations with employee unions;
- our ability to obtain financing on terms that are favorable or consistent with our expectations;
- the impact of changes in operating and financing costs, including changes in foreign currency exchange rates and interest rates and fuel, food, payroll, insurance and security costs;
- the impact of pending or threatened litigation;
- changes in the environmental, health, safety, security, tax and other regulatory regimes under which we operate;
- continued availability of attractive port destinations;
- our ability to successfully implement cost reduction plans;
- continuing financial viability of our travel agent distribution system and air service providers; and
- unusual weather patterns or natural disasters, such as hurricanes and earthquakes.

Forward-looking statements should not be relied upon as a prediction of actual results.

Subject to any continuing obligations under applicable law or any relevant listing rules, we expressly disclaim any obligation to disseminate, after the date of this joint Quarterly Report on Form 10-Q, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

**Key Performance Indicators and Critical Accounting Estimates**

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

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

In addition, because a significant portion of our operations utilize the euro or sterling to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies, and decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies. Accordingly, we also monitor our two non-GAAP financial measures assuming the current period currency exchange rates have remained constant with the prior year’s comparable quarter rates, or on a "constant dollar basis," in order to remove the impact of changes in exchange rates on our non-U.S. cruise operations. We believe that this is a useful measure indicating the actual growth of our operations in a fluctuating exchange rate environment. On a constant dollar basis, net cruise revenues and net cruise costs would be $1.98 billion and $1.35 billion for the three months ended February 28, 2006, respectively. On a constant dollar basis, gross cruise revenues and gross cruise costs would be $2.51 billion and $1.88 billion for the three months ended February 28, 2006, respectively. In addition to our two non-GAAP financial measures discussed above, our non-U.S. cruise operations' depreciation and net interest expense were impacted by the changes in exchange rates for the three months ended February 28, 2006 compared to February 28, 2005.

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

**Outlook for Remainder of Fiscal 2006**

As of March 23, 2006 we said that we expected our diluted earnings per share for the second quarter of 2006 would be approximately $0.48 to $0.50 and approximately $2.90 to $3.00 for the 2006 full year. Our guidance was based on the then current forward fuel price curve of $331 per metric ton for the second quarter of 2006 and $336 per metric ton for the last nine months of fiscal 2006. In addition, this guidance was also based on currency exchange rates of $1.19 to the euro and $1.75 to sterling.

Subsequent to the preparation of the earnings guidance noted above, Princess Cruises' Star Princess had a fire onboard, which resulted in significant damage to the ship. After completing a damage assessment, we have decided to take the ship out of service in order to have the necessary repairs completed. The ship is expected to return to service on May 15, 2006, the date of its first scheduled European cruise. We estimate that the cancelled cruises and damages caused by the fire will result in approximately a $0.04 to $0.05 reduction to our second quarter and 2006 full year diluted earnings per share guidance.

Our 2006 outlook includes the impact of two accounting matters. Commencing with the first quarter of fiscal 2006, we began to recognize share-based compensation expense in our statement of operations. The increase in our 2006 full year share-based compensation expense is expected to be approximately $55 million compared to our reported fiscal 2005 share-based compensation expense. We will continue to expense share-based compensation in future periods pursuant to SFAS No. 123(R) requirements. Also commencing in the first quarter of fiscal 2006, we changed the period over which we amortize our deferred dry-dock costs. This change in estimate is expected to reduce our fiscal 2006 dry-dock amortization by approximately $63 million, compared to what our amortization was expected to be without the change. However, this change is expected to reduce fiscal 2006 dry-dock amortization by approximately $40 million, compared to normal average levels of dry-dock amortization. The reduction in our 2006 amortization expense will not be a recurring benefit, as our dry-dock amortization will start to move back to its higher more normal levels over the next 2 to 3 years.

The year-over-year percentage increase in our ALBD capacity, resulting from new ships entering service, is expected to be 4.5%, 5.1% and 5.7% for the second, third and fourth quarters of 2006, respectively, based on ships currently on order and net of both the expected sale of the Pacific Sky by P&O Cruises Australia in May 2006 and the temporary removal from service of the Star Princess.

**Seasonality**

Our revenue from the sale of passenger tickets is seasonal. Historically, demand for cruises has been greatest during our third quarter, which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher net revenue yields and, accordingly, the largest share of our net income is earned during this period. Substantially all of Holland America Tours' and Princess Tours' revenues and net income are generated from May through September in conjunction with the Alaska cruise season.

**Selected Information and Non-GAAP Financial Measures**

Selected information was as follows:

| | Three Months Ended February 28, | |
|---|---|---|
| | 2006 | 2005 |
| Passengers carried (in thousands)(a) | 1,523 | 1,619 |
| Occupancy percentage | 104.2% | 103.8% |
| Fuel cost per metric ton | $ 319 | $ 196 |

(a) Passengers carried in 2006 are less than 2005 because 2006 does not include any passengers for the three ships chartered to the Military Sealift Command ("MSC") in connection with the Hurricane Katrina relief efforts.

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

| | Three Months Ended February 28, | |
|---|---|---|
| | 2006 | 2005 |
| | (in millions, except ALBDs and yields) | |
| Cruise revenues | | |
| Passenger tickets | $1,908 | $1,841 |
| Onboard and other | 542 | 546 |
| Gross cruise revenues | 2,450 | 2,387 |
| Less cruise costs | | |
| Commissions, transportation and other | (412) | (431) |
| Onboard and other | (98) | (96) |
| Net cruise revenues | $1,940 | $1,860 |
| ALBDs | 11,936,438 | 11,586,444 |
| Gross revenue yields | $205.28 | $206.07 |
| Net revenue yields | $162.50 | $160.59 |

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

| | Three Months Ended February 28, | |
|---|---|---|
| | 2006 | 2005 |
| | (in millions, except ALBDs and costs per ALBD) | |
| Cruise operating expenses | $1,474 | $1,412 |
| Cruise selling and administrative expenses | 353 | 322 |
| Gross cruise costs | 1,827 | 1,734 |
| Less cruise costs included in net cruise revenues | | |
| Commissions, transportation and other | (412) | (431) |
| Onboard and other | (98) | (96) |
| Net cruise costs | $1,317 | $1,207 |
| ALBDs | 11,936,438 | 11,586,444 |
| Gross cruise costs per ALBD | $153.00 | $149.62 |
| Net cruise costs per ALBD | $110.23 | $104.13 |

**Three Months Ended February 28, 2006 ("2006") Compared to the Three Months Ended February 28, 2005 ("2005")**

**Revenues**

Net cruise revenues increased $80 million, or 4.3%, to $1.94 billion in 2006 from $1.86 billion in 2005. The 3.0% increase in ALBDs between 2005 and 2006 accounted for $56 million of the increase, and the remaining $24 million was from increased net revenue yields, which increased 1.2% in 2006 compared to 2005 (gross revenue yields decreased by 0.4%). Net revenue yields increased in 2006 primarily from higher cruise ticket prices and a 0.4% increase in occupancy, partially offset by the stronger U.S. dollar relative to the euro and sterling. In addition, the higher net revenue yield was in part due to the non-recurrence in 2006 of the cancellation of the higher yielding P&O Cruises Aurora world cruise. Net revenue yields as measured on a constant dollar basis, increased 3.3% in 2006. The strengthening of the U.S. dollar against the euro and sterling had a significant impact on our net revenue yields because a considerable portion of our business is transacted in those currencies. Gross cruise revenues increased $63 million, or 2.6%, in 2006 to $2.45 billion from $2.39 billion in 2005 for largely the same reasons as net cruise revenues.

Onboard and other revenues included concession revenues of $66 million in 2006 and $69 million in 2005. Onboard and other revenues decreased $4 million in 2006 compared to 2005, primarily because we chartered three ships to the MSC, which did not generate onboard revenue in 2006 as the entire charter price was recorded in passenger ticket revenues, the disruption to our Cozumel port facility caused by hurricane Wilma, which adversely impacted our shore excursion revenues in 2006, and the stronger U.S. dollar. This decrease was partially offset by the 3.0% increase in ALBDs.

**Costs and Expenses**

Net cruise costs increased $110 million, or 9.1%, to $1.32 billion in 2006 from $1.21 billion in 2005. The 3.0% increase in ALBDs between 2005 and 2006 accounted for $36 million of the increase, and the balance of $74 million was from increased net cruise costs per ALBD, which increased 5.9% in 2006 compared to 2005 (gross cruise costs per ALBD increased 2.3%). Net cruise costs per ALBD increased primarily due to a $123 increase in fuel cost per metric ton, or 63%, to $319 per metric ton in 2006 and a $17 million increase in share-based compensation expense, which was substantially all a result of the adoption of SFAS No. 123(R) (see Note 2 in the accompanying financial statements). This increase was partially offset by a stronger U.S. dollar relative to the euro and sterling in 2006 and the $21 million decrease in dry-dock amortization primarily as a result of lengthening the period over which dry-dock costs are recognized (see Note 3 in the accompanying financial statements). Net cruise costs per ALBD as measured on a constant dollar basis compared to 2005 increased 8.4% in 2006, and increased 2.1%, excluding fuel costs, compared to 2005. Gross cruise costs increased $93 million, or 5.4%, in 2006 to $1.83 billion from $1.73 billion in 2005.

Depreciation and amortization expense increased by $11 million, or 5.0%, to $232 million in 2006 from $221 million in 2005 largely due to the 3.0% increase in ALBDs through the addition of new ships, and ship improvement expenditures, partially offset by the impact of a stronger U.S. dollar.

**Nonoperating (Expense) Income**

Net interest expense, excluding capitalized interest, decreased $10 million to $78 million in 2006 from $88 million in 2005. This decrease was primarily due to lower average borrowings.

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

**Income Taxes**

Income tax expense increased by $17 million from 2005 to $14 million in 2006 from a $3 million benefit in 2005 primarily because we recorded $21 million for U.S. federal and state income taxes related to the MSC charter, which ended in early March 2006. This expense was partially offset by the tax benefit generated by the 2006 first quarter seasonal loss of our

Alaska tour operation.

## Liquidity and Capital Resources

### Sources and Uses of Cash

Our business provided $613 million of net cash from operations during the three months ended February 28, 2006, an increase of $70 million, or 12.9%, compared to fiscal 2005. We continue to generate substantial cash from operations and remain in a strong financial position, thus providing us with substantial financial flexibility in meeting operating, investing and financing needs.

During the first quarter of 2006, our net expenditures for capital projects were $757 million, of which $588 million was spent for our ongoing new shipbuilding program, including the $324 million final delivery payment for Holland America Line’s Noordam. The remaining capital expenditures consisted primarily of $120 million for ship improvements and refurbishments, and $49 million for Alaska tour assets, cruise port facility developments and information technology assets.

During the three months ended February 28, 2006, we repaid $570 million of long-term debt, which included $512 million of Costa’s indebtedness. We also paid cash dividends of $202 million during the first quarter of 2006.

### Future Commitments and Funding Sources

Our contractual cash obligations remained generally unchanged at February 28, 2006 compared to November 30, 2005, including ship construction contracts entered into in December 2005, except for changes to our debt and the Noordam delivery payment as noted above. As of November 30, 2005, we had contractual cash obligations on our variable-rate debt, including interest swapped from a fixed-rate to a variable rate, using the forward interest rate curve for the terms of the loans, as follows (in millions): $86, $73, $37, $29, $21 and $37 in fiscal 2006 through 2010 and thereafter, respectively.

At February 28, 2006, we had liquidity of $4.24 billion, which consisted of $406 million of cash, cash equivalents and short-term investments, $1.93 billion available for borrowing under our revolving credit facility, and $1.91 billion under committed ship financing facilities. Our revolving credit facility matures in 2010. A key to our access to liquidity is the maintenance of our strong credit ratings.

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

## Off-Balance Sheet Arrangements

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

**SCHEDULE B**

**CARNIVAL CORPORATION & PLC – U.S. GAAP CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(UNAUDITED)**
(in millions, except per share data)

| | Three Months Ended February 28, 2006 | Three Months Ended February 28, 2005 |
|---|---|---|
| **Revenues** | | |
| Cruise | | |
| Passenger tickets | $1,908 | $1,841 |
| Onboard and other | 542 | 546 |
| Other | 11 | 9 |
| | 2,461 | 2,396 |
| **Costs and Expenses** | | |
| Operating | | |
| Cruise | | |
| Commissions, transportation and other | 412 | 431 |
| Onboard and other | 98 | 96 |
| Payroll and related | 276 | 274 |
| Food | 153 | 154 |
| Fuel | 215 | 133 |
| Other ship operating | 320 | 324 |
| Other | 13 | 11 |
| Total | 1,487 | 1,423 |
| Selling and administrative | 365 | 334 |
| Depreciation and amortization | 232 | 221 |
| | 2,084 | 1,978 |
| **Operating Income** | 377 | 418 |
| **Nonoperating (Expense) Income** | | |
| Interest income | 7 | 3 |
| Interest expense, net of capitalized interest | (76) | (86) |
| Other (expense) income, net | (14) | 7 |
| | (83) | (76) |
| **Income Before Income Taxes** | 294 | 342 |
| **Income Tax (Expense) Benefit, Net** | (14) | 3 |
| **Net Income** | $ 280 | $ 345 |
| **Earnings Per Share** | | |
| Basic | $ 0.35 | $ 0.43 |
| Diluted | $ 0.34 | $ 0.42 |
| **Dividends Per Share** | $ 0.25 | $ 0.15 |

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

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

| ASSETS | February 28, 2006 | November 30, 2005 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 395 | $ 1,178 |
| Short-term investments | 11 | 9 |
| Accounts receivable, net | 425 | 408 |
| Inventories | 266 | 250 |
| Prepaid expenses and other | 210 | 370 |
| Total current assets | 1,307 | 2,215 |
| **Property and Equipment, Net** | 21,957 | 21,312 |
| **Goodwill** | 3,211 | 3,206 |
| **Trademarks** | 1,283 | 1,282 |
| **Other Assets** | 558 | 417 |
| | $28,316 | $28,432 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities** | | |
| Short-term borrowings | $ 409 | $ 300 |
| Current portion of long-term debt | 643 | 1,042 |
| Convertible debt subject to current put option | 220 | 283 |
| Accounts payable | 656 | 690 |
| Accrued liabilities and other | 746 | 832 |
| Customer deposits | 2,221 | 2,045 |
| Total current liabilities | 4,895 | 5,192 |
| **Long-Term Debt** | 5,661 | 5,727 |
| **Other Long-Term Liabilities and Deferred Income** | 581 | 541 |
| **Contingencies (Note 5)** | | |
| **Shareholders' Equity** | | |
| Common stock of Carnival Corporation; $.01 par value; 1,960 shares authorized; 640 shares at 2006 issued and outstanding and 639 shares at 2005 issued | 6 | 6 |
| Ordinary shares of Carnival plc; $1.66 par value; 226 shares authorized; 213 shares at 2006 and 212 shares at 2005 issued | 353 | 353 |
| Additional paid-in capital | 7,398 | 7,381 |
| Retained earnings | 10,310 | 10,233 |
| Unearned stock compensation | | (13) |
| Accumulated other comprehensive income | 170 | 156 |
| Treasury stock; 2 shares of Carnival Corporation at 2005 and 42 shares of Carnival plc at 2006 and 2005, at cost | (1,058) | (1,144) |
| Total shareholders' equity | 17,179 | 16,972 |
| | $28,316 | $28,432 |

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

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

| | Three Months Ended February 28, | |
|---|---|---|
| | **2006** | **2005** |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 280 | $ 345 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 232 | 221 |
| Share-based compensation | 20 | 4 |
| Non-cruise investment write-down | 10 | |
| Accretion of original issue discount | 3 | 5 |
| Other | (1) | 3 |
| Changes in operating assets and liabilities | | |
| Receivables | (17) | (2) |
| Inventories | (16) | (4) |
| Prepaid expenses and other | (9) | (9) |
| Accounts payable | (35) | (29) |
| Accrued and other liabilities | (27) | (57) |
| Customer deposits | 173 | 66 |
| Net cash provided by operating activities | 613 | 543 |
| **INVESTING ACTIVITIES** | | |
| Additions to property and equipment | (757) | (556) |
| Purchases of short-term investments | (2) | (58) |
| Sales of short-term investments | | 27 |
| Other, net | (6) | 1 |
| Net cash used in investing activities | (765) | (586) |
| **FINANCING ACTIVITIES** | | |
| Principal repayments of long-term debt | (570) | (170) |
| Dividends paid | (202) | (120) |
| Proceeds from (repayments of) short-term borrowings, net | 108 | (13) |
| Proceeds from exercise of stock options | 31 | 23 |
| Other | (2) | (2) |
| Net cash used in financing activities | (635) | (282) |
| Effect of exchange rate changes on cash and cash equivalents | 4 | 3 |
| Net decrease in cash and cash equivalents | (783) | (322) |
| Cash and cash equivalents at beginning of period | 1,178 | 643 |
| Cash and cash equivalents at end of period | $ 395 | $ 321 |

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

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

**NOTE 1 – Basis of Presentation**

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

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

The accompanying consolidated balance sheet at February 28, 2006 and the consolidated statements of operations and cash flows for the three months ended February 28, 2006 and 2005 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2005 joint Annual Report on Form 10-K. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

**NOTE 2 – Share-Based Compensation**

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

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

| | |
|---|---|
| Net income, as reported | $ 345 |
| Share-based compensation expense included in net income, as reported | 4 |
| Total share-based compensation expense determined under the fair value-based method for all awards(a) | (18) |
| Pro forma net income for basic earnings per share | 331 |
| Interest on dilutive convertible notes | 12 |
| Pro forma net income for diluted earnings per share | $ 343 |
| | |
| Earnings per share | |
| Basic | |
| As reported | $0.43 |
| Pro forma | $0.41 |
| Diluted | |
| As reported | $0.42 |
| Pro forma | $0.40 |

(a) These amounts include the expensing of stock options made to retirement-eligible employees over the expected vesting period of the option.

**Stock Incentive Plans**

We issue our share-based compensation awards under Carnival Corporation and Carnival plc stock plans, which have an aggregate of 40.6 million shares available for future grant at February 28, 2006. These plans allow us to issue stock options, restricted stock units and nonvested stock awards (collectively “incentive awards”). Incentive awards are primarily granted to management level employees and members of our Board of Directors. The plans are administered by a committee of our independent directors (the "Committee"), that determines who is eligible to participate, the number of shares for which incentive awards are to be granted and the amounts that may be exercised within a specified term. These plans allow us to fulfill our incentive award obligations using shares purchased in the open market, or with unissued or treasury shares. The total share-based compensation expense was $20 million for the quarter ended February 28, 2006, of which $18 million has been included in the Consolidated Statements of Operations as selling, general and administrative expenses and $2 million as cruise payroll expense.

**Stock Option Plans**

The stock option exercise price is generally set by the Committee at 100% or more of the fair market value of the underlying common stock/ordinary shares on the date the option is granted. All stock options granted during the three months ended February 28, 2006 and 2005 were granted at an exercise price per share equal to or greater than the fair market value of the Carnival Corporation common stock and Carnival plc ordinary shares on the date of grant. Generally employee options either vest evenly over five years or at the end of three years. Our employee options granted prior to October 2005 have a ten-year term and those options granted thereafter have a seven-year term. Carnival Corporation director options granted subsequent to fiscal 2000 vest evenly over five years and have a ten-year term.

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

| | Three Months ended February 28, | |
|---|---|---|
| | **2006** | **2005** |
| Fair value of options at the dates of grant | $12.63 | $14.17 |
| Risk free interest rate(a) | 4.24% | 3.85% |
| Expected dividend yield | 2.20% | 1.53% |
| Expected volatility(b) | 26.5% | 27.0% |
| Expected option life (in years)(c) | 4.75 | 4.67 |

(a) The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected option life assumed at the date of grant.

(b) In addition to the historical volatility we also consider the implied volatilities derived from our exchange traded options and convertible notes in determining our expected volatility assumption since we believe these implied market volatilities should be considered in estimating our expected future volatilities.
(c) The average expected life was based on the contractual term of the option and expected employee exercise behavior.

A combined summary of Carnival Corporation and Carnival plc stock option activity was as follows:

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value(a) (in millions) |
|---|---|---|---|---|
| Outstanding at November 30, 2005 | 20,058,252 | $39.15 | | |
| Granted | 672,512 | $54.99 | | |
| Exercised(b) | (1,027,746) | $28.79 | | |
| Forfeited or expired | (110,534) | $42.12 | | |
| Outstanding at February 28, 2006(c) | 19,592,484 | $40.27 | 6.6 | $223 |
| Exercisable at February 28, 2006(d) | 8,791,682 | $37.34 | | $126 |

(a) The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the option exercise price.
(b) Included 98,000 of Carnival plc options of which 78,000 had a sterling denominated exercise price.
(c) Included 3.7 million of Carnival plc options at a weighted-average exercise price of $41.57 per share, based on the February 28, 2006 U.S. dollar to sterling exchange rate.
(d) Included 0.9 million of Carnival plc options at a weighted-average exercise price of $29.80 per share, based on the February 28, 2006 U.S. dollar to sterling exchange rate.

As of February 28, 2006, there was $111 million of total unrecognized compensation cost related to unvested stock options. The cost is expected to be recognized over a weighted-average period of 2.0 years.

**Nonvested Stock and Restricted Stock Units**

Nonvested stock generally has the same rights as Carnival Corporation common stock, except for transfer restrictions and forfeiture provisions. In prior periods, unearned stock compensation was recorded within shareholders' equity at the date of award based on the quoted market price of the Carnival Corporation common stock on the date of grant 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. Upon adoption of SFAS No. 123(R), the $13 million of unearned stock compensation as of November 30, 2005 was required to be charged against additional paid-in capital. The shares granted to the officers and non-executive board members either have three or five-year cliff vesting terms or vest evenly over five years after the grant date.

In addition, Carnival Corporation and Carnival plc issue restricted stock units ("RSUs"), which do not have an exercise price, and either vest evenly over five years or at the end of three or five years. The share-based compensation expense associated with the RSUs is based on the quoted market price of the Carnival Corporation or Carnival plc shares on the date of grant, and is expensed using the straight-line method from the grant date through the earlier of the vesting date or the employees' estimated retirement eligibility date. RSUs granted prior to fiscal 2006 are expensed over the vesting period of the RSU.

During the three months ended February 28, 2006 the nonvested stock and RSUs activity was as follows:

| | Nonvested Stock | | Restricted Stock Units | |
|---|---|---|---|---|
| | **Shares** | **Weighted-Average Grant Date Fair Value** | **Shares** | **Weighted-Average Grant Date Fair Value** |
| Outstanding at November 30, 2005 | 966,417 | $36.28 | 159,117 | $44.56 |
| Granted | 110,000 | $53.71 | 269,610 | $52.46 |
| Vested | (130,000) | $30.16 | (47,319) | $30.07 |
| Outstanding at February 28, 2006 | 946,417 | $39.14 | 381,408 | $51.94 |

As of February 28, 2006, there was $27 million of total unrecognized compensation cost related to nonvested stock and RSUs. The cost is expected to be recognized over a weighted-average period of 1.9 years.

**NOTE 3 – Dry-dock**

Commencing with the first quarter of fiscal 2006, we changed the period over which we amortize our deferred dry-dock costs to the length of time between dry-docks, which is generally two to three years, instead of amortizing them generally over one to two years. This change in estimate reflects the lengthening of the time between dry-docks, resulting from regulatory changes and technological enhancements to our ships, which have enabled us to extend the period between dry-docks within the parameters of the existing regulations. As a result of this change in estimate, our other ship operating expenses for the three months ended February 28, 2006 was reduced by $21 million and our diluted earnings per share was increased by $0.025 compared to what our 2006 dry-dock amortization would have been without this change.

**NOTE 4 – Debt**

During the three months ended February 28, 2006, $65 million of our zero-coupon convertible notes were converted at their accreted value into 1.9 million shares of Carnival Corporation common stock.

**NOTE 5 - Contingencies**

**Litigation**

As of March 2006, five separate lawsuits had been filed against either Carnival Corporation or Princess Cruise Lines, Ltd. in the U.S. on behalf of some current and former crew members alleging that Carnival Cruise Lines and Princess Cruises failed to pay the plaintiffs for overtime. These suits generally seek payment of (i) damages for breach of contract or restitution for back wages, (ii) damages under the Seaman's Wage Act and (iii) interest. The ultimate outcomes of these matters cannot be determined at this time. However, we believe we have meritorious defenses and we intend to vigorously defend these lawsuits.

In January 2006, a lawsuit was filed against Carnival Corporation and its subsidiaries and affiliates, and other non-affiliated cruise lines in New York on behalf of James Jacobs and a purported class of owners of intellectual property rights to musical plays and other works performed in the U.S. The plaintiffs claim infringement of copyrights to Broadway, off Broadway and other plays. The suit seeks payment of (i) damages, (ii) disgorgement of alleged profits and (iii) an injunction against future infringement. The ultimate outcome of this matter cannot be determined at this time. However, we intend to vigorously defend this lawsuit.

In April 2003, Festival Crociere S.p.A. ("Festival") commenced an action against the European Commission (the "Commission") in the Court of First Instance of the European Communities in Luxembourg (“CFI”) seeking to annul the Commission's antitrust approval of the DLC transaction (the "Festival Action"). We have been granted leave to intervene in the Festival Action and filed a Statement in Intervention with the CFI. Festival was declared bankrupt in May 2004 and Festival did not submit observations on our Statement in Intervention. In December 2005, Festival’s trustee was denied authorization to continue pursuing this matter by the bankruptcy court. In January 2006, the CFI sought the parties’ views on a possible termination of the proceedings. A successful third party challenge of an unconditional Commission clearance decision would be unprecedented, and based on a review of the law and the factual circumstances of the DLC transaction, as well as the Commission's approval decision in relation to the DLC transaction, we believe that the Festival Action will not have a material adverse effect on the companies or the DLC transaction. However, the ultimate outcome of this matter cannot be determined at this time.

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

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

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

**Contingent Obligations**

At February 28, 2006, Carnival Corporation had contingent obligations totaling approximately $1.1 billion to participants in lease out and lease back type transactions for three of its ships. At the inception of the leases, the entire amount of the contingent obligations was paid by Carnival Corporation to major financial institutions to enable them to directly pay these obligations. Accordingly, these obligations were considered extinguished, and neither the funds nor the contingent obligations have been included on our balance sheets. Carnival Corporation would only be required to make any payments under these contingent obligations in the remote event of nonperformance by these financial institutions, all of which have long-term credit ratings of AA or higher. In addition, Carnival Corporation obtained a direct guarantee from another AA rated financial institution for $275 million of the above noted contingent obligations, thereby further reducing the already remote exposure to this portion of the contingent obligations. If the major financial institutions' credit ratings fall below AA-, Carnival Corporation would be required to move a majority of the funds from these financial institutions to other highly-rated financial institutions. If Carnival Corporation's credit rating falls below BBB, it would be required to provide a standby letter of credit for $76 million, or alternatively provide mortgages in the aggregate amount of $76 million on two of its ships.

In the unlikely event that Carnival Corporation were to terminate the three lease agreements early or default on its obligations, it would, as of February 28, 2006, have to pay a total of $171 million in stipulated damages. As of February 28, 2006, $180 million of standby letters of credit have been issued by a major financial institution in order to provide further security for the payment of these contingent stipulated damages. Between 2017 and 2022, we have the right to exercise options that would terminate these transactions at no cost to us.

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

**War Risk Insurance**

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

**NOTE 6 – Comprehensive Income**

Comprehensive income was as follows (in millions):

| | Three Months Ended February 28, | |
|---|---|---|
| | **2006** | **2005** |
| Net income | $280 | $345 |
| Items included in accumulated other comprehensive income | | |
| Foreign currency translation adjustment | 10 | (3) |
| Changes related to cash flow derivative hedges | 4 | 11 |
| Total comprehensive income | $294 | $353 |

**NOTE 7 - Segment Information**

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

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

| | Three Months Ended February 28, | | | | |
|---|---|---|---|---|---|
| | **Revenues** | **Operating expenses** | **Selling and administrative** | **Depreciation and amortization** | **Operating income (loss)** |
| 2006 | | | | | |
| Cruise | $2,450 | $1,474 | $353 | $224 | $399 |
| Other | 16 | 18 | 12 | 8 | (22) |
| Intersegment elimination | (5) | (5) | | | |
| | $2,461 | $1,487 | $365 | $232 | $377 |
| 2005 | | | | | |
| Cruise | $2,387 | $1,412 | $322 | $213 | $440 |
| Other | 12 | 14 | 12 | 8 | (22) |
| Intersegment elimination | (3) | (3) | | | |
| | $2,396 | $1,423 | $334 | $221 | $418 |

**NOTE 8 - Earnings Per Share**

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

| | Three Months Ended February 28, 2006 | 2005 |
|---|---|---|
| Net income | $ 280 | $ 345 |
| Interest on dilutive convertible notes | 6 | 12 |
| Net income for diluted earnings per share | $ 286 | $ 357 |
| Weighted-average common and ordinary shares outstanding | 809 | 805 |
| Dilutive effect of convertible notes | 26 | 44 |
| Dilutive effect of stock plans | 3 | 6 |
| Diluted weighted-average shares outstanding | 838 | 855 |
| Basic earnings per share | $0.35 | $0.43 |
| Diluted earnings per share | $0.34 | $0.42 |

Options to purchase 2.2 million and 1.4 million shares for the three months ended February 28, 2006 and 2005, respectively, were excluded from our diluted earnings per share computation since the effect of including them was anti-dilutive.