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Certain statements under this caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include inter alia general economic and business conditions, cruise industry competition, the impact of tax laws and regulations affecting the Company and its principal shareholders, changes in other laws and regulations affecting the Company, delivery schedule of new vessels, emergency ship repairs, incidents involving cruise vessels at sea, changes in interest rates, Year 2000 compliance and weather.

General

SUMMARY

Royal Caribbean Cruises Ltd. (the "Company") reported improved revenues, operating income, net income and earnings per share for the year ended December 31, 1998 as shown in the table below. The improvements were driven primarily by capacity increases resulting from the acquisition of Celebrity Cruise Lines Inc. ("Celebrity") in July 1997 and additions to the Royal Caribbean International brand as well as improved revenue per available lower berth ("Yield"). Net income for 1998 included a $9.0 million charge related to a plea agreement with the U.S. Department of Justice in the second quarter and a reduction in earnings of approximately $9.0 million related to the grounding of *Monarch of the Seas* in the fourth quarter. Also included in net income for 1998 is a $31.0 million gain on the sale of *Song of America* and a $32.0 million write-down of *Viking Serenade* to reflect its estimated fair value. Net income for 1997 included an extraordinary loss of $7.6 million resulting from the early extinguishment of debt as well as a gain of $4.0 million from the sale of *Sun Viking*. Accordingly, on a comparable basis, before these items, earnings increased to $349.8 million or $1.93 per share in 1998, from $178.7 million or $1.17 per share in 1997.

(in thousands, except per share amounts)	**1998**	1997	1996
Revenues	**$2,636,291**	$1,939,007	$1,357,325
Operating Income	**488,735**	303,555	217,033
Net Income	**330,770**	175,127	150,866
Basic Earnings Per Share	**$ 1.90**	$ 1.17	$ 1.19
Diluted Earnings Per Share	**$ 1.83**	$ 1.15	$ 1.17

SELECTED STATISTICAL INFORMATION

	1998	1997	1996
Passengers Carried	**1,841,152**	1,465,450	973,602
Passenger Cruise Days	**11,607,906**	8,759,651	6,055,068
Occupancy Percentage	**105.2%**	104.2%	101.3%

FLEET EXPANSION

The Company's fleet expansion continued in 1998 with the delivery of the last of the six Vision-class vessels in the Royal Caribbean International fleet, *Vision of the Seas*, in April 1998. With the delivery of these six ships and the acquisition of Celebrity in 1997, the Company's capacity has increased approximately 119.3% from 14,228 berths at December 31, 1994 to 31,200 at December 31, 1998.

The Company has nine ships on order. The planned passenger capacity and expected delivery dates of the ships on order are as follows:

Vessel	Expected Delivery Dates	Passenger Capacity[1]
Royal Caribbean International		
Eagle-class		
Voyager of the Seas	4th Quarter 1999	3,100
Explorer of the Seas	3rd Quarter 2000	3,100
Adventure of the Seas	2nd Quarter 2002	3,100
Vantage-class		
Radiance of the Seas	1st Quarter 2001	2,100
Brilliance of the Seas	2nd Quarter 2002	2,100
Celebrity Cruises		
Millennium-class		
Unnamed	2nd Quarter 2000	2,000
Unnamed	1st Quarter 2001	2,000
Unnamed	3rd Quarter 2001	2,000
Unnamed	2nd Quarter 2002	2,000

[1] Based on double occupancy per cabin.

The Eagle-class vessels will be the largest passenger cruise ships built to date. The Vantage-class vessels are a progression from Royal Caribbean International's Vision-class vessels, while the Millennium-class vessels are a progression from Celebrity Cruises' Century-class vessels.

Between 1998 and 2002, the Company's year-end berth capacity is expected to increase 64.4% from 31,200 to 51,300 berths.

In May 1998, the Company sold *Song of America* for $94.5 million and recognized a gain on the sale of $31.0 million. The Company will continue to operate *Song of America* under a charter agreement until March 1999.

Results of Operations

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

	1998	1997	1996
Revenues	**100.0%**	100.0%	100.0%
Expenses:			
Operating	**60.5**	62.9	63.0
Marketing, selling and administrative	**13.6**	14.0	14.3
Depreciation and amortization	**7.4**	7.4	6.7
Operating Income	**18.5**	15.7	16.0
Other Income (Expense)	**(6.0)**	(6.3)	(4.9)
Income Before Extraordinary Item	**12.5%**	9.4%	11.1%

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

REVENUES

Revenues increased 36.0% to $2.6 billion compared to $1.9 billion in 1997. The increase in revenues was primarily due to a 31.2% increase in capacity and a 3.6% increase in Yield. The acquisition of Celebrity (which occurred in July 1997) accounted for approximately two-thirds of the capacity increase, while additions to the Royal Caribbean International fleet accounted for the balance of the increase. The increase in Yield was due to an increase in occupancy levels to 105.2% as compared to 104.2% in 1997 as well as an increase in cruise ticket per diems, partially offset by a reduction in shipboard revenue per diems. The reduction in shipboard revenue per diems is due to the inclusion of Celebrity's results for the full year 1998 as compared to six months in 1997. Celebrity derives a higher percentage of its shipboard revenue from concessionaires than does Royal Caribbean International, resulting in a dilutive effect on the per diem. Concessionaires pay a net commission to the Company which is recorded as revenue, in contrast to in-house operations, where shipboard revenues and related cost of sales are recorded on a gross basis.

EXPENSES

Operating expenses increased 30.7% in 1998 to $1.6 billion as compared to $1.2 billion in 1997. The increase in operating expenses was primarily due to the increase in capacity. Included in operating expenses is a $9.0 million charge related to the plea agreement with the U.S. Department of Justice. As a percentage of revenues, operating expenses decreased 2.4% in 1998 primarily due to improved ticket pricing as well as the inclusion of Celebrity results for the full year of 1998 versus six months of 1997. Celebrity's operating expenses as a percentage of revenues were lower than Royal Caribbean International's due to lower shipboard cost of sales as a result of the higher use of concessionaires onboard Celebrity vessels as discussed above.

Marketing, selling and administrative expenses increased 31.9% in 1998 to $359.2 million from $272.4 million in 1997. The increase was primarily due to the acquisition of Celebrity as well as higher advertising and staffing costs. As a percentage of revenues, marketing, selling and administrative expenses decreased to 13.6% in 1998 as a result of economies of scale.

Depreciation and amortization increased to $194.6 million in 1998 from $143.8 million in 1997. The increase was primarily due to the acquisition of Celebrity as well as additions to the Royal Caribbean International fleet.

OTHER INCOME (EXPENSE)

Interest expense, net of capitalized interest, increased to $167.9 million in 1998 as compared to $128.5 million in 1997. The increase is due to the increase in the average debt level as a result of the Company's fleet expansion program as well as the acquisition of Celebrity in July 1997.

Included in Other income (expense) in 1998 is a $31.0 million gain from the sale of *Song of America* as well as a $32.0 million charge related to the write-down to fair market value of *Viking Serenade*. Based on the Company's strategic objective to maintain a modernized fleet, the unique circumstances of this vessel and indications of the current value of *Viking Serenade*, the Company recorded a write-down of the carrying value to its current estimated fair market value. The Company continues to operate and depreciate the vessel which is classified as part of Property and Equipment on the balance sheet.

On December 15, 1998, *Monarch of the Seas* experienced significant damage to the ship's hull and equipment, resulting in the ship being out of service until mid-March 1999. The incident resulted in a net reduction in earnings of approximately $9.0 million or $0.05 per share in the fourth quarter of 1998. This reduction is comprised of lost revenue, net of related variable expenses, of $5.2 million, and costs associated with repairs to the ship, passenger transportation and lodging, commissions and various other costs, net of estimated insurance recoveries, of $3.8 million. The costs of $3.8 million were included in Other income (expense) for the quarter and year ended December 31, 1998.

Included in Other income (expense) in 1997 is a $4.0 million gain from the sale of *Sun Viking*.

EXTRAORDINARY ITEM

Included in 1997 is an extraordinary charge of $7.6 million or $0.05 per share related to the early extinguishment of debt.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

REVENUES

Revenues increased 42.9% in 1997 to $1.9 billion compared to $1.4 billion in 1996 as a result of a 40.7% increase in capacity as well as an increase in Yield. The acquisition of Celebrity contributed 22.1% of the capacity increase while additions to the Royal Caribbean International fleet accounted for 18.6% of the increase. Yield for the year increased 1.5% over 1996 as a result of an increase in occupancy. Occupancy levels increased to 104.2% in 1997 as compared to 101.3% in 1996.

EXPENSES

Operating expenses increased 42.7% to $1.2 billion in 1997 as compared to $854.5 million in 1996. This increase in operating expenses was primarily due to the 40.7% increase in capacity and higher variable costs associated with the increased occupancy.

Marketing, selling and administrative expenses increased 39.9% in 1997 to $272.4 million versus $194.6 million in 1996. The increase was primarily due to the acquisition of Celebrity, an increase in staffing and additional advertising costs. These expenses decreased as a percentage of revenues in 1997 as a result of the economies of scale achieved with the increase in capacity.

Depreciation and amortization increased to $143.8 million in 1997 from $91.2 million in 1996. The increase was primarily due to the acquisition of Celebrity as well as additions to the Royal Caribbean International fleet.

OTHER INCOME (EXPENSE)

Interest expense, net of capitalized interest, increased to $128.5 million in 1997 from $76.5 million in 1996. The increase was a result of an increase in the average debt level associated with the Company's fleet expansion program and from the acquisition of Celebrity in July 1997.

Other income (expense) in 1997 includes a gain of $4.0 million from the sale of *Sun Viking* as compared to 1996 which includes a gain of $10.3 million from the sale of *Song of Norway*.

EXTRAORDINARY ITEM

In May 1997, the Company redeemed the remaining $104.5 million of 11⅜% Senior Subordinated Notes and incurred an extraordinary charge of $7.6 million or $0.05 per share on the early extinguishment of debt.

Liquidity and Capital Resources

SOURCES AND USES OF CASH

The Company generated substantial cash flows resulting in net cash provided by operating activities of $526.9 million in 1998 as compared to $434.1 million in 1997 and $299.5 million in 1996. The increase was primarily due to higher net income as well as timing differences in cash payments relating to operating assets and liabilities.

In March 1998, the Company issued $150.0 million of 6.75% Senior Notes due 2008 and $150.0 million of 7.25% Senior Debentures due 2018. The net proceeds to the Company were approximately $296.1 million.

In March 1998, the Company issued 6,100,690 shares of common stock. The net proceeds to the Company were approximately $165.5 million. (See Note 7–Shareholders' Equity.)

During the year ended December 31, 1998, the Company's capital expenditures were approximately $557.0 million as compared to $1.1 billion during 1997 and $722.4 million during 1996. The largest portion of capital expenditures related to the delivery of *Vision of the Seas* in 1998, delivery of *Rhapsody of the Seas, Enchantment of the Seas* and *Mercury* in 1997, delivery of *Splendour of the Seas* and *Grandeur of the Seas* in 1996, as well as progress payments for ships under construction during 1998, 1997 and 1996. Also included in capital expenditures are shoreside capital expenditures and costs for vessel refurbishing to maintain consistent fleet standards.

The Company received proceeds of $94.5 and $100.0 million from the sale of vessels during 1998 and 1997, respectively.

Capitalized interest decreased to $15.0 million in 1998 from $15.8 million in 1997 and $15.9 million in 1996. The decrease during 1998 was due to a reduction in the level of construction-in-progress expenditures associated with the Company's fleet expansion program.

During 1998, the Company paid quarterly cash dividends on its common stock totaling $55.2 million as well as quarterly cash dividends on its preferred stock, totaling $12.5 million. During 1997, the Company paid quarterly cash dividends totaling $40.8 and $9.2 million on its common stock and preferred stock, respectively.

The Company made principal payments totaling approximately $335.1 and $245.4 million under various term loans and capital leases during 1998 and 1997, respectively.

FUTURE COMMITMENTS

The Company currently has nine ships on order for an additional capacity of 21,500 berths. The aggregate contract price of the nine ships, which excludes capitalized interest and other ancillary costs, is approximately $3.6 billion, of which the Company deposited $144.6 million during 1998 and $74.3 million during 1997. Additional deposits are due prior to the dates of delivery of $237.4 million in 1999, $88.1 million in 2000 and $25.0 million in 2001. The Company anticipates that overall capital expenditures will be approximately $997, $1,196 and $1,368 million for 1999, 2000 and 2001, respectively.

The Company has $2.5 billion of long-term debt of which $127.9 million is due during the 12-month period ending December 31, 1999. (See Note 6–Long-Term Debt.)

In addition, the Company continuously considers potential acquisitions, strategic alliances and adjustments to its fleet composition, including the acquisition or disposition of vessels. If any such acquisitions, strategic alliances and adjustments to its fleet composition were to occur, they would be financed through the issuance of additional shares of equity securities, by the incurrence of additional indebtedness or from cash flows from operations.

FUNDING SOURCES

As of December 31, 1998, the Company's liquidity was $1.2 billion consisting of $172.9 million in cash and cash equivalents and $1.0 billion available under its $1.0 billion unsecured revolving credit facility (the "$1 Billion Revolving Credit Facility"). The capital expenditures and scheduled debt payments will be funded through a combination of cash flows provided by operations, drawdowns under the $1 Billion Revolving Credit Facility, and sales of securities in private or public securities markets. In addition, the agreements related to the ships scheduled for delivery subsequent to 1999 require the shipyards to make available export financing for up to 80% of the contract price of the vessels.

The Company's cash management practice is to utilize excess cash to reduce outstanding balances on the $1 Billion Revolving Credit Facility, and to the extent the cash balances exceed the amounts drawn under the $1 Billion Revolving Credit Facility, the Company invests in short-term securities.

OTHER

The Company enters into interest rate swap agreements to manage interest costs as part of its liability risk management program. The differential in interest rates to be paid or received under these agreements is recognized in income as part of interest expense over the life of the contracts. The objective of the program is to modify the Company's exposure to interest rate movements. The Company continuously evaluates its debt portfolio, including its interest rate swap agreements, and makes periodic adjustments to the mix of fixed rate and floating rate debt based on its view of interest rate movements. (See Note 12 – Financial Instruments.)

Impact of Year 2000

The "Year 2000 issue" is the result of computer programs that were written using two digits rather than four to define the applicable year. If the Company's computer programs with date-sensitive functions are not Year 2000 compliant, they may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions to operations.

STATE OF READINESS

The Company continuously upgrades its computer systems. In 1992, the Company implemented a new computer reservation and passenger services system which was designed to be Year 2000 compliant. Since then, the Company has sought to fix Year 2000 issues as an indirect part of its efforts to upgrade many of its internally developed computer systems. Prior to 1998, the Company did not separately track associated Year 2000 software compliant costs.

In 1997, the Company engaged a third-party consultant to assess the status of the Company relative to the Year 2000 issue. The assessment was completed in early 1998. The Company then formed an internally staffed program management office that is conducting a comprehensive review of computer programs to address the impact of the Year 2000 issue on its operations and otherwise address the Year 2000 issues identified by the third-party consultant (the "Year 2000 Project"). Employees in various departments throughout the Company are assisting the program management office by addressing Year 2000 issues applicable to their departments.

The Company has identified three major categories of Year 2000 risk:

(1) internally developed software systems – these include the Company's reservation, accounting, remote reservation booking and revenue management systems;

(2) third-party supplied software systems and equipment with embedded chip technology – these include the Company's computer hardware equipment, building facilities control systems and shipboard equipment and control systems (e.g., navigation, engine, and bridge control systems, fire alarm and safety systems); and

(3) external vendors and suppliers – these include key suppliers (e.g., suppliers of air travel, hotel accommodations, food and other on-board provisions), travel agents, on-board concessionaires and other third parties whose system failures potentially could have a significant impact on the Company's operations.

The general phases common to all three categories are (1) inventorying Year 2000 items, (2) assessing the Year 2000 compliance of key items, (3) repairing or replacing key internally developed and third-party supplied non-compliant items, (4) testing and certifying key internally developed and third-party supplied items, and (5) designing and implementing contingency plans as needed.

The Company has substantially completed its inventory of all internally developed and third-party supplied software systems and equipment and has identified external vendors and suppliers whose system failures potentially could have a significant impact on the Company's operations ("Key External Vendors").

The Company has completed its assessment of its internally developed software systems. Through the use of questionnaires and other communications, the Company has contacted substantially all third-party suppliers of critical software and equipment and Key External Vendors to ascertain whether their systems and/or equipment are Year 2000 compliant. The Company has been receiving responses from these third parties and is evaluating them as they are received.

The Company has repaired substantially all internally developed software systems that were determined non-compliant. By mid-1999, the Company plans to complete testing and certification of these systems, at which time it expects that its key internally developed software systems will be Year 2000 compliant.

As the Company identifies non-compliant systems and equipment supplied by third parties or used by Key External Vendors, it will request that they be remediated. If a party's response is unsatisfactory, the Company will implement appropriate contingency plans, including, when possible, the repair or replacement of supplied systems or equipment or the replacement of a vendor.

The Company's objective is to complete all assessment, remediation and certification of third-party supplied software systems and equipment in the third quarter of 1999. Over the next few months, as the Company receives more information on the extent of the Year 2000 compliance by third-party suppliers and Key External Vendors, the nature of any contingency plans that may be needed will evolve.

The Company is currently preparing contingency plans to identify and determine how to handle its most reasonably likely worst-case scenarios. It expects to complete these plans in the third quarter of 1999 in conjunction with completion of its assessment, remediation, testing and certification phases.

The Company has not retained third-party consultants to assist it in the remediation, testing or certification phases, although it may choose to do so in the future.

RISKS

Based on its current assessment efforts, the Company does not believe that Year 2000 issues will have a material adverse effect on the results of its operations, liquidity or financial condition. However, this assessment is dependent on the ability of third-party suppliers and others whose system failures potentially could have a significant impact on the Company's operations to be Year 2000 compliant. For instance, the operations of the Company could be impacted by disruptions in airlines, port authorities, travel agents or others in the transportation or sales distribution channels whose systems are not Year 2000 compliant. Although the Company cannot control the conduct of these third parties, the Year 2000 Project is expected to reduce the Company's level of uncertainty and the adverse effect that any such failures may have.

COSTS

The total cost associated with required modifications to become Year 2000 compliant are not expected to be material to the company's financial position.

The Company estimates that it will incur approximately $6.0 million in expense on efforts directly related to fixing the Year 2000 issue, as well as an additional $5.0 million of capital expenditures related to the accelerated replacement of non-compliant systems. The Company has incurred approximately $2.0 million in expense since January 1, 1998, and spent an additional $2.0 million for capital expenditures related to the accelerated replacement of non-compliant systems. Estimated costs do not include costs that may be incurred by the Company as a result of the failure of any third parties to become Year 2000 compliant or costs to implement any contingency plans.

The information contained in this "Impact of Year 2000" section is a Year 2000 Readiness Disclosure pursuant to the Year 2000 Information and Disclosure Act.

(in thousands, except per share amounts) Year Ended December 31,	**1998**	1997	1996
INCOME STATEMENT			
Revenues	**$2,636,291**	$1,939,007	$1,357,325
Expenses			
Operating	**1,593,728**	1,219,268	854,478
Marketing, selling and administrative	**359,214**	272,368	194,629
Depreciation and amortization	**194,614**	143,816	91,185
	2,147,556	1,635,452	1,140,292
Operating Income	**488,735**	303,555	217,033
Other Income (Expense)			
Interest income	**15,912**	4,666	2,278
Interest expense, net of capitalized interest	**(167,869)**	(128,531)	(76,540)
Other income (expense)	**(6,008)**	2,995	8,095
	(157,965)	(120,870)	(66,167)
Income Before Extraordinary Item	**330,770**	182,685	150,866
Extraordinary Item	**–**	(7,558)	–
Net Income	**$ 330,770**	$ 175,127	$ 150,866
EARNINGS PER SHARE			
Basic Earnings Per Share			
Income before extraordinary item	**$ 1.90**	$ 1.22	$ 1.19
Extraordinary item	**–**	(0.05)	–
Net income	**$ 1.90**	$ 1.17	$ 1.19
Diluted Earnings Per Share			
Income before extraordinary item	**$ 1.83**	$ 1.20	$ 1.17
Extraordinary item	**–**	(0.05)	–
Net income	**$ 1.83**	$ 1.15	$ 1.17

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

(in thousands, except share amounts) As of December 31,	**1998**	1997
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 172,921**	$ 110,793
Trade and other receivables, net	**36,532**	22,628
Inventories	**31,834**	37,274
Prepaid expenses	**45,044**	40,450
Total current assets	**286,331**	211,145
Property and Equipment – at cost less accumulated depreciation and amortization	**5,073,008**	4,785,291
Goodwill – less accumulated amortization of $107,365 and $96,952, respectively	**309,801**	320,214
Other Assets	**16,936**	23,098
	$5,686,076	$5,339,748
LIABILITIES		
Current Liabilities		
Current portion of long-term debt	**$ 127,919**	$ 141,013
Accounts payable	**115,833**	108,474
Accrued liabilities	**243,477**	210,454
Customer deposits	**402,926**	429,403
Total current liabilities	**890,155**	889,344
Long-Term Debt	**2,341,163**	2,431,683
Commitments and Contingencies (Note 13)		
SHAREHOLDERS' EQUITY		
Preferred stock ($.01 par value; 20,000,000 shares authorized; cumulative convertible preferred shares issued and outstanding, 3,450,000 shares stated at liquidation value)	**172,500**	172,500
Common stock ($.01 par value; 500,000,000 shares authorized 168,945,222 and 162,128,974 shares issued)	**1,690**	1,621
Paid-in capital	**1,361,796**	1,188,304
Retained earnings	**923,691**	660,655
Treasury stock (354,492 and 314,148 common shares at cost)	**(4,919)**	(4,359)
Total shareholders' equity	**2,454,758**	2,018,721
	$5,686,076	$5,339,748

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

Consolidated Statements of Cash Flows

(in thousands) Year Ended December 31,	**1998**	1997	1996
OPERATING ACTIVITIES			
Net income	**$ 330,770**	$ 175,127	$ 150,866
Adjustments:			
Depreciation and amortization	**194,614**	143,816	91,185
Gain on sale of assets	**(31,031)**	(4,000)	(10,306)
Write-down of vessel to fair value	**32,035**	–	–
Extraordinary item	**–**	2,387	–
Changes in operating assets and liabilities:			
(Increase) decrease in trade and other receivables, net	**(13,904)**	145	(3,364)
Decrease (increase) in inventories	**5,440**	(1,885)	(5,835)
(Increase) in prepaid expenses	**(3,600)**	(6,206)	(7,065)
Increase (decrease) in accounts payable	**7,359**	2,010	(2,437)
Increase in accrued liabilities	**27,722**	31,299	22,451
(Decrease) increase in customer deposits	**(26,477)**	89,896	61,408
Other, net	**3,930**	1,532	2,611
Net cash provided by operating activities	**526,858**	434,121	299,514
INVESTING ACTIVITIES			
Purchase of property and equipment	**(556,953)**	(1,106,214)	(722,389)
Proceeds from sale of assets	**94,500**	99,966	40,000
Acquisition of Celebrity Cruise Lines Inc., net of cash, cash equivalents and short-term investments acquired	**–**	(152,423)	–
Other, net	**247**	(11,802)	(6,039)
Net cash used in investing activities	**(462,206)**	(1,170,473)	(688,428)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	**296,141**	695,189	452,668
Repayment of long-term debt	**(395,144)**	(367,353)	(22,025)
Dividends	**(67,734)**	(49,984)	(34,384)
Proceeds from issuance of common stock	**165,532**	364,631	–
Proceeds from issuance of preferred stock	**–**	167,030	–
Other, net	**(1,319)**	(2,787)	1,818
Net cash (used in) provided by financing activities	**(2,524)**	806,726	398,077
Net Increase in Cash and Cash Equivalents	**62,128**	70,374	9,163
Cash and Cash Equivalents, Beginning of Year	**110,793**	40,419	31,256
Cash and Cash Equivalents, End of Year	**$ 172,921**	$ 110,793	$ 40,419
SUPPLEMENTAL DISCLOSURE			
Interest paid, net of amount capitalized	**$ 170,278**	$ 127,457	$ 65,110
Capital stock issued for acquisition	**$ –**	$ 270,000	$ –

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

Note 1. General

DESCRIPTION OF BUSINESS

Royal Caribbean Cruises Ltd., a Liberian corporation, and its subsidiaries (the "Company"), is a global cruise company. In July 1997, the Company acquired 100% of the outstanding stock of Celebrity Cruise Lines Inc. ("Celebrity"). (See Note 4 – Acquisition.) The Company operates two cruise brands, Royal Caribbean International, which operates 12 cruise ships (one of which has been sold and will operate under a charter agreement until March 1999), and Celebrity Cruises, which operates five cruise ships. The Company's ships call on destinations in Alaska, the Bahamas, Bermuda, the Caribbean, Canada, Europe, Hawaii, Mexico, New England, the Panama Canal and Scandinavia.

BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and are presented in U.S. dollars. Management estimates are required for the preparation of financial statements in accordance with generally accepted accounting principles. Actual results could differ from these estimates. All significant intercompany accounts and transactions are eliminated in consolidation.

Note 2. Summary of Significant Accounting Policies

CRUISE REVENUES AND EXPENSES

Deposits received on sales of passenger cruises are recorded as customer deposits and are recognized, together with revenues from shipboard activities and all associated direct costs of a voyage, upon completion of voyages with durations of 10 days or less and on a pro rata basis for voyages in excess of 10 days. Certain revenues and expenses for pro rata voyages are estimated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and marketable securities with original maturities of less than 90 days.

INVENTORIES

Inventories consist of provisions, supplies, fuel and gift shop merchandise carried at the lower of cost (weighted-average) or market.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Significant vessel refurbishing costs are capitalized as additions to the vessel, while costs of repairs and maintenance are charged to expense as incurred. The Company capitalizes interest as part of the cost of construction. The Company reviews long-lived assets, identifiable intangibles and goodwill and reserves for impairment whenever events or changes in circumstances indicate, based on estimated future cash flows, the carrying amount of the assets will not be fully recoverable.

Depreciation of property and equipment, which includes amortization of vessels under capital lease, is computed using the straight-line method over useful lives of primarily 30 years for vessels and three to 10 years for other property and equipment. (See Note 5 – Property and Equipment.)

GOODWILL

Goodwill represents the excess of cost over the fair value of net assets acquired and is being amortized over 40 years using the straight-line method.

ADVERTISING COSTS

Advertising costs are expensed as incurred except those costs which result in tangible assets, such as brochures, are treated as prepaid supplies and charged to operations as consumed. Advertising expense consists of media advertising as well as brochure, production and direct mail costs. Media advertising was $76.7, $62.5 and $46.6 million, and brochure, production and direct mail costs were $63.2, $33.7 and $29.2 million for the years 1998, 1997 and 1996, respectively.

DRYDOCKING

Drydocking costs are accrued evenly over the period to the next scheduled drydocking and are included in accrued liabilities.

FINANCIAL INSTRUMENTS

The Company enters into various forward, option and swap contracts to limit its exposure to fluctuations in foreign currency exchange rates and oil prices, to modify its exposure to interest rate movements and to manage its interest costs. The differential in interest rates and oil prices to be paid or received under these agreements is recognized in income over the life of the contracts as part of interest expense and fuel expense, respectively. Foreign exchange forward and/or option contracts are revalued as of the balance sheet date based on forward and/or option contracts with comparable characteristics, and resulting gains and losses are recognized in income currently.

FOREIGN CURRENCY TRANSACTIONS

The majority of the Company's transactions are settled in U.S. dollars. Gains or losses resulting from transactions denominated in other currencies and remeasurements of other currencies are recognized in income currently.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income, after deducting preferred stock dividends accumulated during the period, by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during each period.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation using the intrinsic value method and discloses certain fair market value information with respect to its stock option activity in the notes to the financial statements.

SEGMENT REPORTING

The Company adopted Statement of Financial Accounting Standards No. 131 – Disclosures About Segments of an Enterprise and Related Information for the year ended December 31, 1998. Although the Company operates two brands, Royal Caribbean International and Celebrity Cruises, the brands have been aggregated as a single operating segment based on the similarity of their economic characteristics as well as product and services provided.

Information about geographic areas is shown in the table below. Revenues are attributed to geographic areas based on the source of the customer.

	1998	1997	1996
Revenues:			
United States	**84%**	85%	85%
All Other Countries	**16%**	15%	15%

Note 3. Stock Split

On June 23, 1998, the Company authorized a two-for-one split of its common stock effected in the form of a stock dividend. The additional shares were distributed on July 31, 1998 to shareholders of record on July 10, 1998. All share and per share information has been retroactively restated to reflect this stock split.

Note 4. Acquisition

In July 1997, the Company acquired all of the outstanding stock of Celebrity, a provider of cruises to the North American market. The purchase price was $515.0 million, payable in cash of $245.0 million and 14,896,552 shares of the Company's common stock. This acquisition has been accounted for under the purchase method, and the results of the operations of Celebrity have been included in the consolidated financial statements since July 1, 1997. The total cost of the acquisition was allocated to the tangible assets acquired and liabilities assumed based on their respective fair values.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company, including Celebrity, as if the acquisition had occurred January 1, 1996.

(in thousands, except per share amounts)	1997	1996
Revenue	$2,196,571	$1,769,216
Income before extraordinary item	$ 174,406	$ 136,498
Net income	$ 166,848	$ 136,498
Earnings per share		
Income before extraordinary item		
Basic	$ 1.10	$ 0.96
Diluted	$ 1.10	$ 0.95
Net income		
Basic	$ 1.05	$ 0.96
Diluted	$ 1.05	$ 0.95

The unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as additional depreciation expense as a result of a step-up in the basis of fixed assets and increased interest expense on acquisition debt. They do not purport to be indicative of the results which would actually have been achieved if this acquisition had been effected on the date indicated or of those results which may be obtained in the future.

Note 5. Property and Equipment

Property and equipment consists of the following (in thousands):

	1998	1997
Land	**$ 5,320**	$ 5,320
Vessels	**4,457,070**	4,201,443
Vessels under capital lease	**763,350**	760,941
Vessels under construction	**285,243**	160,771
Other	**170,290**	139,281
	5,681,273	5,267,756
Less – accumulated depreciation and amortization	**(608,265)**	(482,465)
	$5,073,008	$4,785,291

Vessels under construction includes progress payments for the construction of new vessels as well as planning, design, interest, commitment fees and other associated costs. The Company capitalized interest costs of $15.0, $15.8 and $15.9 million for the years 1998, 1997 and 1996, respectively. Accumulated amortization related to vessels under capital lease was $67.9 and $45.8 million at December 31, 1998 and 1997, respectively.

In May 1998, the Company sold *Song of America* for $94.5 million and recognized a gain on the sale of $31.0 million which is included in Other income (expense). In the second quarter of 1998, the Company incurred a $32.0 million charge related to the write-down to fair market value of *Viking Serenade*. Based on the Company's strategic objective to maintain a modernized fleet, the unique circumstances of this vessel and indications of the current value of *Viking Serenade*, the Company recorded a write-down of the carrying value to its current estimated fair market value which is included in Other income (expense). The Company continues to operate and depreciate the vessel which is classified as part of Property and Equipment on the balance sheet.

In October 1997, the Company sold *Sun Viking* for $30.0 million and recognized a gain on the sale of $4.0 million. In September 1997, the Company sold *Meridian.* The sale price

was $62.1 million and there was no gain or loss recognized in the transaction. In October 1996, the Company sold *Song of Norway* for $40.0 million and recognized a gain on the sale of $10.3 million. The Company has recorded the gains in Other income (expense).

Note 6. Long-Term Debt

Long-term debt consists of the following (in thousands):

	1998	1997
$1 billion revolving credit facility, LIBOR plus 0.30% interest rate on balances outstanding, 0.15% facility fee, due 2003	**$ –**	$ 60,000
Senior Notes and Senior Debentures bearing interest at rates ranging from 6.75% to 8.25%, due 2002 through 2008, 2018 and 2027	**1,390,006**	1,090,443
Unsecured fixed rate loan bearing interest at 8.0%, due 2006	**185,277**	211,075
Fixed rate loans bearing interest at rates ranging from 6.7% to 8.0%, due through 2005, secured by certain Celebrity vessels	**403,560**	595,147
Variable rate loans bearing interest at 6.5% through Nov. 2001, LIBOR plus 0.45% through 2004, due through 2004, secured by certain Celebrity vessels	**30,978**	142,670
Capital lease obligations, implicit interest rates ranging from 7.0% to 7.2%, due through 2011	**459,261**	473,361
	2,469,082	2,572,696
Less – current portion	**(127,919)**	(141,013)
Long-term portion	**$2,341,163**	$2,431,683

Under the Company's $1.0 billion unsecured revolving credit facility (the "$1 Billion Revolving Credit Facility"), the contractual interest rate on balances outstanding varies with the Company's debt rating. In addition, the $1 Billion Revolving Credit Facility contains a competitive bid provision which may allow the Company to borrow funds at less than the contractual interest rate.

In March 1998, the Company issued $150.0 million of 6.75% Senior Notes due 2008 and $150.0 million of 7.25% Senior Debentures due 2018. Net proceeds to the Company were approximately $296.1 million.

In May 1997, the Company redeemed the remaining $104.5 million of 11⅜% Senior Subordinated Notes and incurred an extraordinary charge of approximately $7.6 million, or $0.05 per share on the early extinguishment of debt.

The Senior Notes and Senior Debentures are unsecured and are not redeemable prior to maturity.

The Company entered into a $264.0 million capital lease to finance *Splendour of the Seas* and a $260.0 million capital lease to finance *Legend of the Seas* in 1996 and 1995, respectively. The capital leases each have semi-annual payments of $12.0 million over 15 years with final payments of $99.0 and $97.5 million, respectively.

The Company's debt agreements contain covenants that require the Company, among other things, to maintain minimum liquidity amounts, net worth and fixed charge coverage ratios and limit debt to capital ratios. The Company is in compliance with all covenants as of December 31, 1998. Following is a schedule of principal repayments on long-term debt (in thousands):

Year	
1999	$ 127,919
2000	128,086
2001	109,982
2002	259,853
2003	110,948
Thereafter	1,732,294
	$2,469,082

Note 7. Shareholders' Equity

The following represents an analysis of the changes in shareholders' equity for the years 1998, 1997 and 1996 (in thousands):

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 1996	$ –	$1,270	$ 548,339	$419,030	$(3,551)	$ 965,088
Issuance under Employee Related Plans	–	6	3,606	–	(248)	3,364
Common stock dividends	–	–	–	(34,384)	–	(34,384)
Net Income	–	–	–	150,866	–	150,866
Balance, December 31, 1996	–	1,276	551,945	535,512	(3,799)	1,084,934
Issuance of Convertible Preferred Stock	172,500	–	(5,470)	–	–	167,030
Acquisition of Celebrity	–	148	269,852	–	–	270,000
Issuance of Common Stock	–	187	364,444	–	–	364,631
Issuance under Employee Related Plans	–	10	7,533	–	(560)	6,983
Preferred stock dividends	–	–	–	(9,201)	–	(9,201)
Common stock dividends	–	–	–	(40,783)	–	(40,783)
Net Income	–	–	–	175,127	–	175,127
Balance, December 31, 1997	172,500	1,621	1,188,304	660,655	(4,359)	2,018,721
Issuance of Common Stock	**–**	**61**	**165,471**	**–**	**–**	**165,532**
Issuance under Employee Related Plans	**–**	**8**	**8,021**	**–**	**(560)**	**7,469**
Preferred stock dividends	**–**	**–**	**–**	**(12,506)**	**–**	**(12,506)**
Common stock dividends	**–**	**–**	**–**	**(55,228)**	**–**	**(55,228)**
Net Income	**–**	**–**	**–**	**330,770**	**–**	**330,770**
Balance, December 31, 1998	**$172,500**	**$1,690**	**$1,361,796**	**$923,691**	**$(4,919)**	**$2,454,758**

In March 1998, the Company completed a public offering of 13,800,000 shares of common stock at a price of $28.25 per share. Of the total shares sold, 7,699,310 shares were sold by selling shareholders, and the balance of 6,100,690 shares were sold by the Company. After deduction of the underwriting discount and other estimated expenses of the offering, net proceeds to the Company were approximately $165.5 million.

In February 1997, the Company issued 3,450,000 shares of $3.625 Series A Convertible Preferred Stock (the "Convertible Preferred Stock"). The Convertible Preferred Stock has a liquidation preference of $50 per share and is convertible by the holder at any time into shares of common stock at a conversion price of $16.20 per share of common stock (equivalent to a conversion rate of 3.0864 shares of common stock for each share of Convertible Preferred Stock). The shares of Convertible Preferred Stock are redeemable, at the option of the Company, subsequent to February 16, 2000 at pre-established redemption prices.

The Company's Employee Stock Purchase Plan facilitates the purchase by employees of up to 800,000 shares of common stock commencing January 1, 1994. The purchase price is derived from a formula based on 90% of the fair market value of the common stock during the quarterly purchase period, subject to certain restrictions. Shares of common stock of 35,546, 33,276 and 49,560 were issued under the Employee Stock Purchase Plan at an average price of $28.33, $16.48 and $11.50 during 1998, 1997 and 1996, respectively.

Under an executive compensation program approved in 1994, the Company will award to a trust 10,086 shares of common stock per quarter, up to a maximum of 806,880 shares. The Company issued 40,344 shares each year under the program during 1998, 1997 and 1996.

The Company has an Employee Stock Option Plan and an Incentive Stock Option Plan which provide for awards to officers, directors and key employees of the Company up to an aggregate 6,703,000 shares and 2,700,000 shares of common stock, respectively. Options are granted at a price not less than the fair value of the shares on the date of grant and expire not later than 10 years after the date of grant. Options under the Employee Stock Option Plan generally become exercisable as to 40% of the amount granted two years after the grant date and 20% of the amount granted at the end of each of the three succeeding years. Options under the Incentive Stock Option Plan generally become exercisable as to 25% of the amount granted two years after the grant date and 25% of the amount granted at the end of each of the three succeeding years.

Stock option activity and information about stock options are summarized in the following tables.

STOCK OPTION ACTIVITY

	Number of Options	Average Price
Balance at January 1, 1996	4,243,928	$ 9.74
Granted	1,706,094	$12.62
Exercised	(425,778)	$ 6.56
Canceled	(202,544)	$12.48
Balance at December 31, 1996	5,321,700	$10.81
Granted	1,080,000	$19.49
Exercised	(831,608)	$ 7.87
Canceled	(95,776)	$13.16
Balance at December 31, 1997	5,474,316	$12.92
Granted	**2,013,000**	**$25.07**
Exercised	**(652,474)**	**$ 9.90**
Canceled	**(342,452)**	**$16.74**
Balance at December 31, 1998	**6,492,390**	**$16.78**
Available for Future Grants, End of the Year	**1,274,360**	

STOCK OPTIONS OUTSTANDING

As of December 31, 1998	Outstanding			Exercisable	
Exercise Price Range	Shares	Average Remaining Life	Average Exercise Price	Shares	Average Exercise Price
$ 6.28–$12.16	1,641,816	4.4 years	$ 9.00	1,188,494	$ 8.08
$13.16–$13.78	1,814,474	6.6 years	$13.49	983,322	$13.49
$14.03–$22.31	1,860,100	8.9 years	$20.45	81,930	$14.24
$25.59–$32.84	1,176,000	9.2 years	$26.95	–	–
	6,492,390	7.2 years	$16.78	2,253,746	$10.66

The Company uses the intrinsic value method of accounting for stock-based compensation. Had the fair value based method been used to account for such compensation, compensation costs would have reduced net income by $8.2, $4.0 and $2.6 million or $0.05, $0.03 and $0.02 per share in 1998, 1997 and 1996, respectively. The weighted-average fair value of options granted during 1998, 1997 and 1996 was $10.49, $7.80 and $5.42, respectively. Fair market value information for the Company's stock options for 1998, 1997 and 1996 was estimated using the Black-Scholes Model assuming an expected dividend rate of 1.5%, an estimated term of six years, a risk-free rate of return of approximately 5% in 1998 and 6% in 1997 and 1996 and an expected volatility of 35.0% in 1998 and 28.0% in 1997 and 1996.

Effective January 1, 1998, the Company instituted a program to award stock to employees up to a maximum of 1,400,000 shares of common stock. Employees are awarded five shares of the Company's stock at the end of each year of employment over a 10-year period. Employees can elect to receive cash equal to the fair market value of the stock upon vesting. Compensation expense was $3.6 million in 1998 related to this program.

Note 8. Earnings Per Share

Below is a reconciliation between basic and diluted earnings per share before extraordinary item for the years ended December 31, 1998, 1997 and 1996 (in thousands, except per share amounts).

	1998			1997			1996		
For the Years Ended December 31,	**Income**	**Shares**	**Per Share**	Income	Shares	Per Share	Income	Shares	Per Share
Income before extraordinary item	**$330,770**			$182,685			$150,866		
Less: Preferred stock dividend	**(12,506)**			(10,765)			–		
Basic earnings per share	**318,264**	**167,577**	**$1.90**	171,920	141,010	$1.22	150,866	127,295	$1.19
Effect of Dilutive Securities									
Stock options		**2,940**			1,978			1,132	
Convertible preferred stock	**12,506**	**10,648**		10,765	9,186		–	–	
Diluted earnings per share	**$330,770**	**181,165**	**$1.83**	$182,685	152,174	$1.20	$150,866	128,427	$1.17

Extraordinary loss per share for the year ended 1997 for basic and diluted earnings per share was ($0.05).

Note 9. Retirement Plans

The Company maintains a defined contribution pension plan covering all of its full-time shoreside employees who have completed the minimum period of continuous service. Annual contributions to the plan are based on fixed percentages of participants' salaries and years of service, not to exceed certain maximums. Pension cost was $6.9, $4.9 and $4.3 million for the years 1998, 1997 and 1996, respectively.

Note 10. Operating Leases

The Company is obligated under noncancelable operating leases for various facilities, primarily office and warehouse space. As of December 31, 1998, future minimum lease payments under noncancelable operating leases were as follows (in thousands):

Year	
1999	$ 5,134
2000	4,444
2001	4,205
2002	4,110
2003	4,023
Thereafter	26,017
	$47,933

Total rent expense for all operating leases amounted to $6.9, $5.7 and $4.9 million for the years 1998, 1997 and 1996, respectively.

Note 11. Income Taxes

The Company and the majority of its subsidiaries are not subject to U.S. corporate income tax on income generated from the international operation of ships pursuant to Section 883 of the Internal Revenue Code, provided that they meet certain tests related to country of incorporation and composition of shareholders. The Company believes that it and a majority of its subsidiaries meet these tests. Income tax expense related to the Company's remaining subsidiaries is not significant.

Note 12. Financial Instruments

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	1998		1997	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and Cash Equivalents	**$ 172,921**	**$ 172,921**	$ 110,793	$ 110,793
Long-Term Debt (including current portion of long-term debt)	**(2,469,082)**	**(2,564,985)**	(2,572,696)	(2,668,447)
Interest Rate Swap Agreements in a net receivable position	**2,370**	**48,558**	1,567	21,372

The carrying amounts shown are the amounts reported in the consolidated balance sheets. The reported fair values are based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of December 31, 1998 or 1997 or that will be realized in the future and do not include expenses that could be incurred in an actual sale or settlement. The following methods were used to estimate the fair values of the Company's financial instruments, none of which are held for trading or speculative purposes:

CASH AND CASH EQUIVALENTS

The carrying amount approximates fair value because of the short maturity of those instruments.

LONG-TERM DEBT

The fair values of the $1 Billion Revolving Credit Facility, the capital leases, the secured fixed and variable rate loans and the unsecured fixed rate loan were estimated based on the market rates available to the Company for similar debt with the same remaining maturities. The fair values of the Senior Notes and Senior Debentures were estimated by obtaining quoted market prices.

INTEREST RATE SWAP AGREEMENTS

The fair value of interest rate swap agreements was estimated based on quoted market prices for similar or identical financial instruments to those held by the Company. The Company's exposure to market risk for changes in interest rates relates to its long-term debt obligations. Market risk associated with the Company's long-term debt is the potential increase in fair value resulting from a decrease in interest rates. The Company uses interest rate swaps to modify its exposure to interest rate movements and manage its interest expense. As of December 31, 1998, the Company had agreements in effect which exchanged floating interest rates for fixed interest rates in a notional amount of $100.0 million maturing in 1999 and fixed interest rates for floating interest rates in a notional amount of $668.8 million maturing in 2002 through 2008.

The Company has exposure under these interest rate swap agreements for the cost of replacing the contracts in the event of nonperformance by the counterparties, all of which are currently the Company's lending banks. To minimize that risk, the Company limits its exposure to any individual counterparty and selects counterparties with credit risks acceptable to the Company.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 – Accounting for Derivative Instruments and Hedging Activities ("FAS 133") which requires all derivative instruments to be carried at fair market value on the balance sheet with changes in fair value recognized in income in the period they occur. FAS 133 is effective for fiscal quarters of all fiscal years beginning after June 15, 1999 (January 1, 2000 for the Company). The Company has not yet determined the impact that the adoption of FAS 133 will have on its earnings or statement of financial position.

Note 13. Commitments and Contingencies

The Company has nine ships on order. Three are Eagle-class vessels designated for the Royal Caribbean International fleet, the first of which, *Voyager of the Seas* is scheduled for delivery in the fourth quarter of 1999, followed by two sister vessels scheduled for delivery in the third quarter of 2000 and second quarter of 2002. The Company also has two Vantage-class vessels designated for the Royal Caribbean International fleet scheduled for delivery in the first quarter of 2001 and second quarter of 2002 and four Millennium-class vessels designated for the Celebrity Cruises fleet, scheduled for delivery in the second quarter of 2000, first quarter of 2001, third quarter of 2001 and second quarter of 2002. The aggregate contract price of the nine ships, which excludes capitalized interest and other ancillary costs, is approximately $3.6 billion, of which the Company deposited $144.6 million during 1998 and $74.3 million during 1997. Additional deposits are due prior to the dates of delivery of $237.4 million in 1999, $88.1 million in 2000 and $25.0 million in 2001.

In June 1998, the Company entered into a plea agreement with the U.S. Department of Justice settling previously filed charges contained in two indictments pending in the U.S. District of Puerto Rico and the Southern District of Florida, respectively. The indictments, which pertained to events that occurred in 1994 and prior years, contained a total of 11 felony counts related to improper disposal of oil-contaminated bilge water and attempts to conceal such activities from the U.S. Coast Guard. Under the plea agreement, the Company pled guilty to eight of the 11 counts and agreed to pay $9.0 million. The U.S. government is continuing its investigation of the Company's bilge water and other waste disposal practices through federal grand jury proceedings in Anchorage, Alaska, Los Angeles, California, Miami, Florida and New York, New York. In February 1999, the Company was indicted by the grand jury in Los Angeles on charges that it presented false oil record books for one of its vessels to the U.S. Coast Guard three times during 1994. Each of the three counts in the indictment carries a maximum fine of $500,000, subject to increase under certain circumstances. Although the Company is not able at this time to estimate the timing or impact of the continuing investigations, the Company may be subject to additional charges for violations of U.S. law.

Beginning in December 1995, several purported class action suits were filed alleging that Royal Caribbean International and Celebrity misrepresented to its passengers the amount of its port charge expenses. The suits seek declaratory relief and damages in an unspecified amount. Beginning in August 1996,

several purported class-action suits were filed alleging that Royal Caribbean International and Celebrity should have paid commissions to travel agents on port charges included in the price of cruise fares. The suit seeks damages in an unspecified amount. Similar suits are pending against other companies in the cruise industry. In February 1997, Royal Caribbean International, Celebrity and certain other cruise lines entered into an Assurance of Voluntary Compliance with the Florida Attorney General's office. Under the Assurance of Voluntary Compliance, Royal Caribbean International and Celebrity agreed to include all components of the cruise ticket price, other than governmental taxes and fees, in the advertised price. In January 1999, Royal Caribbean International entered into an agreement to settle certain of the class-action suits filed on behalf of its passengers. Celebrity entered into a similar settlement agreement. Under the terms of the settlement agreements, each of Royal Caribbean International and Celebrity will issue travel vouchers having face amounts ranging from $8 to $30, in the case of Royal Caribbean International, and from $20 to $45 in the case of Celebrity, to passengers who are U.S. residents and who sailed on Royal Caribbean International or Celebrity, as the case may be, between April 1992 and April 1997. Such vouchers may be applied to reduce the cruise fare of a future cruise on Royal Caribbean International or Celebrity, as the case may be, and are valid for up to three years from the date of issuance. The settlements have received preliminary court approval but are subject to final court approval. Since the amount and timing of the vouchers to be redeemed and the effect of redemption on revenues is not reasonably determinable, the Company has not established a liability for the vouchers and will account for their redemption as a reduction of future revenues. In December 1998, a Florida state court judge dismissed one of the class-action suits filed on behalf of travel agents for failure to state a claim under Florida law. The plaintiff in that case has filed an appeal of that decision. The Company is not able at this time to estimate the timing or impact of the travel agent proceedings on the Company.

The Company is routinely involved in other claims typical to the cruise industry. The majority of these claims are covered by insurance. Management believes the outcome of such other claims which are not covered by insurance would not have a material adverse effect upon the Company's financial condition or results of operations.

Note 14. Quarterly Data (unaudited)

(in thousands, except per share amounts)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1998	1997	**1998**	1997	**1998**	1997	**1998**	1997
Revenues	**$659,777**	$394,590	**$656,456**	$403,467	**$744,910**	$612,542	**$575,148**	$528,408
Operating Income	**119,461**	60,637	**121,533**	67,397	**183,592**	116,911	**64,149**	58,610
Income Before Extraordinary Item	**77,537**	38,481	**79,770**	45,918	**150,038**	75,931	**23,425**	22,355
Extraordinary Item	**–**	–	**–**	(7,558)	**–**	–	**–**	–
Net Income	**$ 77,537**	$ 38,481	**$ 79,770**	$ 38,360	**$150,038**	$ 75,931	**$ 23,425**	$ 22,355
Basic Earnings Per Share[1]:								
Income before extraordinary item	**$ 0.45**	$ 0.29	**$ 0.45**	$ 0.33	**$ 0.87**	$ 0.50	**$ 0.12**	$ 0.12
Extraordinary item	**–**	–	**–**	(0.05)	**–**	–	**–**	–
Net income	**$ 0.45**	$ 0.29	**$ 0.45**	$ 0.28	**$ 0.87**	$ 0.50	**$ 0.12**	$ 0.12
Diluted Earnings Per Share[1]:								
Income before extraordinary item	**$ 0.44**	$ 0.29	**$ 0.44**	$ 0.32	**$ 0.82**	$ 0.48	**$ 0.12**	$ 0.12
Extraordinary item	**–**	–	**–**	(0.05)	**–**	–	**–**	–
Net Income	**$ 0.44**	$ 0.29	**$ 0.44**	$ 0.27	**$ 0.82**	$ 0.48	**$ 0.12**	$ 0.12
Dividends Declared Per Share	**$ 0.08**	$ 0.07	**$ 0.08**	$ 0.07	**$ 0.09**	$ 0.08	**$ 0.09**	$ 0.08

[1] Earnings per share is computed after giving effect to the two-for-one stock split effective July 31, 1998. Prior year amounts have been restated.

PRICEWATERHOUSECOOPERS

To the Shareholders and Directors
of Royal Caribbean Cruises Ltd.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Royal Caribbean Cruises Ltd. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Miami, Florida
February 5, 1999, except for the second paragraph of Note 13, which is as of February 24, 1999



Board of Directors

(from left to right)

Richard D. Fain
Chairman and CEO

Edwin W. Stephan
Royal Caribbean Cruises Ltd.*

Eyal Ofer
Carlyle Properties, Limited

Arne Wilhelmsen
Anders Wilhelmsen & Co. A/S

Jay A. Pritzker
Pritzker & Pritzker

Dr. Peter Lorange
International Institute for
Management Development

John Chandris
Chandris (UK) Limited

Tor Arneberg
Nightingale & Associates, Inc.

Kaspar K. Kielland
L.M. Ericsson A/S

William K. Reilly
Aqua International Partners

Laura Laviada
Editorial Televisa

Bernard W. Aronson
Acon Investments, LLC

**Vice Chairman*

Executive Officers

Richard D. Fain
Chairman and CEO

Richard E. Sasso
President, Celebrity Cruises

Jack L. Williams
President, Royal Caribbean
International

Richard Glasier
Executive Vice President and
Chief Financial Officer

Kenneth D. Dubbin
Vice President and Treasurer

Michael J. Smith
Vice President,
General Counsel and Secretary

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Internet http://www.royalcaribbean.com
http://www.celebrity-cruises.com

Independent Auditors

PricewaterhouseCoopers LLP
700 First Union Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131-2330

Common Stock Transfer Agent & Registrar

ChaseMellon Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660
Internet http://www.chasemellon.com

Common Stock

Common stock of Royal Caribbean Cruises Ltd. trades on the New York Stock Exchange (NYSE) and the Oslo Stock Exchange (OSE) under the symbol "RCL."

The table below sets forth the quarterly high and low prices of the common stock on the New York Stock Exchange:

1998	High	Low
First Quarter	$35 7/16	$24 3/4
Second Quarter	40 3/8	32 5/8
Third Quarter	43 29/32	23 1/8
Fourth Quarter	37 1/8	17

1997	High	Low
First Quarter	$16 7/16	$11 5/8
Second Quarter	19 11/16	14 15/16
Third Quarter	22 15/16	17 7/32
Fourth Quarter	26 13/16	20 13/16

Annual Meeting

The annual meeting will be held on Wednesday, May 12, 1999 at 9 a.m. at the Hyatt Regency, Miami, Florida.

Availability of Form 20-F

A copy of the Company's annual report on Form 20-F will be provided without charge upon written request to the Company.

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