CARNIVAL PLC

Strategic Report and
IFRS Financial Statements
Year Ended November 30, 2014

The Annual Report of Carnival plc comprises the Strategic Report and Carnival plc consolidated and company IFRS Financial Statements contained herein, together with certain parts of the Proxy Statement (including its Annexes), dated February 20, 2015.

The Carnival plc consolidated IFRS Financial Statements, which are required to satisfy reporting requirements of the Companies Act 2006, incorporate the results of Carnival plc and its subsidiaries and, accordingly, do not include the IFRS consolidated results and financial position of Carnival Corporation and its subsidiaries. However, the Directors consider that, within the Carnival Corporation and Carnival plc dual listed company ("DLC") arrangement, the most appropriate presentation of Carnival plc's results and financial position is by reference to the Carnival Corporation & plc U.S. GAAP consolidated financial statements ("DLC Financial Statements"). The DLC Financial Statements are included in the Carnival Corporation & plc 2014 Annual Report ("DLC Annual Report"), which is prepared to satisfy U.S. reporting requirements. Accordingly, the DLC Annual Report (containing the DLC Financial Statements) is included in Annex 1 to the Carnival plc Annual Report.

In order to obtain a better understanding of the Carnival Corporation & plc business, financial condition and results of operations, the Carnival plc stakeholders should read the items referenced below included in the Proxy Statement, Annex 1 and Carnival Corporation & plc joint Annual Report on Form 10-K ("Form 10-K"), in addition to the Carnival plc Strategic Report and IFRS Financial Statements contained herein.

The locations where the Carnival plc Annual Report Documents and Other Information can be found are as follows:

The Notice of Annual Meetings and Proxy Statement, dated February 20, 2015 ("Proxy Statement") and Form 10-K are not set forth within this document, but are available for viewing at www.carnivalcorp.com or www.carnivalplc.com. The Carnival plc IFRS Financial Statements have been submitted to the National Storage Mechanism and are available for inspection at www.morningstar.co.uk/uk/NSM and will be included in the Annual Meeting materials available to the Carnival plc shareholders.

Strategic Report

The Directors consider that, within the DLC arrangement, the most appropriate presentation of Carnival plc's business strategy is by reference to the consolidated strategy of Carnival Corporation & plc. Accordingly, this Strategic Report presents the required strategy and business review for the combined group in order to satisfy reporting requirements of the Companies Act 2006.

1. Chief Executive Officer's Letter to Shareholders.

Dear Shareholders,

Achieving positive revenue yields and earnings growth of nearly 25 percent over 2013, we reached a significant inflection point for our company. Looking ahead, we are working hard to enable growth to accelerate in the years to come as we aggressively work toward delivering double-digit return on invested capital ("ROIC").

In 2014, we achieved non-GAAP net income exceeding $1.5 billion and cash from operations of nearly $3.5 billion, while containing costs and overcoming our share of obstacles, including the loss of higher yielding itineraries due to geopolitical concerns and historically high industry capacity increases in the Caribbean. These strong results were well above our 2014 guidance and a credit to the outstanding efforts of our 120,000 shipboard and shoreside team members who create exceptional vacation experiences each and every day for our more than 10.5 million guests across the globe.

Our earnings growth in 2014 was driven by improved performance at our Costa Cruises and Carnival Cruise Line brands. Costa experienced a further improvement in perception with an almost doubling of trust and confidence in Italy. Significantly, the brand experienced continued yield growth as well as improved profitability through collaboration across our Continental European brands.

Carnival Cruise Line was recognized as the most improved in consumer perception of any brand in any category in the United States in 2014 by YouGov. A number of initiatives introduced by Carnival Cruise Line such as the Carnival LIVE concert series, children's programs Camp Ocean and Seuss at Sea, as well as the Great Vacation Guarantee, are clearly resonating with guests.

New product initiatives and innovative marketing campaigns implemented across our brands over the past year are driving increased demand. We experienced a sustained improvement in booking trends throughout 2014 and are gaining momentum in our efforts to drive ticket prices and onboard revenues higher.

THE PATH TO DOUBLE DIGIT ROIC

Measured Capacity Growth

In 2014, we continued progress toward enhancing our fleet while maintaining our commitment to measured capacity growth. We delivered two spectacular ships, *Regal Princess* and *Costa Diadema*. These new ship introductions generated substantial media coverage and positive buzz, including the star studded North American debut of *Regal Princess* which featured a reunion of the "Love Boat" cast and 25 guest stars who appeared on the hit TV show. The delivery of *Costa Diadema* was equally stunning and included a festive inaugural in Genoa, Italy.

As we continue to advance our fleet, we have a number of ships that we expect to replace with newer, larger and more fuel efficient vessels over time. These new ships will be more than double the size of those they are replacing, offer higher yielding balcony cabins, more than 20 percent lower unit costs and greater than 35 percent improved fuel efficiency.

We recently signed orders for three new ships for delivery in 2018 bringing the total order book to 10 vessels over a four-year period. We also sold four of our smaller, less-efficient ships resulting in only a 3 percent net capacity increase over this period and reinforcing our commitment to measured capacity growth.

Accelerating Demand

At the same time we are striving to drive additional demand. Cruising captures just a small percentage of the overall vacation market. Consequently, our biggest opportunity is to increase cruise consideration among consumers. We have a number of initiatives underway to attract first-time cruisers through increased demand in established markets, as well as expansion into new markets.

We are continually implementing product enhancements across all our brands, and striving to deliver an even better guest experience to increase retention and life-long advocacy. "Word of mouth" remains the most powerful tool in attracting first-time cruise guests.

We are unwaveringly focused on increasing demand on all fronts. That includes a significant public relations effort across all brands to deliver our message to consumers that cruising is a great experience, at a great value. In fact, we enjoyed a significant increase in our collective share of voice globally in 2014 with our number of positive mentions more than doubling.

We have increased our investment in advertising, having spent over $600 million in 2014. We launched new marketing campaigns in multiple regions. In North America, Carnival Cruise Line was the National Cruise Line advertiser of the Winter Olympics telecast while Princess Cruises launched its first television campaign in 10 years. In addition, both Costa Cruises in Europe and P&O Cruises in the UK launched new advertising campaigns.

As we began 2015, we aired a new commercial on Super Bowl Sunday – the world's biggest marketing stage. Our company's first major multi-brand marketing initiative extended well beyond the Super Bowl itself garnering nearly 5 billion media impressions even before the game aired and more than 10 billion total impressions to date.

These efforts collectively help to drive demand for our brands that outpaces capacity, ultimately leading to higher yields.

New Market Opportunities

Asia, and in particular, China continues to be a focus for emerging market development, where we expect double-digit growth over the next few years. We expect China to be the largest cruise market in the world over time. We were the first to enter the market through our Costa Cruises brand in 2006 and are currently the largest cruise operator in mainland China. This year we will lead the industry with four ships which will homeport out of Mainland China and more than 12 marketing offices in the region. To coordinate our growth strategy, our Chief Operations Officer, Alan Buckelew, has relocated to China and we have entered into several strategic agreements focused on expanding the cruise industry in China.

We signed a memorandum of understanding ("MOU") with China State Shipbuilding Corporation, China's largest shipyard, and Italian shipbuilder, Fincantieri, to explore the possibility of shipbuilding and other strategic partnerships to foster growth. We also signed a MOU with China Merchants Group, China's oldest state enterprise, to explore joint ventures in port and destination development, as well as other areas to successfully develop our industry.

We have clearly established a solid foothold as the largest cruise operator home-porting in China, and our development strategy is accelerating.

Working Together to Unlock Our Potential

I feel strongly that our brands must remain independent, especially concerning the guest interface, yet work together to unlock the potential of leveraging our scale and collective expertise. We began 2014 with the first-ever global leadership team meeting that brought together our top 65 leaders from around the world and achieved remarkable alignment on our vision and top priorities. By strengthening our communication and coordination, we enjoyed some early wins on our revenue and cost cross-brand collaboration efforts.

We furthered our never-ending pursuit of capturing insights from our guests beginning with our segmentation study in North America, the first we have done across brands and the largest ever done in our industry. We conducted extensive interviews with over 40,000 respondents and mined our 30 million past-guest database for insight to help grow demand and onboard revenue.

We elevated our level of cross-brand global deployment planning to drive greater penetration and more effective capacity management. Additionally, we conducted our first deep dive examination of our revenue management systems to share best practices and identify gaps, new opportunities and tools.

Some early wins on our cost containment efforts already contributed $20 million of savings in 2014. We anticipate another $70 to $80 million in cost reductions to benefit 2015 and have further opportunity to help offset inflation in the broader base of non-fuel purchases over time.

Sustainable Operations

We recognize our reputation and success depend on sustainable and transparent operations. We are committed to ensuring cruising is the most enjoyable vacation experience possible for our guests. We maintain this commitment by keeping our guests and crewmembers safe, by protecting the environment, by developing our workforce, by strengthening our stakeholder relations, enhancing the port communities that our ships visit and maintaining our fiscal strength.

Increasing our fuel efficiency remains at the cornerstone of our sustainability efforts. It is gratifying to say we have reduced our unit fuel consumption by 25 percent since 2007, meeting our stated goal of delivering a 20 percent reduction (per unit) in carbon emissions ahead of schedule. Over that time, our effort has saved over 1 billion gallons of fuel and $2.5 billion in fuel costs. This efficiency improvement is a testament to the breadth of efforts undertaken to reduce consumption.

Moreover, we have taken the lead on developing technology to mitigate the impact of new low-sulfur fuel usage requirements which came into effect in January while maintaining our commitment to the pristine environments in which we have the great pleasure to sail. We are aggressively installing new air emissions technology on approximately 70 percent of our fleet by 2017 while at the same time rolling out other energy efficient technology. These advancements are an important investment in the environment and lay a solid foundation for sustainable earnings improvement.

EXECUTING ALONG THE PATH

We believe we are executing along a clear path toward double-digit ROIC. We improved ROIC by nearly one percentage point in 2014 and expect another percentage point of improvement in 2015. We continue to manage the total capital plan with a keen eye toward exceeding guest expectations, while at the same time maintaining fiscal discipline.

Our collective efforts created significant value for shareholders in fiscal 2014, with our share price advancing over 22 percent as well as returning nearly $800 million in dividends.

Importantly, the ground work for continued progress is laid and we are firmly on a path to deliver double-digit ROIC in the next three to four years.

In closing, I thank our Board for their counsel and support throughout the past year and I thank our management for their strong leadership in moving our company forward. For his contribution, I especially thank Gerry Cahill, an invaluable leader who retired after more than 20 years, and most recently served as President and CEO of the Carnival Cruise Line brand. We welcome Christine Duffy, the new head of Carnival Cruise Line, Orlando Ashford, the new head of Holland America Line and Neil Palombo, the new head of Costa Cruises — three strong additions to our very capable leadership team.

Our business, or any business, is all about the people. One out of every two guests who cruise anywhere in the world cruise on one of our nine brands and 100 ships. That is only possible because of the extraordinary efforts of our employees worldwide who passionately and consistently deliver joyful and memorable vacation experiences for our guests, as well as our travel agent partners around the globe who support our brands. I thank them all. My sincerest appreciation to our shareholders and, of course, our more than 10.5 million valued guests for choosing to spend their vacation with us. I look forward to welcoming you aboard again soon.

Arnold W. Donald
President and Chief Executive Officer

2. Business.

A. Overview

I. Summary

Carnival Corporation was incorporated in Panama in 1972 and Carnival plc was incorporated in England and Wales in 2000. Carnival Corporation and Carnival plc operate a dual listed company ("DLC"), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation's Articles of Incorporation and By-Laws and Carnival plc's Articles of Association. The two companies operate as if they are a single economic enterprise with a single senior executive management team and identical Boards of Directors, but each has retained its separate legal identity. Carnival Corporation and Carnival plc are both public companies with separate stock exchange listings and their own shareholders. Together with their consolidated subsidiaries, Carnival Corporation and Carnival plc are referred to collectively within this Strategic Report as "Carnival Corporation & plc," "our," "us" and "we."

We are among the most profitable and financially strong leisure travel companies in the world with a market capitalization of $36 billion at February 20, 2015. We are the largest cruise company with a global market share of 48% based on the number of guests carried and a leading provider of vacations to all major cruise destinations throughout the world (see Item 2. Business. C. "Our Global Cruise Business – Cruise Programs"). We operate 100 cruise ships within a portfolio of nine leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences in all the world's most important vacation markets. We believe having global and regional brands that are predominately serving multiple source markets and national brands that are predominately serving major source markets provides us with a unique advantage to compete within the entire leisure market for consumers' discretionary vacation spending. The descriptions of the principal vacation markets where we source substantially all of our guests and our brands that market primarily to these vacationers are discussed in Item 2. Business. C. "Our Global Cruise Business – North America" and "Our Global Cruise Business – Europe, Australia & Asia."

II. Vision, Goals and Related Strategies

Our vision is to deliver unmatched joyful vacation experiences and breakthrough total shareholder returns by exceeding guest expectations and achieving the full benefits inherent in our scale. We believe our portfolio of global, regional and national brands is instrumental to us achieving our vision and maintaining our cruise industry leadership positions, which includes having a leading cruise brand selling in each of our primary source markets targeting specific guest segments. Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital, reaching double digit returns in the next three to four years, while maintaining a strong balance sheet. Our ability to generate significant operating cash flows allows us to internally fund our capital investments. Our goal is to return "excess free cash flows" (defined as cash flows from operations less investing activities and regularly scheduled quarterly dividends) to our shareholders in the form of additional dividends and/or share buybacks. In addition, we are committed to maintaining our strong investment grade credit ratings, which are among the highest in the leisure travel industry.

To reach our primary financial goals, we have started to implement various demand creating initiatives as we strive to create additional demand for our brands that far outpaces supply, ultimately leading to higher revenue yields. We have also identified opportunities that are aimed at increasing our pricing, enhancing our cruise products and services and optimizing our cost structure while preserving the unique identities of our individual brands. We are making significant investments to gain further insight into our guests' decision making by evaluating data included in our global database of guests to identify vacationers' needs and wants and to analyse their purchasing behaviours. We are also implementing strategies to grow demand by increasing consumer awareness and consideration of our cruise brands through advertising.

Furthermore, we identified new strategies and tactics to strengthen our cruise ticket revenue management processes and systems across our portfolio of brands, such as optimizing our pricing methodologies, improving our pricing models and increasing the brands' coordination of our global fleet deployments. We have tools that enable us to perform customer segmentation analyses, evaluate our guests' decision making process and identify new market growth opportunities to expand our customer base. We are also implementing new initiatives to strengthen our onboard revenue programs, such as expanding our onboard retail shop offerings and enhancing our bar and casino programs. In addition, we are adding new home ports in selected geographic areas to provide easier access and to reduce travel costs in order to attract more first-time cruisers.

We believe that we have significant opportunities to continue to grow our presence in China due to its large and growing middle-class population and expansion of their international tourism. It is estimated that Chinese cruise demand will increase to 1.6 million annual cruisers by 2020. The Chinese government has expressed a strong desire to transform China into a leading global cruise market and is making substantial investments in cruise-related infrastructure. Due to the high strategic importance we place on the China cruise market, in 2014 we relocated our Chief Operations Officer to China to more closely oversee our brands' strategic initiatives, coordinate our growth strategy in China and the surrounding markets and liaise with Chinese government officials. With the introduction of *Costa Serena* in 2015, we will have four ships home ported in China, which will represent a 140% increase in guest capacity over a two-year period and will offer our Chinese guests diversified cruise products with two brands targeting two different segments of travellers. As we execute our strategy to accelerate growth in China, we have the benefit of eight years of local experience to help guide our expansion and enhance our cruise products and services and make them even more attractive to our Chinese guests. As part of our China cruise strategy, we are exploring opportunities aimed at the development of a domestic cruise company and the formation of a domestic cruise shipbuilding company, as well as port development, talent development and training, enhanced relationships with our distribution partners and sharing of supply chain and logistics expertise.

With 100 ships and 10.6 million guests in 2014, we have the scale to optimize our structure by utilizing our combined purchasing volumes and common technologies and implementing cross-brand initiatives aimed at cost containment. For example, we have common reservation systems, shared data centres, shared port facilities and are working on cross-brand contracting for food and beverages, air travel, hotel supplies, port and manning agency services, advertising and promotions, shore excursions and technical operations to further utilize the scale of our combined purchases.

While we are well underway with certain initiatives and are already beginning to see their positive results, some of our initiatives will take longer to realize their full benefits due to our size and the nature of the cruise industry. Our strategic initiatives demonstrate the benefits of communicating, coordinating and collaborating across our brands and will help us fulfil our vision.

Our vision is based on four key pillars:

- Health, environment, safety, security and sustainability,
- Guests,
- Employees and
- Shareholders and other stakeholders

Health, Environment, Safety, Security and Sustainability

We consider health, environment, safety, security and sustainability matters to be core guiding principles. Our uncompromising commitment to the safety and comfort of our guests and crew is paramount to the success of our business. We are committed to operating a safe and reliable fleet and protecting the health, safety and security of our guests, employees and all others working on our behalf, thereby promoting an organization that is free of injuries, illness and loss. We continue to focus on further enhancing the safety measures onboard all of our ships. We are also devoted to protecting the environment in which our vessels sail and the communities in which we operate. We are dedicated to fully complying with, or exceeding, all relevant legal and statutory requirements related to health, environment, safety, security and sustainability throughout our business.

We are developing a company-wide safety management system that standardizes our maritime related policies, procedures and processes and are increasing the amount of maritime safety, ship command and engine room management training for our shipboard officers at our expanding global training facility in the Netherlands. We are also updating our processes, systems and training surrounding fire prevention, detection and suppression. Furthermore, we continue to make investments in our ships' maritime systems to improve their safety and reliability, which also allows us to operate them more efficiently and sustainably.

As a result of our efficiency improvements and initiatives, we have reduced our unit fuel consumption by almost 5% in 2014 and 25% since 2007 and have achieved our stated goal of delivering a 20% reduction (per unit) in the intensity of carbon dioxide emissions from our shipboard operations one year prior to our target date. We are currently developing new goals aimed at protecting the environment and further reducing our fuel consumption. We are installing new exhaust gas cleaning systems on our ships to achieve environmental objectives and mitigate the financial impact of the new 2015 low sulphur regulatory requirements. In addition, we are also implementing a series of new energy saving technology initiatives across our fleet in areas such as propulsion, air conditioning and waste heat recovery systems as well as more efficient lighting in order to help reduce our carbon footprint and costs.

Guests

Our goal is to consistently exceed our guests' expectations while providing them with a wide variety of exceptional vacation experiences. We believe that we can achieve this goal by continually focusing our efforts on helping our guests choose the cruise brand that will meet their unique needs and desires, improving their overall vacation experiences and building state-of-the-art ships with innovative onboard offerings and unequaled guest services.

Our nine unique brands with worldwide sourcing of guests and diverse itinerary options allow us to expand our offerings to our ever increasing past guest base, while continuing to grow our business through the acquisition of new guests in established and emerging markets. Our leading vacation destination experiences, including those at our unique private islands, such as Half Moon Cay and Princess Cays®, and company-owned ports, such as those in Cozumel, Mexico and Roatan, Honduras, as well as preferential access to other leading destinations, support our portfolio of first-choice cruise brands. Our cruise products and services are tailored to specific geographic areas and lifestyles, which allows us to penetrate each geographic area more effectively. We are conducting psychographic segmentation studies, including qualitative and quantitative surveys and analyses, to gain a more insightful and impactful understanding of our guests' needs, wants and expectations. We will then target our advertising and promotions toward these specific guest segments in order to drive demand for our offerings and better guide our guests to the cruise brand experience that best matches their tastes. These studies should enable us to better differentiate each brand in the minds of vacationers and consumers-at-large and adjust the product and service offerings of our brands.

We recognize the importance of cultivating lifelong relationships with our guests and creating brand advocates through personal interactions with our highly trained, motivated and service-oriented employees and by providing enjoyable vacation experiences. We are continually introducing new innovative cruise products and services, such as the Carnival LIVE™ concert series and the first culinary school at sea at P&O Cruises (UK) designed by a celebrity chef, to attract more first-time cruisers. We also continue to add to our shipboard amenities, such as Carnival Cruise Line's Fun Ship® 2.0 product enhancement initiatives, AIDA's Four Elements Fun Park and P&O Cruises (Australia)'s shipboard adventure series, P&OEdge™, to enhance the experience of new as well as repeat guests. We are working toward providing our guests and crew with improved shipboard internet connectivity to enable them to share their onboard experiences with family and friends. Overall, we are committed to preserving the positive image and reputation of all of our first choice brands and are dedicated to making our guests' experience at every touch point before, during and after their cruise truly exceptional so that our guests become our lifelong advocates.

We are building new, innovative, purpose-built ships that are larger and more efficient and have a wider range of onboard amenities and features, which enable us to better compete for consumers' vacation spend. These larger ships enable us to obtain greater economies of scale. In 2014, we introduced Princess Cruises' 3,560-passenger *Regal Princess* and Costa Cruises' 3,692-passenger *Costa Diadema*. As of February 20, 2015, we have ten cruise ships scheduled to be delivered between late February 2015 and November 2018, some of which will replace existing capacity as older, smaller and less efficient ships exit our fleet. We strategically time the introduction of additional ships into our brands to allow ample time for those lines to further grow their guest base and absorb the new capacity. We have removed 16 ships from our fleet since 2006 and have agreements in place to remove three more ships by March 2016. Based on our current ship orders and announced ship withdrawals, our net capacity growth rate is expected to be 2.0% in 2015 and 2.8% compounded annually through 2018. We are committed to measured capacity growth so that we achieve an optimal balance of supply and demand to maximize our profitability in established cruise regions, such as North America and Western Europe. We believe the increasing deployment of ships into the emerging Asia market may further moderate the level of supply in North America and Western Europe. In addition, we continue to make substantial investments in our existing ship enhancement programs to improve our onboard product offerings and enrich our guests' vacation experiences.

Employees

Our goal is to select, train and retain the finest shipboard and shoreside employees because having a team of highly motivated and engaged employees is key to delivering vacation experiences that exceed our guests' expectations. Understanding the critical skills that are needed for outstanding performance is crucial in order to hire and train our crew and shoreside personnel. We believe in listening to our employees' perspectives and ideas and use employee feedback tools to monitor our progress in this area. We also deliver on diversity and inclusion by having highly empowered and inspired employees from over 100 countries serving onboard our fleet and at our shoreside facilities. We have structured our work processes and incentive compensation plans to reflect a culture that enables our brands to better align their individual performance with our primary financial goals. Our management teams are aligned by geographic region to further optimize our operations, utilize our scale and better manage our performance.

Shareholders and Other Stakeholders

We truly value our relationships with a diverse range of stakeholders, including guests, travel agents, employees, communities, shareholders, regulatory bodies, media, creditors, shipbuilders, governments and suppliers. We believe that engaging stakeholders in a mutually beneficial manner is critical to our long-term success and key for us to realize our vision. Our media communication programs are designed to strengthen these relationships so as to help us attract new cruisers and provide for balanced and fair reporting of cruise industry events. As part of this effort, we believe we must continue to be an outstanding corporate citizen in the communities in which we operate. Our brands are socially responsible and work to meet or exceed the economic, environmental, ethical and legal responsibilities placed on them by our stakeholders. We help create a higher standard of living and quality of life in our home communities and those that we visit.

Strong relationships with our travel agents are also vital to our success. We continue to strengthen our relationship with the travel agent community by increasing our communication and outreach, implementing changes based on travel agent feedback, increasing our trade marketing presence and improving our educational programs to assist agents in stimulating cruise demand. We host travel professionals on our ships to provide them with an opportunity to better experience our products and services and also to engage with them on a more focused level. The expanded use of brand communications is also highly important in order to raise our profile and to proactively build relationships with the travel agent community. Similarly, we are expanding our use of social media to cultivate relationships with travel agents and guests, including the more technology savvy millennials and thereby build lifelong brand advocates.

B. Global Cruise Industry

I. Overview

The multi-night global cruise industry has grown significantly but still remains relatively small compared to the wider global vacation industry, which includes a large variety of land-based vacation alternatives around the world. For example, there were only about 250,000 cabins in the global cruise industry at November 30, 2014, which is less than two percent of the number of worldwide hotel rooms. Within the global vacation industry, cruise companies compete for the discretionary income spent by vacationers. A 2014 Nielsen Global Consumer Confidence Survey found that after providing for savings and living expenses, the number one global spending priority is for vacations. As a result of these and other favourable cruise industry characteristics, we believe that the global cruise industry has the opportunity to capture a greater share of consumers' spending.

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

II. Favourable Characteristics of the Global Cruise Industry

a. Exceptional Value Proposition

We believe that the cost of a cruise vacation represents an exceptional value in comparison to alternative land-based vacations. Cruising provides many relatively unique benefits, such as transportation to various destinations while also providing accommodations, a generous diversity of food choices and a selection of daily entertainment options for one all-inclusive, competitive price. To make cruising even more cost effective and more easily accessible to vacationers, the cruise industry typically offers a number of drive-to homeports, which enables many cruise guests to reduce their overall vacation costs by eliminating or reducing air and other transportation costs.

b. Relatively Low Penetration Levels

Based on industry data, the 2014 annual penetration rates when computed based on the number of annual cruise guests as a percentage of the total population are as follows (a):

- 3.4% for North America (b),
- 3.4% for Australia and New Zealand,
- 2.6% for the United Kingdom ("UK") and
- 1.3% for continental Europe (Germany, Italy, France, Spain and Portugal).

(a) 2014 annual penetration rates were computed based on the historical number of cruise guests carried for at least two consecutive nights obtained from G.P. Wild (International Limited) ("G.P. Wild"), an independent cruise research company, and internally developed estimates of increases in capacity.
(b) For the purpose of the penetration rate calculation, North America is only comprised of the United States of America ("U.S.") and Canada.

Based on industry data and our internal estimates, approximately 20% of the U.S. population and lower percentages of European and Australian populations have ever taken a cruise. In addition, Europeans and Australians have significantly more vacation days a year than North Americans, which presents opportunities for increases in these regions' penetration levels compared to North America.

Cruising is at a very early stage of development and has lower penetration rates in emerging markets within Asia. There are an increasing number of relatively lower penetrated markets, such as China, where economic growth has raised discretionary income levels and thus fuelled an increasing demand for vacations, including cruising.

c. Wide Appeal

Cruising appeals to a broad range of ages and income levels. Cruising provides something for every generation, from kids' clubs to an array of onboard entertainment designed to appeal to teens and adults. Cruising also offers transportation to a variety of destinations and a diverse range of ship types and sizes, as well as price points, to attract guests with varying tastes and from most income levels. To encourage first time cruisers, the duration of some cruises has been shortened, which has also lowered the purchase price and thus broadened the appeal for cruising.

d. Positive Demand Trends

The average age of populations in established cruise regions is increasing. The average age of a cruise guest, which varies by brand, ranges from approximately 40 years to 60 years across the contemporary, premium and luxury cruise categories in established cruise regions. Between 2014 and 2024, the number of people in the cruise business' primary age group of 45 years and older is expected to grow by 17 million, or 12%, in the U.S. and Canada, 14 million, or 9%, in the major Western European countries and 1.6 million, or 17%, in Australia.

The baby boomer generation, or those born between 1946 and 1964, is the most active older population group in history. The youngest in this group, who are in their fifties, are typically experiencing their peak earning years and some have children at home, making cruising for the whole family a great value. Some of the oldest in this group, who are in their late sixties, are defying traditional stereotypes by continuing to work, having more active lifestyles and enjoying cruising with their children and grandchildren.

The fastest growing segment of the vacation industry is the millennial generation, or those born between 1980 and 2000. With a population of over 80 million, the millennial generation has surpassed the size of the baby boomers generation and now represents the largest generation size in history. The millennial generation has a strong desire for travel and shared experiences and will continue to offer growth and drive innovation in the vacation industry, especially as they evolve into more frequent travellers. This presents an opportunity for the cruise industry to attract more first time cruisers and grow its repeat cruiser base within this segment. For the millennial generation, vacation is typically not merely about relaxation and exploring, but rather self-development and being able to share their adventures with friends and family via social media. Also, millennials typically prefer more affordable vacations without sacrificing the accommodations or experiences. The cruise industry is working toward meeting the millennials' unique vacation preferences, including enhancing its ships' internet connectivity.

Furthermore, many emerging international markets are experiencing growing economies and a rapid growth in middle-class consumers. As their earnings power and disposable income increase, these middle-class consumers are becoming more eager to purchase entertainment, travel and discretionary products and services. This demand growth provides the cruise industry the opportunity to expand its reach in these markets.

We believe the cruise industry is well-positioned to take advantage of these positive demand trends.

e. Ship Mobility

The mobility of cruise ships enables cruise companies to move their vessels between regions in order to maximize profitability. For example, brands can change itineraries over time in order to cater to guest tastes or as general economic or geopolitical conditions warrant. This flexibility allows cruise operators to better position themselves to attract more first-time cruisers and provide repeat guests with new and more desirable destinations. In addition, cruise companies have the flexibility to reposition some of their capacity to areas with growing demand, such as Asia. We believe that this unique ability to move ships provides the cruise industry with a competitive advantage compared to other land-based vacation alternatives.

f. High Guest Satisfaction Rates

Cruise guests tend to rate their overall satisfaction with a cruise vacation higher than comparable land-based hotel and resort vacations. According to industry surveys, the cruise experience consistently exceeds expectations of repeat and first-time cruisers on a wide range of important vacation attributes. Cruising continues to receive high guest satisfaction rates because of the unique vacation experiences it offers, including visiting multiple destinations without having to pack and unpack, all-inclusive product offerings and state-of-the-art cruise ships with entertainment, relaxation and fun, all at an outstanding value.

g. Favourable Supply Versus Demand Balance

Over the last several years cruise operators have slowed their passenger capacity growth in the more established cruise markets of North America and Western Europe compared to historical levels. Furthermore, smaller, older and less efficient cruise ships will continue to be retired from service as they reach the end of their economic lives, no longer provide guests with the vacation experiences that they desire or do not provide sufficient cash flows. Over time we expect demand to accelerate as global economic conditions improve and emerging markets continue to develop. We believe this favourable supply versus demand balance will have a positive impact on the cruise industry's ability to grow profitably. The cruise industry continues to maintain a measured rate of growth in established markets, such as North America and Western Europe, and is investing in emerging markets, such as China, where it believes it has greater growth opportunities.

III. Passenger Capacity and Cruise Guests Carried

The weighted-average passenger capacities for the global cruise industry and for us are as follows:

Year	Global Cruise Industry	Carnival Corporation & plc
2008	377,000	162,000
2009	397,000	174,000
2010	423,000	186,000
2011	443,000	195,000
2012	455,000	200,000
2013	470,000	205,000
2014	482,000	210,000
2015 (a)	500,000	215,000
2016 (a)	525,000	225,000
2017 (a)	552,000	231,000

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

The compound annual growth rates in passenger capacities for the global cruise industry and for us are as follows:

	Global Cruise Industry	Carnival Corporation & plc
2008 to 2013	4.5%	4.8%
2013 to 2014	2.6%	2.4%
2014 to 2017	4.6%	3.2%

The number of cruise guests carried by the global cruise industry and by us are as follows:

	Global Cruise Industry			Carnival Corporation & plc
Year (a)	North America	Europe, Australia, Asia and Other	Total	Total
2008	10,290,000	6,000,000	16,290,000	8,183,000
2009	10,400,000	7,190,000	17,590,000	8,519,000
2010	11,000,000	8,070,000	19,070,000	9,147,000
2011	11,440,000	9,050,000	20,490,000	9,559,000
2012	11,640,000	9,180,000	20,820,000	9,829,000
2013	11,710,000	9,590,000	21,300,000	10,061,000
2014 (b)	12,060,000	9,780,000	21,840,000	10,566,000

(a) The estimates of the total guests carried for 2008 through 2013 were obtained from G.P. Wild and are based upon where the guests were sourced and not the cruise brands on which they sailed.
(b) The estimates of the total guests carried for 2014 are based on internally developed global guests' growth rates.

The compound annual growth rates for the number of cruise guests carried by the global cruise industry and by us are as follows:

	Global Cruise Industry			Carnival Corporation & plc
Year (a)	North America	Europe, Australia, Asia and Other	Total	Total
2008 to 2013	2.6%	9.8%	5.5%	4.2%
2013 to 2014	3.0%	2.0%	2.5%	5.0%

As we continue to expand our global presence, our revenues generated from guests sourced from outside the U.S. have grown to 57% in 2014, up from 50% in 2008.

C. Our Global Cruise Business

I. Cruise Programs

Our 100 ships sail to all of the world's major cruise destinations and the percentage of our passenger capacity deployed in each of these regions is as follows:

Region	2015	2014	2013
Caribbean	34%	35%	33%
Mediterranean	15	17	19
Europe without Mediterranean	13	12	12
Australia	9	7	6
Alaska	5	5	6
Asia	6	5	4
Other	18	19	20
	100%	100%	100%

II. Segment Information

Each of our nine leading global, regional and national cruise brands is an operating segment that we aggregate into either the (1) North America or (2) Europe, Australia & Asia ("EAA") reportable cruise segments based on the similarity of their economic and other characteristics.

As of February 20, 2015, our cruise brands' summary information is as follows:

Cruise Brands	Passenger Capacity (a)	Percentage of Total Capacity	Number of Cruise Ships
North America			
Carnival Cruise Line	62,366	29%	24
Princess Cruises ("Princess")	44,090	21	18
Holland America Line	23,540	11	15
Seabourn	1,782	1	5
North America Cruise Brands	131,778	62	62
EAA (b)			
Costa Cruises ("Costa")	35,828	17	15
AIDA Cruises ("AIDA")	18,656	9	10
P&O Cruises (UK)	14,736	7	7
Cunard	6,694	3	3
P&O Cruises (Australia)	4,804	2	3
EAA Cruise Brands	80,718	38	38
	212,496	100%	100

(a) In accordance with cruise industry practice, passenger capacity is calculated based on the assumption of two passengers per cabin even though some cabins can accommodate three or more passengers. For contracted capacity increases, see Item 2. Business. C. "Our Global Cruise Business – Ships Under Contract for Construction".
(b) Carnival plc consists principally of the EAA cruise brands.

We also have a Cruise Support segment that includes our cruise port and related facilities located in Cozumel, Mexico; Grand Turk, Turks and Caicos Islands; Roatán, Honduras and Puerto Plata, Dominican Republic (currently under development), which are or will be, operated for the benefit of our cruise brands. Cruise Support also includes other services that are provided for the benefit of all our cruise brands.

In addition to our cruise operations, we own Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon, which complements our Alaska cruise operations. Our tour company owns and operates 12 hotels or lodges, over 300 motorcoaches and 20 glass-domed railcars and is one of the five largest motorcoach companies in North America. This tour company and three cruise ships, the former *Costa Celebration*, *Costa Europa* and *Grand Holiday*, which we own and charter-out under long-term leases, comprise our Tour and Other segment as of February 20, 2015.

III. North America

Almost 55% of the cruise guests in the world are sourced from the North American region, where cruising is a mainstream alternative to land-based vacations. Approximately 11.7 million North American-sourced guests took multi-night cruise vacations in 2013, and we estimate that 12.1 million guests cruised in 2014. According to an internal survey, up to 60% of North American non-cruiser adults are likely to cruise in the next five years. As a result of this and other favourable characteristics of the cruise industry, we expect increasing demand in the cruise segment of the North America vacation market.

The most popular location visited by North America-sourced cruise guests in 2014 was the Caribbean (including The Bahamas) and other locations include the Mediterranean Sea, Alaska, Northern Europe, Mexican Riviera, New England and Canada, Bermuda, Hawaii, the Panama Canal and other exotic locations, such as South and Central America, the South Pacific Islands, Australia, New Zealand, China, Japan, South Korea, Vietnam, Singapore, Thailand and the Indian Ocean.

Carnival Cruise Line, Princess, Holland America Line and Seabourn source their guests primarily from North America. Carnival Cruise Line also sources some of its guests from Australia. Princess also sources a growing number of guests from international regions, such as Australia, Asia, the UK and continental Europe. Holland America and Seabourn also source some of their guests internationally, such as from Australia, the UK, the Netherlands and Germany. Cunard also sources a large portion of its guests from North America. See Item 2. Business. C. "Our Global Cruise Business – Australia" and "Our Global Cruise Business – Asia" for additional discussion of Princess' and Carnival Cruise Line's operations in these regions.

CARNIVAL CRUISE LINE

Carnival Cruise Line is a leader in contemporary cruising and operates 24 ships designed to provide fun and exceptional vacation experiences that appeal to a wide variety of consumers, all at an outstanding value. Founded in 1972, Carnival Cruise Line is one of the most recognizable brands in the cruise industry and carried 4.5 million guests in 2014, the most of any individual cruise brand. Carnival Cruise Line identifies their target customers as "The Spirited" or those who like to live life to the fullest, look at the glass as half full, feel comfortable in their own skin and make their own fun. Carnival Cruise Line's cruises have a broad appeal to families, couples, singles and seniors and carried more than 700,000 children in 2014. Carnival Cruise Line has one new ship scheduled to be delivered in April 2016 and another one in March 2018, which together will increase its existing passenger capacity by 13%.

Carnival Cruise Line offers cruises generally from three to eight days with almost all of its ships departing from 14 convenient U.S. home ports located along the Eastern seaboard and the Gulf and West coasts. Carnival Cruise Line is the leading provider of year-round cruises in The Bahamas, the Caribbean and Mexico and also operates seasonal cruises in New England and Canada, Alaska, Hawaii and the Panama Canal.

The brand's focus continues to be on enhancing its products and services with innovations that appeal to new consumers, as well as past guests. In 2014, Carnival Cruise Line continued the rollout of its fleet wide Fun Ship® 2.0 product enhancement initiative. The Fun Ship® 2.0 program is transforming the line's guest experience through innovative dining, bar and entertainment concepts, as well as partnerships with popular celebrities and brands. Entertainer George Lopez is the brand's creative director for comedy and is enhancing the line's fleet wide comedy clubs; Food Network star Guy Fieri has developed an onboard burger restaurant called Guy's Burger Joint; leading video game manufacturer EA SPORTS helped create the first-ever EA SPORTS Bars at sea; and through a partnership with toy and game leader Hasbro, Inc. the line has created Hasbro, The Game Show, with larger-than-life adaptations of Hasbro's iconic games. The many ground-breaking features of Fun Ship® 2.0 are best reflected in the *Carnival Breeze and Carnival Sunshine.* As of February 20, 2015, 12 of Carnival Cruise Line's ships have some Fun Ship® 2.0 features, with additional vessels scheduled to receive them over the next few years.

In Spring 2016, the launch of *Carnival Vista* will continue the expansion of the Fun Ship® 2.0 enhancement program with the introduction of new ground-breaking features including SkyRide, a breakthrough suspended open-air cycling experience, the world's first IMAX Theater on a ship, an expanded water park featuring the colourful Kaleid-O-Slide, the line's first raft-riding water tube slide, Seafood Shack, a delectable New England-inspired eatery, and an onboard brewery in the RedFrog Pub. These new Fun Ship® 2.0 features give Carnival Cruise Line yet another opportunity to continue to innovate and upgrade its products in exciting and ground-breaking new ways.

In 2014, Carnival Cruise Line entered into an exclusive partnership with Dr. Seuss Enterprises to create the new *Seuss at Sea* program and also unveiled Camp Ocean. *Seuss at Sea* has been rolled out on ten Carnival Cruise Line ships and will bring the beloved children's brand and favourite characters to nearly the entire Carnival Cruise Line fleet by the end of 2015. Camp Ocean is an exciting new marine-themed program that immerses children ages two to 11 in the wonders of the sea through fun, engaging, hands on experiences that include educational games, art, music, role play and more. Camp Ocean is currently available on four Carnival Cruise Line ships and will be introduced fleet-wide by the end of 2016.

In 2014, Carnival Cruise Line introduced the Carnival LIVE™ concert series, which is a new onboard offering that brings the best live music entertainment to the seas. The Carnival LIVE™ concert series features a diverse roster of popular, well known musicians and bands who play a series of onboard concerts for its guests at select ports-of-call. During 2014, the Carnival LIVE™ concert series featured 49 performances from 15 major recording artists on eight Carnival Cruise Line ships with more concerts scheduled for 2015. The Carnival LIVE™ initiative also includes enhancements to provide guests with a very high calibre of entertainment in bars and lounges onboard its ships.

PRINCESS

Princess is the world's largest premium cruise line based on passenger capacity and operates a fleet of 18 ships. Princess offers 150 unique itineraries to more than 300 destinations, with cruises generally from seven to 15 days with longer exotic sailings from 28 to 104 days, including one world cruise. In 2013, Princess began offering three and four day cruises to provide guests, particularly first-time Princess cruisers, an opportunity to experience the Princess products and services on shorter voyages.

Princess, whose brand name was originally made famous by the *Love Boat* television show, has been providing cruises since 1965. In 2015, the line will celebrate its 50th anniversary with an array of celebratory activities and entertainment throughout the year to commemorate half a century of cruising capped with a nostalgic sailing to Mexico departing exactly 50 years to the day that the line's original ship set sail on its very first cruise. Princess rang in the 2015 New Year and its 50th anniversary in an unprecedented way with its first ever float in the world famous Rose Parade in Pasadena, California. As a special feature, the six original cast members of the Love Boat television show rode on the ship's bow and "cruised down" the parade route.

The line's newest ship, *Regal Princess*, which entered service in May 2014, was christened by the original cast of the *Love Boat*. This ship has a 3,560-passenger capacity, one of the largest in its fleet, and continues the evolution of the Princess products and services. Similar to *Royal Princess*, which entered service in 2013, *Regal Princess* offers a variety of new features, including an over-the-water SeaWalk, which is a top-deck, glass-bottom walkway extending more than 28 feet beyond the ship's side. The successful design platform of *Royal Princess* and *Regal Princess* will also be featured in the brands' new 3,560-passenger capacity sister ship, which is scheduled to be delivered in March 2017 and will increase the brand's existing passenger capacity by 8%.

Princess is a leading cruise line in international and exotic destinations, including Europe, Australia, Asia, the Panama Canal, Hawaii and South America. Princess will have six ships sailing in 2015 throughout Europe between the months of April and November. Princess is also a leading cruise line in Alaska and will continue to dedicate seven ships to sailing there between the months of May and September 2015. Princess' itineraries are widely praised and have been awarded numerous times over the years by various travel magazines, such as *Travel Weekly*, *Recommend Magazine* and *Cruise Critic*. Some of Princess' Caribbean cruise offerings feature a private island destination that Princess leases and operates, known as Princess Cays®, which is located on the island of Eleuthera in The Bahamas.

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

In January 2014, Princess introduced a new multi-media marketing campaign designed to redefine its brand and differentiate it from other cruise lines. The campaign promotes Princess as being uniquely qualified to provide its guests with meaningful travel and life experiences in both the destinations travelled and onboard the ship so that they will Come Back New*SM* from their Princess vacation. Several onboard product initiatives have been introduced to support its Come Back New*SM* program including a "Chocolate Journey's" dessert experience featuring master chocolatier Norman Love, wines from the world's cruising regions and a culinary academy for its guests. Ashore, Princess offers a comprehensive award-winning tours program, from the best of each region to transformative one-of-a-kind experiences. In addition, Princess continues to enhance travel agent support with the Princess Academy educational program, voted *Best Travel Agent Educational Program* by *Travel Weekly*. Approximately 60,000 travel agents around the world have learned about Princess' product and service offerings and destinations through this program, making it one of the largest travel industry training programs in the world.

Also in 2014, Princess and Discovery Channel announced their collaboration to create *Discovery at Sea*, which includes interactive onboard activities and shore excursions designed to entertain and delight families onboard Princess ships and will feature themed tours, science activities, hands-on programs and games. Beginning in early 2015, the program will bring to life the nature, wildlife and history of the regions their guests are sailing. The content will be based on top-rated Discovery networks, such as Discovery Channel, TLC, Animal Planet and Science Channel and will feature elements of popular television shows, such as *Shark Week*, *Mythbusters* and *Deadliest Catch*.

HOLLAND AMERICA LINE

Holland America Line, which has been providing cruises for over 140 years, operates a fleet of 15 premium mid-sized ships. Holland America Line offers almost 500 cruises to over 400 ports in almost 100 countries and territories on all seven continents. While its cruises are generally from seven to 21 days, the line also offers longer, exotic Grand Voyages from 55 to 114 days, including a Grand World Voyage. Holland America Line is one of the leading cruise lines in Alaska and in 2015 will continue to dedicate seven ships to sailing there between the months of May and September. Europe also continues to be a key destination in 2015 with six ships sailing there between the months of April and November, offering itineraries throughout the region including the Eastern and Western Mediterranean, the Baltic Sea, the Norwegian fjords, British Isles, Iceland and Atlantic crossings. In the Caribbean, most of Holland America Line's ships visit its award-winning private island in The Bahamas, Half Moon Cay, known for its pristine beaches, diverse shore excursions, exclusive beach cabanas and kid-friendly activities. Holland America Line has one new 2,650 passenger capacity ship, *Koningsdam*, scheduled to be delivered in February 2016 and a sister ship in November 2018. The passenger capacity of Holland America Line will increase by 12% after taking into consideration these two newbuilds, net of their two ships that will be transferring to P&O Cruises (Australia) in November 2015.

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

All of Holland America Line's ships have Culinary Arts Centers presented by *Food & Wine* magazine, where guests enjoy cooking demonstrations, private cooking lessons, wine tastings and lifestyle seminars, as well as cuisine from the recipes of an esteemed Culinary Council including David Burke, Jacques Torres, Elizabeth Falkner, Jonnie Boer, Mark Best and Master Chef Rudi Sodamin. In addition, the Digital Workshop powered by Windows, in collaboration with Microsoft®, offers complimentary photo and video editing classes. In the Explorations Café® created in partnership with The New York Times, guests will find specialty coffees, an extensive library and music listening stations. The Greenhouse Spa and Salon has extensive wellness and beauty treatments, fitness classes and exercise equipment. Other marquee partnerships bring guests unique onboard experiences such as B.B. King's Blues Club and *Dancing with the Stars at Sea*, featuring theme cruises, dance lessons and guest dance competitions developed in partnership with the hit television program.

SEABOURN

Seabourn provides ultra-luxury cruising vacations on smaller ships that focus on personalized service and guest recognition, spacious all-suite accommodations, award-winning gourmet dining and unique experiences such as the Officer on Deck culinary event and the complimentary Evening in Epheus shore event where guests enjoy a classical music concert in the ancient ruins. Seabourn was voted the "Best Small-Ship Cruise Line" by readers of *Travel + Leisure* in five of the past six years and *Condé Nast Traveler* for four of the past five years. In addition, *Saveur* named Seabourn "Best Culinary Cruise Line" by its panel of travel experts and editors for the past two years. Seabourn's brand offers travellers a compelling value proposition that includes complimentary open bars throughout the ship and fine wines during lunch and dinner. Seabourn pampers its guests with value-added extras such as Massage Moments*SM* on deck and Caviar in the Surf*SM* beach parties. In 2014, the luxurious Spa at Seabourn onboard the intimate, all-suite *Seabourn Odyssey* was rated as the "Best Spa on a Cruise Ship" by the readers of *Condé Nast Traveler* in the magazine's annual poll of spa facilities worldwide. Readers also voted the spa facilities on three other Seabourn vessels among the top ten cruise ship spas.

Seabourn's ships cruise to destinations throughout the world, including Europe, South Africa, Asia, the South Pacific Islands, Australia, the Americas and Antarctica, with cruises generally from seven to 14 days, with some of longer length. In addition, Seabourn has introduced Extended Explorations, which is a novel way for travellers to enjoy longer cruises, with the added luxury of a wide range of choices regarding where and when they sail. The new, linked itineraries allow guests to deeply explore more extensive regions of the world on voyages ranging from 28 to more than 100 days. In 2014, Seabourn announced a multi-year agreement with the United Nations Educational Scientific and Cultural Organization ("UNESCO") to support UNESCO's mission of safeguarding unique cultural and natural features around the world. This program is designed to promote sustainable tourism and provide Seabourn's guests with unique access to and a greater understanding and enhanced content at more than 150 World Heritage Sites visited by the line.

Seabourn currently operates three ships, which have between 450 and 458 passenger-capacity, and two 208-passenger capacity ships. The three larger ships offer more categories of luxury suites, more dining alternatives and have some of the largest spa facilities at sea. In response to the popularity of its spas with cruising travellers, Seabourn has created a new category of luxury accommodations called Penthouse Spa Suites, which have a spacious living area, private veranda, sweeping views of the ship and unlimited access to the spa. Penthouse Spa Suites are currently available on *Seabourn Quest* and *Seabourn Odyssey* and will be added to *Seabourn Sojourn* in 2015.

All of the Seabourn ships have a service ratio of nearly one staff member per guest and an intimate, sociable atmosphere that has been the hallmark of the Seabourn lifestyle since it began its operations in 1988. Seabourn has two new 604-passenger capacity ships scheduled for delivery in November 2016 and April 2018. The passenger capacity of Seabourn will increase by 44% after taking into consideration these two newbuilds, net of the capacity of its three smaller ships that were sold in 2013, one of which left its fleet in April 2014 and the remaining two which will be leaving by May 2015.

IV. Europe, Australia & Asia

a. Europe

We believe that Europe is the largest leisure travel vacation region in the world. However, cruising in Europe to date has a lower level of penetration than in North America and represents a relatively small percentage of the European vacation markets. Approximately 6.4 million European-sourced guests took multi-night cruise vacations in 2013 compared to 11.7 million North American-sourced guests. Additionally, we estimate that 6.4 million European-sourced guests also cruised in 2014. Because of the relatively low penetration rates and other favourable characteristics of the cruise industry, we expect increased demand in the cruise segments of the European vacation markets.

The most popular location visited by European-sourced cruise guests in 2014 was the Mediterranean Sea and other locations include Atlantic Isles (including the Canary Islands and Madeira), Northern Europe (including Scandinavia), the Caribbean, Bermuda, the Arabian Gulf and the Indian Ocean, China, Japan, South Korea, South America, New York, New England and Canada.

1. <u>United Kingdom</u>

P&O CRUISES CUNARD

The UK provides the largest number of cruise guests sourced in Europe. Approximately 1.7 million UK-sourced guests took a multi-night cruise vacation in 2013, and we estimate that a similar number of guests cruised in 2014. Cruising in the UK is a well-established alternative to land-based vacations. P&O Cruises (UK) sources substantially all its guests from the UK. Cunard sources approximately half of its guests from the UK and sources principally all of its other guests from North America, Germany and Australia.

P&O CRUISES (UK)

P&O Cruises (UK) is the leading and most recognized cruise brand in the UK and can trace its roots back 177 years to the formation of the Peninsular Steam Navigation Company. P&O Cruises (UK) is dedicated to providing the holiday of a lifetime to its British guests and operates a fleet of seven premium ships that vary in size from 700 to 3,100 lower berths. Three of its ships offer holidays exclusively for adults while the other ships are well-suited for families. P&O Cruises (UK) has a new 3,647-passenger capacity ship, *Britannia,* scheduled to be delivered in late February 2015, which will increase its existing passenger capacity by 25%. *Britannia* will be the largest cruise ship built exclusively for the British market. British Broadcasting Corporation ("BBC") Formula One racing presenter Suzi Perry started the engines of *Britannia* for the first time in 2014, as part of a series of creative events leading up to the christening of this new ship.

P&O Cruises (UK)'s ships visit over 200 destinations worldwide, with cruises generally from seven to 17 days, with a number of longer voyages, including two world cruises of over 100 days in 2015. The line also offers a number of shorter cruises designed to attract first time cruisers. In the summer, cruises generally depart from Southampton, England to the Mediterranean Sea, Scandinavia and the Baltic Sea, New England and Canada, the Atlantic Isles and the Caribbean. In the summer, P&O Cruises (UK) also offers seven or 14 day voyages departing from Venice and Genoa, Italy and sailing in the Mediterranean. In the winter, the line generally offers cruises in the Caribbean, the Mediterranean, the Canary Islands and world cruises.

P&O Cruises (UK)'s fleet reflects the tastes and trends of contemporary Britain in ambiance, dining, entertainment and service. This is enhanced through partnerships with British celebrity chefs Marco Pierre White, Atul Kochhar, James Martin and Eric Lanlard and with British wine expert Olly Smith. The line also offers cruises themed after the popular television series, *Strictly Come Dancing* from the BBC, where professional dancers, judges and guests bring all the glamour of the ballroom to the sea. P&O Cruises (UK) provides an authentic, quality cruise experience and has an enviable reputation for trust and reliability, highlighted by high levels of customer loyalty.

In 2014, P&O Cruises (UK) introduced a new contemporary external design on *Aurora* that stylishly incorporates the national flag of the UK sweeping down the sides of its hull. The ship also has a blue funnel carrying an illuminated rising sun, which represents the Oriental part of the Peninsular and Oriental name. The new design symbolizes the future while celebrating its British traditions. *Britannia* will also feature the new design when it enters service in 2015 and the remainder of the fleet will receive the design enhancements by the end of 2016. *Britannia* will include a number of new innovations for passengers, most notably the culinary school in collaboration with James Martin and the Limelight Club, which will combine great food with dazzling entertainment.

CUNARD

Cunard celebrates its 175th anniversary in 2015. The line operates three premium/luxury ships, *Queen Elizabeth*, *Queen Mary 2* and *Queen Victoria,* and has one of the youngest fleets in the cruise industry. During 2014, *Queen Mary 2* celebrated her 10th anniversary with an onboard concert by the world renowned singer, James Taylor, while she sailed on a Transatlantic crossing. During 2015, Cunard ships, which have between 2,000 and 2,600-passenger capacity, will sail a variety of seasonal itineraries including world cruises to destinations in Northern Europe, the Mediterranean Sea and New England and Canada, as well as their iconic transatlantic voyages on *Queen Mary 2*. Most of Cunard's cruises are generally from seven to 14 days with three world cruises of over 100 days.

Cunard offers guests a unique experience that celebrates its British heritage and enjoys an enviable association with the British Royal Family. Her Majesty the Queen is Godmother to both *Queen Elizabeth* and *Queen Mary 2*. Cunard provides guests with the opportunity to relive the golden age of ocean travel and features sophisticated five-star dining, luxurious accommodations and award-winning White Star Service. Cunard's premium/luxury cruise product enables its guests to enjoy a wide variety of shipboard amenities and entertainment, including spas, cinemas, a planetarium onboard *Queen Mary 2*, libraries, traditional British pubs and theatres. Its renowned guest lecture program, *Insight*s, includes prominent speakers and entertainers such as Buzz Aldrin, FW De Clerk, Kim Novak and Crosby Stills and Nash for 2015. Cunard ships also feature the Queen's Grill and Princess Grill, which are renowned for their exclusive suites and intimate dining rooms. Together, these features further distinguish this historic brand from all others and have made Cunard ships the Most Famous Ocean Liners In The World[SM].

2. Continental Europe

Costa AIDA

The main countries in continental Europe for sourcing cruise guests are Germany, Italy, France and Spain. Together, almost 3.6 million cruise guests were sourced from these countries for multi-night cruise vacations in 2013, and we estimate that a similar number of guests also cruised in 2014. The German cruise industry reached more than 1.7 million guests in 2014 and is the second largest source market in Europe, after the UK. The Italian cruise industry is the third largest in Europe with almost 870,000 guests in 2014. The French and Spanish cruise industries are the fourth and fifth largest in Europe with almost 520,000 guests and 470,000 guests in 2014, respectively.

The principal sources for Costa's guests are from Italy, China, France and Germany, although it also sources a significant number of guests from Spain, Argentina and Brazil. AIDA sources substantially all of its guests from Germany.

COSTA

Costa is Europe's largest cruise line based on guests carried and passenger capacity. In 2014, Costa carried 1.7 million guests sourced from around the world. It is also the number one cruise line in Italy and France and one of the largest cruise lines in the German cruise industry. Costa has been providing cruises for 67 years and operates a fleet of 15 contemporary ships. In Germany, where we also own and operate AIDA, Costa offers a more traditional cruise product and services catering to a different guest profile than AIDA.

Costa calls on 270 ports around the world and offers 150 different itineraries, with cruises generally from seven to 11 days. In the summer, Costa deploys its ships in the Mediterranean Sea and Northern Europe. In the winter, Costa deploys its ships in Brazil and Argentina, the Mediterranean Sea, the Caribbean and the Arabian Gulf. Costa is an undisputed leader in the Mediterranean where it boasts a tradition spanning close to seven decades and was the first cruise company to operate Mediterranean cruises year-round. See Item 2. Business. C. "Our Global Cruise Business – Asia" for additional discussion of Costa's operations in Asia.

Costa's new 3,692-passenger capacity ship, *Costa Diadema*, was delivered in October 2014 and increased its passenger capacity by 11%. The brand's new flagship offers unique onboard attractions, such as the Passeggiata al Mare (or Seaside Walk), a specifically-themed deck around the ship that resembles a gorgeous Italian Riviera seafront with bars and restaurants. In 2015, *Costa Diadema* will take guests to the most celebrated destinations in the Western Mediterranean and introduce new excursions, such as tastings and cycling tours, which enable its guests to experience each port-of-call in a unique way. An exclusive feature on *Costa Diadema* will be Star Laser, a completely new area that will amaze guests with different styles of interactive laser games.

During 2014, Costa enhanced its international advertising activities to support its sales growth and launched a new advertising campaign to support its position as the world ambassador of Italy's finest. Costa's ships represent the best of Italy by offering beautiful Italian art, unique interior decorations with superb Italian mosaics, precious Murano chandeliers, fine Italian wines, excellent Mediterranean food selections and unique shops that carry well-known Italian fashion brands. Costa attracts international guests due to its multi-lingual service and is considered in Europe to be a top vacation provider. Costa is also known for offering innovative itineraries that combine the excitement of new destinations with pampering onboard service and ambiance. The spectacular Samsara spa wellness centre includes a dedicated restaurant and cabins with direct access to the spa.

In 2014, Costa debuted a new style of cruising onboard three of its smaller ships with the advent of the neoCollection. The neoCollection cruises are an invitation to make the most of every minute and enjoy the holiday in a more leisurely way. This is a new type of Costa cruise experience that is tailored to suit individual tastes and allows each guest to go at their own pace, both onboard and ashore, making it an ideal vacation for couples as well as groups of friends. The exclusive cruise itineraries include longer port calls and sailings to destinations inaccessible by larger cruise ships, including destinations declared UNESCO World Heritage Sites. The neoCollection offers 11 day sailings to the most attractive destinations in the Mediterranean Sea during spring and summer, as well as 12 and 14 day cruises in Northern Europe also during the summer. The neoCollection cruises offer a range of options, such as specially designed shore excursions for small groups and fine food and wine options based on the authentic cuisine of the regions visited.

AIDA

AIDA, which began operating in 1996, is the leader and most recognized cruise brand in the German cruise industry. Germany is our fastest growing European market and AIDA is our fastest growing cruise brand. AIDA has taken delivery of seven ships in the past eight years and now operates ten premium ships featuring a resort casual atmosphere. AIDA has one new ship scheduled to be delivered in September 2015 and another one in March 2016, which together will increase its existing passenger capacity by 35%.

AIDA's two newbuilds are a new design, larger than AIDA's current generation of vessels and combine an advanced technological platform featuring a new energy efficient hull design along with innovative guest features. These 3,286-passenger capacity ships feature several unique amenities, such as two foil-domed outside decks that can be used year-round, the new Four Elements Fun Park with the world's largest water slide at sea, an ice-skating rink, Lanai cabins with private winter gardens, as well as AIDA's onboard hallmarks, such as a theatre in the centre of the ship's atrium and a micro-brewery. AIDA's brand image underlines its leadership in the German speaking vacation market and highlights its product's individuality, which is "Unique. Every time…AIDA."

AIDA offers its guests cruises generally from three to 21 days, while calling on over 190 ports. In the summer, AIDA ships generally sail in the North Sea, the Baltic Sea, the Atlantic, the Mediterranean Sea, the U.S. East Coast and Canada. In the winter, AIDA ships generally sail in the Caribbean, Southeast Asia, the Arabian Gulf, Central America, the Atlantic Isles and the Mediterranean Sea.

AIDA's product is especially tailored for German-speaking guests and includes a German-speaking crew as well as German-style food and entertainment. AIDA's ships include a variety of informal and formal dining options, including buffets, grills and exclusive restaurants. AIDA offers an exceptionally relaxed, yet active, cruising experience with an emphasis on a healthy and youthful lifestyle, choice, informality, family friendliness and activity. In 2014, AIDA was voted Germany's most family-friendly cruise company based on an independent survey. Family friendliness is a top priority onboard AIDA ships and is also a key component of its philosophy. This includes onboard facilities designed with children in mind, family-focused offerings, warm-hearted childcare services and family-friendly cabins with connecting doors. These features provide the perfect vacation experience for the entire family.

b. Australia

P&O CRUISES PRINCESS CRUISES come back new™ Carnival®

Approximately 840,000 Australian and New Zealand guests took multi-night cruise vacations in 2013, and we estimate that almost 950,000 guests cruised in 2014. Of these, over 70% sailed on Carnival Corporation & plc branded vessels. Cruising in Australia is an established alternative to land-based vacations. However, due to the favorable characteristics of the cruise industry, we expect increased demand in the cruise segment of the Australian vacation market. By the end of 2015, we will dedicate nine ships year round and six ships on a seasonal basis to serve this market through our P&O Cruises (Australia), Princess and Carnival Cruise Line brands. Some of our other brands also source guests from Australia and New Zealand but to a lesser extent. Carnival Cruise Line and Princess are primarily marketed in North America, so we consider them North America cruise brands for our cruise segment reporting, even though some of their ships are marketed principally to Australians and New Zealanders during certain deployments.

P&O CRUISES (AUSTRALIA)

P&O Cruises (Australia) is a leader in the Australian cruise industry and is recognized by nine out of ten Australians as the brand synonymous with cruising. P&O Cruises (Australia) was voted one of Australia's most trusted brands by *Readers Digest* in 2014. With over 270,000 guests annually, P&O Cruises (Australia) carried almost 30% of all Australian and New Zealand cruise guests on its three contemporary ships in 2014. Its ships offer cruises generally from three day themed seabreaks to ten day explorer trips for guests of all ages and have broad appeal to families, couples and groups of friends. In November 2015, P&O Cruises (Australia) will take delivery of the 1,260-passenger capacity *Ryndam* and *Statendam* from Holland America Line, which will be refurbished and renamed *Pacific Aria* and *Pacific Eden*, respectively. These two ships will increase the line's existing capacity by 52%. As part of their refurbishments, these ships will feature the largest ever array of restaurant offerings including a market place of fresh food outlets that will replace the traditional cruise buffet.

P&O Cruises (Australia) sails to more South Pacific Island destinations than any other cruise line and it enables guests to discover these islands from New Caledonia to Fiji. In addition, remote idyllic parts of Papua New Guinea are also included in their itineraries. P&O Cruises (Australia) also offers year round itineraries to Australia's magnificent coast line and New Zealand. With a fleet of five ships, P&O (Australia) will have a larger footprint and will be able to open more of Australia and New Zealand for cruising, offering extended seasons from existing homeports and adding new homeports and ports-of-call.

With almost 80 years of cruising experience, P&O Cruises (Australia) provides a quintessential holiday experience for Australians and New Zealanders. The onboard atmosphere is laid back with a focus on great food, friendly service and exciting entertainment. Australians like to be active and the line caters to that by offering numerous activities while also giving its guests flexibility and freedom of choice during their cruises. In late 2013, P&O Cruises (Australia) launched P&OEdge™, one of the most comprehensive adventure programs on the high seas. The P&OEdge™ program provides its guests with the opportunity to climb, swing, race and jump their way to parts of the ship never seen before by guests. The activities, which include repelling, ziplining, tight-rope balancing, Segway obstacle courses, rock wall climbing and many more, have been specifically designed to make use of the ship's existing architecture to create one of the largest adventure parks at sea.

PRINCESS

In 2015, Princess will deploy three premium ships on a year-round basis and another two on a seasonal basis from Australia. During 2015, Princess will have the largest Australian and New Zealand passenger capacity deployment of any cruise brand. Princess' ships visit the South Pacific Islands, Australia, New Zealand and Asia and the cruises are generally from 11 to 17 days, with one world cruise of over 100 days.

CARNIVAL CRUISE LINE

In 2015, Carnival Cruise Line will continue to deploy two contemporary ships from Australia, one on a year-round basis and one seasonally-based. These ships offer cruises from three to 19 days to the South Pacific Islands and New Zealand. These ships have been refurbished to ensure they are tailored to this market, pairing the best mix of award winning American innovations to suit Australian tastes. Since October 2012 when Carnival Cruise Line began its Australia cruise program, the line has carried more than 200,000 guests and has proven extremely popular in the cruise segment of the Australian vacation market, particularly among families.

c. Asia

Costa 歌诗达邮轮

PRINCESS CRUISES come back new™

Although in the early stages of development, we believe the cruise segment of the Asian vacation markets has significant long-term potential for growth. In 2013, the Asia Cruise Association ("ACA") estimated that there were roughly 1.3 million Asian-sourced passengers from the 12 primary source markets in Asia, of which Chinese-sourced were the largest share. The ACA also estimated that Asian demand for cruises has the ability to almost triple to four million annual cruisers by 2020, with the Chinese source market potentially growing to roughly 1.6 million passengers. Accordingly, we view Asia as an important part of our global strategy and remain committed to capacity growth focused on the emerging vacation markets in this region. Over the past three years, we have increased our presence in the region by opening 12 sales and marketing offices in six Asian countries and established a corporate office in Singapore.

We serve this market substantially through our Costa and Princess brands although some of our other brands also source guests from Asia. Princess is primarily marketed in North America, so we consider it a North America cruise brand for our cruise segment reporting, even though some of its ships are marketed principally to Asians during certain deployments.

China

Over the past decade China has been, by far, the world's fastest growing tourism source market. In 2012, China's consumer expenditures on travel abroad reached over $100 billion, making it the number one tourism source market in the world based on spending, according to the United Nations World Tourism Organization. Tourism is one of the most rapidly growing sectors in the Chinese economy as Chinese discretionary income has increased at a compound average annual growth rate of over 10% over the past five years. More than 100 million Chinese tourists are expected to have travelled abroad in 2014. Since 2013, international cruise companies have increased their investments in China, doubling the number of cruise ships, as well as increasing the routes and frequency of sailings. As a result, the number of Chinese tourists taking cruises increased by more than 50% in 2014. Based on an internal survey, by 2017 China has the potential to become one of the largest cruise markets. By 2022, it is estimated that more than 75% of urban Chinese households will be in the middle class. Reflecting this potential growth, the Chinese government has identified cruising as an industry to further develop and is making substantial investments in cruise-related infrastructure, such as cruise port terminals and shipbuilding.

In 2006, we began sourcing our Chinese guests mostly from major areas, such as Shanghai, Beijing, Jiangsu and Guangdong, which have a combined population of approximately 230 million. We believe the cruise segment of the Chinese vacation market has significant long-term growth potential given its early stage of development with healthy demand from these first-tier mega cities and areas, the large and growing middle-class population, cruising's value proposition as a family oriented vacation alternative for the growing middle-class Chinese consumer, the easing of travel restrictions, increasing support from the Chinese government and expansion of their international tourism aspirations. Due to the high importance we place on the emerging China cruise market, we relocated our Chief Operations Officer to China in 2014 to oversee our brands' strategic initiatives and coordinate our growth strategy in China and the surrounding markets.

As we execute our strategy to accelerate growth in China, we have the benefit of eight years of local experience to help guide our expansion and enhance our cruise products and services and make them even more attractive to our Chinese guests. As part of our strategy, we are exploring opportunities aimed at the development of a domestic cruise company and the formation of a domestic cruise shipbuilding company, as well as local port development, talent development and training, enhanced relationships with our distribution partners and sharing of supply chain and logistics expertise.

As we continue to redeploy our ships to the region, we carefully design itineraries to fit the lifestyle of our Chinese guests. For example, our ships deployed in China offer itineraries that average four to five days since our Chinese guests have significantly fewer vacation days compared to guests in more established markets. Also, the destinations our ships visit are driven by our Chinese guests' ability to obtain visas for international travel. Currently, Japan and South Korea are the preferred destinations for Chinese cruisers. However, as the cruise segment of the Chinese vacation market continues to develop, we will continue to work on identifying and developing new destinations that are both attractive and viable.

Currently, most cruises in China are regional. In the future, as we develop the cruise market and raise consumer awareness, we expect to increase our offerings of fly cruise packages.

COSTA

Costa began its China operations in 2006 and was the first international cruise line to home port a ship there. Costa operates two contemporary ships from China that are primarily marketed to the Chinese. Costa is adding another ship, the 2,984-passenger capacity, *Costa Serena*, in April 2015, which will increase its capacity in China by 74%. These ships offer a unique product, referred to as Italy at Sea, which provides a blend of both Italian-style hospitality, design, shopping experience and cuisine, as well as catering to Chinese-speaking guests' desires for local cuisine and entertainment, gaming options and well-known luxury brands in their retail shops.

Costa offers its guests cruises generally from four to five days. One of its ships offers cruises to South Korea and Japan year-round. Costa's other ship also sails from China to Japan and South Korea from the spring through the fall months. During the winter months, it sails from Singapore calling on ports in Malaysia and Thailand and from Hong Kong calling on ports in mainland China, Vietnam and the Philippines. *Costa Serena* will also sail year-round from China to Japan and South Korea.

PRINCESS

In 2014, Princess successfully entered the cruise segment of the Chinese vacation market with its four-month deployment of the 2,678-passenger capacity *Sapphire Princess* on cruises departing from Shanghai. *Sapphire Princess* brings a new premium cruise experience, which the line calls "Princess Class" to the cruise segment of the Chinese vacation market with an onboard product that is also customized to meet the needs of its Chinese guests. Local offerings included *World Leader* dinners, *Tai Chi at sea*, Ocean View Hot Pot dinner, *Adventures in English* enrichment classes and "Princess Night" stateroom amenities. The China season features itineraries that are generally from three to five days and include calls at several South Korean ports.

V. Ships Under Contract for Construction

As of February 20, 2015, summary information of our ships under contract for construction is as follows (a) :

Cruise Brands and Ships	Expected Delivery Date	Passenger Capacity
North America		
Carnival Cruise Line		
Carnival Vista	4/16	3,972
Newbuild	3/18	3,954
Princess Cruises		
Newbuild	3/17	3,560
Holland America Line		
Koningsdam	2/16	2,660
Newbuild	11/18	2,650
Seabourn		
Seabourn Encore	11/16	604
Seabourn Ovation	4/18	604
North America Cruise Brands		18,004
EAA		
P&O Cruises (UK)		
Britannia	2/15	3,647
AIDA		
AIDAprima	9/15	3,286
Newbuild	3/16	3,286
EAA Cruise Brands		10,219
		28,223

(a) Our ship construction agreements cannot be cancelled by either party without cause, and such cancellation will subject the defaulting party to contractual liquidated damages. All of our ship construction contracts except AIDA's are with Fincantieri in Italy. Our AIDA ship construction contracts are with Mitsubishi Heavy Industries in Japan.

VI. Cruise Ports and Destination Developments

Our cruise brands provide guests with unique vacation experiences and additional home and transit ports through the development and management of new or enhanced cruise port facilities. Creating leading destinations as well as securing preferred ports enables us to grow demand and deliver unique experiences to our guests. Our involvement is usually in cooperation with governmental entities and local operators and typically includes providing development and management expertise and financial commitments that are connected to long-term port usage and preferential berthing agreements. However, sometimes we provide direct financial support or develop the port infrastructure ourselves, including the development and operation of mixed-use commercial properties. Commercial property lease revenues are included in other cruise revenues. We currently operate or are developing:

- Leased or owned port facilities or have interests in joint ventures that operate leased or owned port facilities in Barcelona, Spain; Civitavecchia, Naples, Savona and Trieste, Italy; Hamburg, Germany; Juneau, Alaska; Long Beach, California and Marseilles, France for the benefit of our cruise brands and
- Leased or owned port facilities that we have developed, or are in the process of developing, as destinations in Cozumel, Mexico; Grand Turk, Turks and Caicos Islands; Roatán, Honduras and Puerto Plata, Dominican Republic; as well as private island destinations in The Bahamas, Half Moon Cay and Princess Cays®, primarily for the benefit of our North America cruise brands. The facility in Puerto Plata, Dominican Republic, known as Amber Cove, is a new port destination strategically located in the central Caribbean cruise region and is expected to be opened in October 2015.

These destinations offer a variety of features, including shore excursions, cultural and historic exhibits, water sports, beaches, retail outlets and a variety of themed-dining options. These features come together to make each of these ports-of-call a unique vacation experience for our guests.

In addition, we are involved with the development, enhancement and/or financing of government-owned and operated cruise port facilities in Cape Canaveral, Fort Lauderdale and Miami, Florida; Galveston, Texas; New Orleans, Louisiana; New York City, New York; San Juan, Puerto Rico and St. Maarten, Kingdom of the Netherlands.

VII. Cruise Ship Repair Facility

We own a 40% interest in Grand Bahamas Shipyard Ltd. ("GBSL"), which is the largest cruise ship dry-dock repair facility in the world, to support our ship repair and maintenance programs. We utilize this facility, as well as other ship repair facilities, for our regularly scheduled dry-dockings and certain emergency repairs as may be required. This repair facility, located in Freeport, Grand Bahamas, has three dry-docks and can accommodate almost all of our ships. As a result, our North America brand ships based in the Caribbean primarily use this facility given its proximity to their home ports. During 2014, we had 13 ships serviced at this facility. In addition, unaffiliated cruise ships and other types of ships, such as cargo and oil and gas tankers and offshore units, are serviced at this facility. GBSL generated total revenues of over $140 million in 2014, with a large portion being derived from work on our cruise ships.

Royal Caribbean Cruises Ltd. ("RCCL") also owns a 40% interest in GBSL and an unaffiliated entity owned by Grand Bahamas Port Authority owns the remaining 20%. We account for our investment in GBSL using the equity method, with our share of income or loss recorded in other nonoperating income or expense. At November 30, 2014, our total net investment in, including notes receivable from, GBSL was $69 million. At November 30, 2014, GBSL had $164 million of outstanding debt and accrued interest due in equal parts to RCCL and us.

VIII. Cruise Pricing and Payment Terms

Each of our cruise brands publishes prices for the upcoming seasons primarily through the internet, although published materials such as brochures and direct mailings are also used. Our brands have multiple pricing levels that vary by cruise line, category of cabin, ship, season, duration and itinerary. Cruise prices frequently change in a dynamic pricing environment and are impacted by a number of factors, including the number of available cabins for sale in the marketplace and the level of guest demand. Some cruise prices are reduced through special promotions and early booking, past guest recognition and other programs. Conversely, some cruise prices are increased due to higher demand.

Our bookings are generally taken several months in advance of the cruise departure date. Typically, the longer the cruise itinerary the further in advance the bookings are made. This lead time allows us to manage our prices in relation to demand for available cabins through the use of advanced revenue management capabilities and other initiatives, with the typical strategy of filling our ships while achieving the highest possible overall net revenue yields. In addition, we have the ability to change ship itineraries and cruise durations over time to maximize our net revenue yields. See Item 3. Business Review -“Key Performance Non-GAAP Financial Indicators” within this Strategic Report for a discussion of net revenue yields.

The cruise ticket price typically includes the following:

- Accommodations,
- Most meals, including snacks at numerous venues,
- Access to amenities such as swimming pools, water slides, water parks, whirlpools, saunas, a health club, a jogging track, basketball, table tennis, sun decks and libraries,
- Child care and supervised youth programs,
- Entertainment, such as theatrical shows, movies, comedy shows and musical performances and other venues such as nightclubs, lounges and bars, themed parties and cooking demonstrations and
- Access to exclusive private islands and destinations.

Our brands’ payment terms generally require that a guest pay a deposit to confirm their reservation and then pay the balance due before the departure date. In Australia and most of Europe, we are obligated to honor our guests’ cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. Our guests utilize various forms of payment, such as credit and debit cards or direct debits, to pay for their cruise ticket and onboard purchases, which results in us incurring fees, which are included in commissions, transportation and other, and onboard and other expenses.

Our guests are subject to a cancellation fee if they cancel their cruise within a pre-defined period before sailing, unless they purchase a vacation protection package for the ability to obtain a refund. We include this cancellation fee income in cruise passenger ticket revenues at the time of cancellation. Guests who purchase vacation protection packages will receive all or a portion of their deposit value back in cash or in the form of a future cruise credit, in accordance with the terms of the programs. We include the premiums for these vacation protection packages in other cruise revenues. In addition, substantially all of our brands recommend that our guests pay a voluntary hotel service charge, which is collected by us and directly paid out to our ships hotel service staff.

As a convenience to our guests, we offer to arrange air transportation to and from airports near the home ports of our ships. When a guest elects to purchase air transportation from us, both our revenues and expenses generally increase by approximately the same amount. Air transportation prices typically vary by gateway, ticket class, destination and other ticket restrictions. In 2014, approximately 11% of our guests purchased air transportation from us. In order to increase the level of our air transportation services, certain of our brands offer an air program that includes competitive air prices (for both restricted/non-refundable and flexible fares) and provides our guests with next port protection, which enables them to get to the next appropriate cruise port at no additional air cost if they miss their original port embarkation due to airline delays or other airline service disruptions. In addition, we charter aircraft to facilitate our guests’ travel to distant locations for some of our European brands’ cruise itineraries. We also offer ground transfers from and to the airport near the ship’s home port as part of our transfer programs. When a guest elects to purchase these transfer services these revenues are included in cruise passenger ticket revenues.

IX. Onboard and Other Revenues

Onboard and other activities are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee. In 2014, we earned 24% of our revenues from onboard and other revenue activities and services not included in the cruise ticket price including the following:

- Substantially all liquor and some non-alcoholic beverage sales,
- Casino gaming,
- Shore excursions,
- Gift shop sales,
- Photo sales,
- Communication services,
- Full service spas,
- Specialty themed restaurants,
- Art sales and
- Laundry and dry cleaning services.

Our brands are working on innovative ways to enhance our guests' onboard experiences and increasing our onboard revenues, such as offering all-inclusive beverage and spa packages. We use various marketing and promotional tools and are supported by point-of-sale systems permitting "cashless" transactions for the sale of these onboard and other products and services. As a convenience to our guests, all our brands allow their guests to pre-book, and in most cases pre-pay, certain of their onboard and other revenue-producing activities in advance of the cruise. Carnival Cruise Line also offers gift cards at more than 9,000 retail locations throughout the U.S. in 2015. The value of these gift cards can be applied to the guest's cruise ticket price or their onboard purchases.

We offer a variety of shore excursions at each ship's ports-of-call that include general sightseeing, cultural tours, adventure outings and local boat rides and beach experiences. We typically utilize local operators who provide shore excursions with guides who speak the same languages as most of our shore excursion guests. For our sailings to destinations in Alaska, shore excursions are operated by our wholly owned company, Holland America Princess Alaska Tours, or provided by local independent operators. We also offer revenue-producing activities on the private islands and port destinations that we operate that include beach bars and restaurants, water sports, cabana rentals and chair lift and surf rider attractions.

Our casinos are all owned and operated directly by us and are equipped according to the unique requirements of our individual brands, which are driven by the ships' itineraries and the market from which their guests are sourced. We offer a wide variety of slot and gaming machines and a diverse mix of both traditional and specialty table games designed to meet the desires of our guests. We have also developed marketing and promotional arrangements with land-based casino companies in order to increase the number of casino players onboard certain of our brands. The casinos are only open when our ships are at sea in international waters or when otherwise permitted by law.

In conjunction with our cruise vacations, many of our cruise brands sell pre-and post-cruise land packages of one to four days that include guided tours, hotel accommodations and related transportation services. In Alaska and the Canadian Yukon, we utilize, to a large extent, our own hotel and transportation assets. The land portion of these Alaska and Yukon vacations vary in length from three to 13 days. Additionally, we earn revenues from various promotional and other programs with destination retailers, parking facilities, credit card providers and other destination-based incentives.

X. Sales Relationships

We sell our cruises mainly through travel agents, including retail, online and home-based agents, as well as wholesalers, general sales agents and tour operators that serve our guests in their local markets. These parties typically sell cabins to individuals and groups, but occasionally will charter a full or partial ship for incentive or other large events. Our individual cruise brands' relationships with their travel agents are generally independent of each of our other brands. Our travel agent relationships are generally not exclusive and travel agents generally receive a base commission, plus the potential of additional commissions, including complimentary tour conductor cabins, based on the achievement of pre-defined sales volumes. Most travel agents also sell cruises and other vacations provided by our competitors. During fiscal 2014, no controlled group of travel agencies accounted for 10% or more of our revenues.

In China, we generally sell cruises to our Chinese-sourced guests by chartering our ships to travel organizations that have travel agent licenses authorized to sell travel products in China. There are a limited number of Chinese agencies that have these licenses. As we do not have a travel agent license, we are currently unable to sell cruises or shore excursions directly to our guests. Those cruises that are not fully chartered are also sold through these licensed outbound travel agencies who generally purchase groups of cabins from us.

Travel agents are an integral part of our long-term cruise distribution network and are critical to our success. We utilize local sales teams to motivate travel agents to support our products and services with competitive sales and pricing policies and joint marketing and advertising programs. We also employ a wide variety of educational programs, including websites, training seminars and videos, to familiarize agents with our cruise brands and their products and services. For example, Carnival Conversations is a series of events organized by Carnival Cruise Line that feature product training on the brand's latest innovations, such as Fun Ship® 2.0.

Substantially all of our cruise brands offer interactive online and other education courses for travel professionals who want to continue learning about the cruise industry and how to effectively sell our cruise products and services. For example, our Costa brand continues to provide support of their trade partners by not only reinforcing traditional training, such as their onboard sales academies, but also in the digital arena with the launch of Costa Extra, Costa Booking and "emotional quotation" online tools in 2014. Costa Extra, which is an online community that is fully integrated with Costa's booking engine and its contact center, serves as a social network dedicated to the Costa brand. It includes all the latest training materials, promotions for guests and trade, webinar functionality and capability for each travel agency to track its progress against targets. Costa's Booking engine is placed on the website of travel partners allowing them to better compete in the digital world. "Emotional quotation" provides the travel agents with a capability of sending a personalized website with details of a cruise that the guest is interested in during the booking process.

We are a customer service driven company and continue to invest in our service organization to assist travel agents and guests before, during and after their cruise. We believe that our support systems and infrastructure are among the strongest in the vacation industry. Our investment in customer service includes the development of employees, processes and systems. We continually improve our systems within the reservations and customer relationship management functions, emphasizing the continuing support and training of the travel agency community.

All of our brands have developed internet booking engines to allow travel agents to book our cruises. We also support travel agent booking capabilities through global distribution systems. We estimate that almost 70% of our bookings from travel agents are made electronically.

All of our cruise brands have their own consumer websites that provide access to information about their products and services to users and enable their guests to quickly and easily book cruises and other products and services online, which is especially important to the millennial generation of cruisers. These sites interface with brands' social networks, blogs and other social media sites, which allow them to develop greater contact and interaction with their guests before, during and after their cruise. We also employ vacation planners who support our sales initiatives by offering our guests cruise planning expertise and other services.

XI. Marketing Activities

Guest feedback and research support the development of our overall marketing and business strategies to drive demand for cruises and increase the number of first-time cruisers. We measure and evaluate key drivers of guest loyalty and satisfaction that provide valuable insights about guests' cruise experiences and the likelihood our guests will recommend our brands' cruise products and services to others. For example, we measure our guests' net promoter scores to monitor our guests' satisfaction with our products and services. We also regularly initiate customer research studies among guests, travel agents, tour operators and others for input on business decisions that enhance our cruise products and services for our guests. Furthermore, with increased collaboration between our brands and access to vast databases of past guest information, we are able to perform psychographic segmentation studies that allow us to better understand our guests' needs, wants and expectations. The results of these studies shape how we communicate, advertise and refine the booking process, overall onboard experience, as well as post-cruise interactions. Our ability to identify the psychographic mix is a powerful differentiator, which allows us to guide guests to the right experiences with the appropriate brands and build advocates for life.

Each of our brands has comprehensive marketing and advertising programs to promote their products and services to vacationers and travel agents in their source markets. Each brand's marketing activities are generally designed to reach a local market in the local language. The principal mediums used for marketing and advertising are online display/advertising, online search, television, brand websites, direct mail, social media, e-mail, magazine, radio and outdoor billboards.

We continue to expand our marketing efforts to attract new guests online by leveraging the reach and impact of digital marketing and social media, such as Facebook, Twitter, YouTube, Blog, Google+, Flickr, Instagram and Pinterest. This helps us cultivate guests as advocates of our brands, ships, itineraries and onboard products and services. At the end of 2014, we had almost 10 million "Likes" on Facebook for all our brands. We also have blogs hosted by ship captains, cruise and entertainment directors, executive pursers and special guests. We use Twitter to enhance our customer service and as part of our public relations strategies to inform the press, popular bloggers, fans and brand advocates of new developments and breaking news stories.

In 2014, we launched our first-ever multi-brand marketing initiative incorporating all nine of our brands with television, digital, social and contest elements. The goal of this marketing program is to help inspire consumers to consider cruising as one of their top options when planning vacations and, ultimately, to grow demand for cruising with our portfolio of brands. The program elements are designed to educate consumers, and especially non-cruisers, on why cruising is a great vacation experience at an exceptional value. The initiative also helps consumers understand how cruising has evolved with the portfolio of our brands offering the right cruise experience for everyone.

All of our cruise brands offer past guest recognition programs that reward repeat guests with special incentives such as reduced fares, gifts, onboard activity discounts, expedited ship embarkation and disembarkation and special onboard activities. In addition, some of our brands offer private-label credit cards to their guests that accumulate award points for them to redeem for our products and services and also provide other loyalty benefits. We earn revenue from the credit card providers based principally on new card issuances and the volume of purchases through these credit cards which is included in our other revenues. Our cruise brands continue to offer new enhancements and benefits to their past guest recognition programs.

XII. Seasonality

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

XIII. Competition

We compete with land-based vacation alternatives throughout the world, such as hotels, resorts (including all-inclusive resorts), theme parks, organized tours, casinos and vacation ownership properties. Our principal cruise competitors are RCCL, Norwegian Cruise Line Holdings, Ltd. ("NCL") and MSC Cruises. RCCL and NCL each own several brands as follows:

- RCCL owns Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises, CDF Croisieres de France and Pullmantur.
- RCCL and TUI AG, the leading German tour operator, jointly own TUI Cruises, a German cruise competitor.
- NCL owns Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises.

Almost 85% of all 2014 global cruise guests sailed with these competitors and us.

XIV. Governmental Regulations

a. Maritime Regulations

1. General

Our ships are regulated by numerous international, national, state and local laws, regulations, treaties and other legal requirements that govern health, environmental, safety and security matters in relation to our guests, crew and ships. These requirements change regularly, sometimes on a daily basis, depending on the itineraries of our ships and the ports and countries visited. If we violate or fail to comply with any of these laws, regulations, treaties and other requirements we could be fined or otherwise sanctioned by regulators. We are committed to complying with, or exceeding, all relevant maritime requirements. All of our ships, and the maritime industry as a whole, are subject to the maritime safety and security regulations established by the International Maritime Organization ("IMO"), a specialized agency of the United Nations, and its principal set of requirements as mandated through its International Convention for the Safety of Life at Sea ("SOLAS").

Our ships are registered, or flagged, in The Bahamas, Bermuda, Italy, Malta, the Netherlands, Panama, Portugal and the UK, which are also referred to as Flag States. They are regulated by these Flag States through international conventions that govern health, environmental, safety and security matters in relation to our guests, crew and ships. Representatives of each Flag State conduct periodic inspections, surveys and audits to verify compliance with these requirements. In addition, we are subject to the decrees, directives, regulations and requirements of the European Union ("EU"), the U.S. and more than 400 other international ports that our ships visit every year.

Our ships are also subject to periodic class surveys, including dry-docking inspections, by ship classification societies to verify that our ships have been maintained in accordance with the rules of the classification societies and that recommended repairs have been satisfactorily completed. Class certification is one of the necessary documents required for our cruise ships to be flagged in a specific country, obtain liability insurance and legally operate as passenger cruise ships. Dry-dock frequency, for example, is a statutory requirement mandated by SOLAS. Our ships dry-dock once or twice every five years, depending on the age of the ship. Dry-docking, which requires that the ship be temporarily taken out-of-service, typically lasts for one or more weeks depending on the amount of work performed. Significant dry-dock work includes hull inspection and related activities, such as scraping, pressure cleaning and bottom painting, and maintenance of steering and thruster equipment, propulsion engines, stabilizers and ballast tanks. While the ship is out of the water in dry-dock, we also perform other repairs, maintenance and ship improvement work. To the extent practical, each ship's crew including the hotel staff remain with the ship during the dry-dock period and assist in performing repair and maintenance work or participate in occupational, safety or other training.

As noted above, our ships are subject to inspection by the port regulatory authorities, which are also referred to as Port State Control, in the various countries that they visit. Such inspections include verification of compliance with the maritime safety, security, environmental, customs, immigration, health and labour requirements applicable to each port, as well as with international requirements. Many countries have joined together to form regional port regulatory authorities. Agreements have been signed covering Europe and the North Atlantic, Asia and the Pacific, the Caribbean, West and Central Africa, the Black Sea region, the Mediterranean Sea, the Indian Ocean and other areas. In U.S. ports, these authorities include the U.S. Coast Guard and U.S. Customs and Border Protection and in Canada, the Canadian Coast Guard. In Italian ports these authorities include the Italian Coast Guard, Maritime Health and the State Police. In UK ports, these authorities include the UK Maritime & Coastguard Agency, the Department for Transport's Maritime and Transport Security Division and the local port health authorities.

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

Our Boards of Directors have Health, Environment, Safety & Security Committees ("HESS Committees"), which are currently each comprised of three independent directors. The principal function of the HESS Committees is to assist the boards in fulfilling their responsibility to supervise and monitor our health, environment, safety, security and sustainability related policies, programs and initiatives at sea and ashore and compliance with related legal and regulatory requirements. The HESS Committees and our management team review all significant risks or exposures and associated mitigating actions. We continue to be committed to implementing appropriate measures to manage identified risks effectively. As part of our commitment in 2014, we appointed a Chief Maritime Officer to oversee our global maritime operations, including maritime quality assurance and policy, shipbuilding, ship refits and research and development. To ensure that we are compliant with the legal and regulatory requirements and that these areas of our business operate in an efficient manner we continue to, among other things:

- Provide regular health, environmental, safety and security support, training, guidance and information to guests, employees and others working on our behalf,
- Develop and implement effective and verifiable management systems to fulfil our health, environmental, safety, sustainability and security commitments,
- Perform regular shoreside and shipboard audits and take appropriate action when deficiencies are identified,
- Report and investigate all health, environmental, safety and security incidents and take appropriate action to prevent recurrence,
- Identify those employees responsible for managing health, safety, environment, security and sustainability programs and ensure that there are clear lines of accountability and
- Identify the aspects of our business that impact the environment and continue to take appropriate action to minimize that impact.

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

2. Maritime Safety Regulations

The IMO has adopted safety standards as part of SOLAS, which apply to all of our ships. To help ensure guest and crew safety and security, SOLAS establishes, among other things, requirements for the following:

- Vessel design,
- Structural features,
- Construction and materials,
- Refurbishment standards,
- Life-saving and other equipment,
- Fire protection and detection,
- Safe management and operation and
- Security.

All of our crew undergo regular safety training that meets or exceeds all international maritime regulations, including SOLAS requirements which are periodically revised. These requirements apply to existing ships and ships under construction.

SOLAS requires implementation of the International Safety Management Code ("ISM Code"), which provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code is mandatory for passenger vessel operators. Under the ISM Code, vessel operators are required to:

- Develop a Safety Management System ("SMS") that includes, among other things, the adoption of safety and environmental protection policies setting forth instructions and procedures for operating vessels safely and describing procedures for responding to emergencies and protecting the environment.
- Obtain a Document of Compliance ("DOC") as well as a Safety Management Certificate ("SMC") for each vessel they operate. These documents are issued by the vessel's Flag State and evidence compliance with the SMS.
- Verify or renew DOCs and SMCs periodically in accordance with the ISM Code.

All of our shoreside and shipboard operations and ships are regularly audited by the national authorities and maintain the required certificates of compliance in accordance with the ISM Code.

We continue to implement policies and procedures that demonstrate our continuing commitment to the safety of our guests and crew. These policies and procedures include the following:

- Expansion and acceleration of training of our bridge and engine room officers in maritime related best practices at our training facilities in Almere, the Netherlands, and Rostock, Germany,
- Further standardization of our detailed bridge and engine resource management procedures on all of our ships,
- Expansion of our existing oversight function to monitor bridge and engine room operations,
- Identifying and standardizing best-practice policies and procedures in health, environment, safety and security disciplines across the entire organization including on all our ships and
- Further enhancing our processes for auditing and continuously improving our HESS performance throughout our operations.

As members of the Cruise Lines International Association ("CLIA"), the global cruise industry trade association, we helped to develop and have implemented policies that are intended to enhance shipboard safety throughout the cruise industry. In some cases this calls for implementing best practices, which are in excess of existing legal requirements. These policies include the following:

- Location of lifejacket stowage,
- Harmonization of bridge procedures,
- Recording the nationality of passengers,
- Common elements of passenger musters,
- Passage planning,
- Personnel access to the bridge,
- Lifeboat loading for training purposes,
- Local sounding smoke alarms,
- Reporting of crimes and missing persons,
- Safeguarding children in youth activity centers,
- Security incidents,
- Waste management and
- Medical facilities.

Further details on these and other policies can be found on www.cruising.org.

3. Maritime Security Regulations

Our ships are subject to numerous security requirements. These requirements include the International Ship and Port Facility Security Code, which is part of the broader SOLAS regulations, the U.S. Maritime Transportation Security Act of 2002, which addresses U.S. port and waterway security and the U.S. Cruise Vessel Security and Safety Act of 2010, which applies to all of our ships that embark or disembark passengers in the U.S. These regulations include requirements as to the following:

- Implementation of specific security measures, including onboard installation of a ship security alert system,
- Assessment of vessel security,
- Efforts to identify and deter security threats,
- Training, drills and exercises and
- Security plans that may include guest, vehicle and baggage screening procedures, security patrols, establishment of restricted areas, personnel identification procedures, access control measures and installation of surveillance equipment.

4. Maritime Environmental Regulations

We are subject to numerous international, national, state and local environmental laws, regulations and treaties that govern, among other things, air emissions, waste discharges, water management and disposal, and the storage, handling, use and disposal of hazardous substances such as chemicals, solvents and paints. Irrespective of the existing legal requirements, we are committed to helping to preserve the environment and, in particular, the health of the world's oceans as the success of our business is dependent on them. For example, we partner with environmental organizations, such as The Nature Conservancy, to support the protection of the global marine environment. We continue to make capital and other expenditures to comply with, and in many cases exceed, environmental laws, regulations and treaties.

Our environmental efforts are focused on, among other things, reducing emissions such as greenhouse gases ("GHGs") (for example, carbon dioxide ("CO_2") or carbon dioxide equivalents ("CO_2e"), sulphur oxide ("SOx") and nitrogen oxide ("NOx")). These emissions result from the combustion of the marine fuels consumed by our ships, which accounts for substantially all of our total GHG and other emissions. Accordingly, reducing fuel consumption continues to be one of our most important cross-brand initiatives, which has and will continue to help reduce emissions and mitigate the impact of high fuel prices. We have and will continue to implement our energy-saving strategy through our environmental management systems. This strategy includes installing some of the best available energy reduction technologies on our ships, such as exhaust gas cleaning, propulsion, air conditioning and waste heat recovery systems, more efficient lighting and evaluating alternative fuels and new emission reduction technologies. In addition, we are designing more energy efficient ships that will enter our fleet in the future, while continuing toward reducing the fuel consumption of our existing fleet.

We had voluntarily set a goal of delivering a 20% reduction (per unit) from our 2005 baseline of CO_2 emission rate from shipboard operations by 2015. We achieved our goal one year ahead of schedule and are currently developing new goals aimed at protecting the environment and further reducing our fuel consumption. We measure our ability to use direct energy efficiently by calculating the amount of primary source energy we consume. Our ship fuel consumption and emission rates and our total ship fuel GHG emissions are as follows:

					Percentage Change Since	
Measure	**Units**	**2014**	**2013**	**2008**	**2013**	**2008**
Ship Fuel Consumption Rate	Grams Fuel/ALB-KM (a)	87	89	104	(2.2)%	(16.3)%
Ship Fuel GHG Emission Rate	Grams CO_2e/ALB-KM (b)	274	280	327	(2.1)%	(16.2)%
SOx Emission Rate	Kg SOx/NM (c)	(e)	13.1	16.1	(e)	(18.6)%(e)
NOx Emission Rate	Kg NOx/NM (c)	(e)	22.5	24.8	(e)	(9.3)%(e)
Total Ship Fuel GHG Emissions (in millions)	Tonnes CO_2e (d)	10.1	10.3	10.0	(1.9)%	1.0%

(a) We measure and report the ship fuel consumption rate in terms of grams of fuel per available lower berth kilometer ("ALB-KM"). This indicator enables us to make meaningful fuel consumption comparisons that take into account changes in fleet size, itineraries and passenger capacity.

(b) We measure and report the ship fuel GHG emission rate in terms of grams of CO_2e per ALB-KM. This indicator enables us to make meaningful GHG emission reduction comparisons that take into account changes in fleet size, itineraries and passenger capacity.
(c) We measure SOx and NOx emission rates in terms of total kilograms ("Kg") of emissions per nautical mile ("NM"). Using an emission rate normalized by distance travelled allows us to compare our pollutant reduction efforts over the reporting periods.
(d) GHG emission data collection and calculations were performed in accordance with our GHG Inventory Management Plan, the Greenhouse Gas Protocol and ISO 14064-3:2006.
(e) Information for 2014 is not available as of February 20, 2015. Percentage reduction presented is from 2008 to 2013.

i. International Regulations

The principal international convention governing marine pollution prevention and response is the IMO's International Convention for the Prevention of Pollution from Ships ("MARPOL"). MARPOL includes requirements designed to prevent and minimize both accidental and operational pollution by oil, sewage, garbage and air emissions. To further these objectives, MARPOL sets forth specific requirements related to vessel operations, equipment, recordkeeping and reporting that are designed to prevent and minimize pollution. All of our ships must carry an International Oil Pollution Prevention Certificate, an International Sewage Pollution Prevention Certificate, an International Air Pollution Prevention Certificate and a Garbage Management Plan. The ship's Flag State issues these certificates, which evidence their compliance with the MARPOL regulations regarding prevention of pollution by oil, sewage, garbage and air emissions. Certain jurisdictions have not adopted MARPOL but have established various national, regional or local laws and regulations to apply to these areas.

As noted above, MARPOL governs the prevention of pollution by oil from operational measures, as well as from accidental discharges. MARPOL requires that discharges of machinery space bilge water pass through pollution prevention equipment that separates oil from the water and monitors the discharge to ensure that the effluent does not exceed 15 parts per million of oil. Our ships must have oily water separators with oil content monitors installed and must maintain a record of certain engine room operations in an Oil Record Book. MARPOL also requires that our ships have Shipboard Oil Pollution Emergency Plans.

MARPOL also governs the discharge of sewage from ships and contains regulations regarding the ships' equipment and systems for the control of sewage discharge, the provision of facilities at ports and terminals for the reception of sewage and requirements for survey and certification. MARPOL designates the Baltic Sea as a "Special Area" where sewage discharges from passenger ships are restricted. However, this restriction will only take effect upon notification of the existence of adequate reception facilities from countries whose coastlines border the Baltic Sea Special Area. The date this restriction will take effect is uncertain as the underlying requirements have not yet been finalized. These new requirements may affect our operations unless suitable port waste facilities are available or new technologies for onboard waste treatment are developed. The cost of complying with these new requirements is not determinable at this time.

MARPOL also governs the discharge of garbage from ships and requires a Garbage Management Plan and a Garbage Record Book. As a result of MARPOL regulations addressing garbage management, the discharge of all garbage to sea is prohibited unless the discharge is expressly permitted by these regulations.

Furthermore, MARPOL addresses air emissions from vessels, establishes requirements for the prevention of air pollution from ships to reduce emissions of SOx, NOx and particulate matter. It also contains restrictions on the use of ozone depleting substances ("ODS") and requires the recording of ODS use, equipment containing ODS, the emission of ODS and the disposal of equipment containing ODS from ships.

As a means of managing and improving our environmental performance and compliance, we adhere to standards set by the International Organization for Standardization ("ISO"), an international standard-setting body, which produces worldwide industrial and commercial standards. The environmental management systems of our brands and ships are certified in accordance with ISO 14001, the environmental management standard that was developed to help organizations manage the environmental impacts of their processes, products and services. ISO 14001 defines an approach to setting and achieving environmental objectives and targets, within a structured management framework. Additional MARPOL requirements are discussed below in Section iv. "Low Sulphur Fuel Regulations."

ii. U.S. Federal and State Regulations

The Act to Prevent Pollution from Ships authorizes the implementation of MARPOL in the U.S. and imposes numerous requirements on our ships, as discussed above. Administrative, civil and criminal penalties may be assessed for violations.

The Oil Pollution Act of 1990 ("OPA 90") established a comprehensive federal liability regime, as well as prevention and response requirements, relating to discharges of oil in U.S. waters. The major requirements include demonstrating financial responsibility up to the liability limits and having oil spill response plans in place. We have Certificates of Financial Responsibility that demonstrate our ability to meet the maximum amount of OPA 90 related liability that our ships could be subject to for removal costs and damages, such as from an oil spill or a release of a hazardous substance. Under OPA 90, owners or operators of vessels operating in U.S. waters must file Vessel Response Plans with the U.S. Coast Guard and must operate in compliance with these plans. Our Vessel Response Plans have been submitted to the U.S. Coast Guard and we operate in accordance with our plans. As OPA 90 expressly allows coastal states to impose liabilities and requirements beyond those imposed under federal law, many U.S. states have enacted laws more stringent than OPA 90. Some of these state laws impose unlimited liability for oil spills and contain more stringent financial responsibility and contingency planning requirements.

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

Pursuant to the CWA authority, the U.S. National Pollutant Discharge Elimination System was designed to minimize pollution within U.S. territorial waters. For our affected ships, all of the requirements are laid out in the Vessel General Permit ("VGP"), which is an EPA requirement. The VGP establishes effluent limits for 27 specific discharges incidental to the normal operation of a vessel. In addition to these discharge and vessel specific requirements, the VGP includes requirements for inspections, monitoring, reporting and record-keeping.

Our operations generate and require the transportation and disposal of both hazardous and non-hazardous solid wastes that are subject to the requirements of the U.S. Resource Conservation and Recovery Act. In general, vessel owners are required to determine if their wastes are hazardous, comply with certain standards for the proper management of hazardous wastes and use hazardous waste manifests for shipments to approved disposal facilities.

In 1996, the U.S. National Invasive Species Act ("NISA") was enacted in response to growing reports of harmful organisms being released into U.S. waters through ballast water taken on by vessels in foreign waters. The U.S. Coast Guard adopted regulations under NISA in July 2004 that impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters. These requirements can be met by performing mid-ocean ballast exchange, by retaining ballast water onboard the vessel or by using environmentally sound ballast water treatment methods approved by the U.S. Coast Guard.

The U.S. Coast Guard issued a final rule, which went into effect in June 2012, establishing standards for the allowable concentration of living organisms in ballast water discharged in U.S. waters and requiring the phase-in of U.S. Coast Guard approved ballast water management systems. The standards are equivalent to those in the IMO convention. In most cases, affected vessels will be required to install and operate a ballast water management system that has been approved by the U.S. Coast Guard. A vessel's compliance date varies based upon the date of construction and ballast water capacity. Ships constructed on or after December 1, 2013 must comply with these standards on delivery. Existing ships must comply by their first dry-dock after January 1, 2016. However, as of February 20, 2015, no ballast water management systems have been approved by the U.S. Coast Guard and, accordingly, they are currently granting exemptions from this rule.

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

The state of Alaska enacted legislation that prohibits certain discharges in designated Alaskan waters and sets effluent limits on others. Further, the state requires that certain discharges be reported and monitored to verify compliance with the standards established by the legislation. Both the state and federal environmental regimes in Alaska are more stringent than the U.S. federal requirements with regard to discharge from vessels in other areas. The legislation also provides that repeat violators of the regulations could be prohibited from operating in Alaskan waters.

iii. EU Regulations

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

The European Commission's ("EC") strategy is to reduce atmospheric emissions from ships. The EC strategy seeks to implement SOx Emission Control Areas set out in MARPOL, as discussed below. In addition, the EC goes beyond the IMO by requiring the use of low sulphur (less than 0.1%) marine gas oil while in EU ports.

iv. Low Sulphur Fuel Regulations

MARPOL Annex VI addresses air emissions from vessels in both auxiliary and main propulsion diesel engines on ships. Annex VI also specifies requirements for Emission Control Areas ("ECAs") with stricter limitations on sulphur emissions in these areas. Starting in January 2015, ships operating in the Baltic Sea ECA, the North Sea ECA, the North American ECA and the U.S. Caribbean ECA are required to use fuel with a sulphur content of no more than 0.1% or use alternative emission reduction methods ("2015 ECA").

The MARPOL global limit on fuel sulphur content outside of ECAs will be reduced to 0.5% on and after January 2020. This 0.5% global standard will be subject to an IMO review by 2018 as to the availability of the required fuel oil to comply with this standard, taking into account the global fuel oil market supply and demand, an analysis of trends in fuel oil markets and any other relevant issues. If the IMO determines that there is insufficient fuel to comply with the 0.5% standard in January 2020, then this requirement will be delayed to January 2025, at the latest. However, the EU Parliament and Council have set 2020 as the final date for the 0.5% fuel sulphur content limit to enter force, regardless of the 2018 IMO review results. This EU Sulphur Directive will cover EU Member States' territorial waters that are within 12 nautical miles of their coastline.

In conjunction with an affiliate we have and will continue to develop and test exhaust gas cleaning systems' ("EGCS") designs that we believe will reduce the sulphur emission levels of our higher sulphur bunker fuel to or below the levels required under the 2015 ECA limits, the 2020 global standard and while in EU ports. Accordingly, we are installing EGCSs on many of our ships. In addition, to allow us sufficient time to install EGCSs on a reasonable schedule, we have received an exemption for 32 ships that regularly sail within the North American and U.S. Caribbean ECAs that will delay the requirements to comply with the 2015 ECA limit through agreed upon dates ending in 2016. EGCSs were installed on 13 ships during 2014 and by the end of 2015 we expect to have EGCSs installed on 45 ships. We expect to have EGCSs installed on approximately 70% of our fleet by the end of 2017. We expect these efforts should mitigate the majority of the impact from the 2015 ECA. We currently estimate that compliance with the 2015 ECA will result in higher 2015 fuel expenses of about $0.10 per share, with that increase expected to be reduced by about half in 2016 and mostly offset in 2017. We will incur additional EGCS operating expenses as we benefit from the use of this technology.

As for the 2020 global standard, we believe that the magnitude of the fuel price increase from complying with this standard is not reasonably determinable at this time due to the uncertainty of when the global standard will become effective, which could be as late as 2025, and other potential mitigating factors. However, we believe the increase to our fuel expenses from complying with the 2020 global standard will ultimately not be material to our consolidated financial statements.

Beyond EGCS technology, as part of our emission abatement program, we have continued our work with local port authorities and the EPA to help promote the development of shore power connections in Juneau, Alaska; Long Beach, Los Angeles, San Francisco and San Diego, California; Seattle, Washington; Halifax, Nova Scotia and Vancouver, British Columbia and have equipped 26 ships with shore power technology. This technology enables our ships to use power from the local electricity provider rather than running their engines while in port to power their onboard services, and thus reducing our air emissions. Similarly, in an effort to continue our commitment to sustainability and to playing a leading role in matters of environmental protection in the cruise industry, AIDA began using a liquefied natural gas ("LNG") hybrid barge for ecologically friendly and flexible power supply as an alternative to shore power, while its ships are moored in the port of Hamburg, Germany.

In the long-term, the cost impacts of achieving progressively lower sulphur emission requirements may be further mitigated by the favourable impact of future changes in the supply and demand balance for marine and other fuels, future developments of and investments in improved sulphur emission abatement technologies, the use of alternative lower cost and lower emission fuels, such as LNG at sea and in port, and our continued efforts to improve the overall fuel efficiency across our fleet. Since 2007, we have achieved a 25% cumulative reduction in unit fuel consumption by focusing on the following:

- Efficiency improvements in the areas of hull coatings and designs,
- Improved engine performance,
- More advance engine designs,
- More efficient LED lighting,
- More efficient air conditioning, which is the second largest user of onboard energy after propulsion,
- More efficient pumps, ventilation and waste heat recovery systems,
- New itineraries
- More efficient propeller designs,
- Reduction in ship speeds and
- Increased energy use awareness and training.

v. Greenhouse Gas Emissions

We have established objectives within the ISO 14001 environmental management systems of each of our brands to further reduce fuel consumption rates and the resulting CO_2 emission rates. Each year we have volunteered to participate in the Carbon Disclosure Project ("CDP"), which provides visibility of companies' carbon footprints and activities regarding carbon emissions. The CDP rates companies on the depth and scope of their disclosures and the quality of their reporting. Our submission included details of our most recently compiled emissions data and reduction efforts, along with our completion of an independent, third-party verification of our GHG emissions inventory.

In January 2013, the IMO approved measures to reduce emissions of GHGs from international shipping by adopting technical and operational measures for all ships. The technical measures apply to the design of new vessels, and the operational reduction measures apply to all vessels.

5. Maritime Health Regulations

We are committed to providing a healthy environment for all of our guests and crew. We collaborate with public health inspection programs throughout the world, such as the Centers for Disease Control and Prevention in the U.S. ("CDC") and the SHIPSAN Project in the EU to ensure that development of these programs leads to enhanced health and hygiene onboard our ships. Through our collaborative efforts, we work with the authorities to develop and revise guidelines, review plans and conduct on-site inspections for all newbuilds and significant ship renovations. In addition, we continue to maintain our ships by meeting, and often exceeding, applicable public health guidelines and requirements, complying with inspections, reporting communicable illnesses and conducting regular crew training and guest education programs.

In 2013, 10.1 million passengers embarked on CLIA member cruise ships from U.S. ports. That year, there were four norovirus outbreaks on cruise ships departing from U.S. ports involving a total of 834 passengers, which represents only 0.008% of cruise passengers on CLIA member cruise ships. By contrast, the CDC reported there are approximately 20 million norovirus cases in a typical year in the U.S., or 6.3% of the U.S. population. It is estimated that 1 in 15 Americans contract the norovirus on land each year, compared to 1 in 12,000 cruise guests reporting that they have contracted the norovirus on a cruise ship each year. Although outbreaks of gastrointestinal illnesses on ships represent a small percentage of all outbreaks, the cruise industry has developed and implemented policies and practices to limit gastrointestinal illness onboard ships.

6. Maritime Labour Regulations

In 2006, the International Labour Organization, an agency of the United Nations that develops and oversees international labour standards, adopted a Consolidated Maritime Labour Convention ("MLC 2006"). MLC 2006 contains a comprehensive set of global standards and includes a broad range of requirements, such as the definition of a seafarer, minimum age of seafarers, medical certificates, recruitment practices, training, repatriation, food, recreational facilities, health and welfare, hours of work and rest, accommodations, wages and entitlements. In August 2013, MLC 2006 became effective in certain countries in which we operate.

The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, as amended, establishes minimum standards relating to training, including security training, certification and watchkeeping for our seafarers.

b. Consumer Regulations

Our ships that call on U.S. ports are regulated by the Federal Maritime Commission ("FMC"). Public Law 89-777, which is administered by the FMC, requires all our cruise brands that call on U.S. ports and embark or disembark guests in U.S. ports to establish financial responsibility for their liability to passengers for nonperformance of transportation, for personal injury and for loss of life. The FMC's regulations require that a cruise line demonstrate its financial responsibility for nonperformance of transportation through a guarantee, escrow arrangement, surety bond or insurance. Currently, the amount required must be no less than 110% of the cruise line's highest amount of customer deposits over a two-year period, up to a maximum coverage level of $22 million. Such maximum coverage amount will increase to $30 million by April 2015. Based on this increase, our required guarantee will be $150 million. Our Protection and Indemnity coverages are used to establish our financial responsibility for personal injury and loss of life.

In some cases in the UK, continental Europe and Australia, we are required to obtain licenses from and post bonds or guarantees with various organizations in connection with the conduct of our business and/or our ability to meet our liabilities in the event of nonperformance of obligations to consumers. The most significant requirement relates to ABTA, formally known as the Association of British Travel Agents, which requires us to maintain approximately $125 million of sterling-denominated bonds to cover certain of our brands' UK customer deposits. We are also required to pay to the UK Civil Aviation Authority a non-refundable £2.50 fee per guest when we arrange a flight as part of a cruise vacation.

In the other major countries where we source our guests, we are also required to establish financial responsibility, such as obtaining a guarantee from a reputable insurance company to ensure that, in case of insolvency, our guests will be refunded their deposits and repatriated without additional cost if insolvency occurs after a cruise starts. In Australia and most of Europe, we are obligated to honour our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we receive these payments.

c. Regulations for Guests with Disabilities

Regulations regarding ship accessibility standards are expected to be issued in the U.S. As a result of the proposed new regulations, we expect that we will be required to make modifications to some of our ships but do not believe the cost of these will have a significant impact on our consolidated financial statements.

XV. Training

Our cruise brands are committed to providing appropriate hotel and marine-related training to ensure that our shipboard crew, including officers, have the knowledge and skills to properly perform their jobs. We have a maritime training program for shipboard officers that includes two training facilities with one located in Almere, the Netherlands, known as the Center for Simulator Maritime Training ("CSMART"), and the other located in Rostock, Germany. Our goal is to be a leader in delivering high quality professional maritime training. Participants receive a maritime training experience that fosters critical thinking, problem solving, ethical decision making and skill development.

CSMART currently offers two full mission bridge simulators, six part-task bridge simulators and the ability to simulate fixed propeller and azipod operations. In addition, CSMART offers two full mission engine control rooms with four machinery outstations and 16 part-task engine room simulators. The CSMART facility also features large instructional classrooms, meeting rooms and a catering facility. In 2014, we purchased land in Almere and are having a new CSMART training facility built to include four full mission bridge simulators and four full mission engine room simulators. In addition, the new facility will include training simulators for our shipboard safety, security and medical functions. We are also having on-site accommodations built for use by our shipboard officers during their training sessions. The new training facility and accommodations are expected to open in mid-2016. We expect to train more than 6,000 shipboard officers annually at our expanded CSMART facility. Our training facility in Rostock offers one full mission bridge simulator, one part-task bridge simulator and one part-task engine room simulator.

We have enhanced our HESS Management System risk assessment and management capabilities by implementing shipboard quality assurance initiatives that will further strengthen bridge and engine control room resource management training and operational performance. We have also established the European Cruise Academy in Rostock, Germany, which offers advanced training certificates in the maritime sciences primarily related to the cruise business.

D. Employees

Our shoreside operations have an average of 10,100 full-time and 2,800 part-time/seasonal employees. We also employ an average of 81,200 crew members, including officers, onboard the 100 ships we currently operate, which excludes employees who are on a leave. Of our total employees, 23% are female and 77% are male. Two of the 9 members of our Boards of Directors are female and seven are male. Our 10 executive officers are male. Holland America Princess Alaska Tours significantly increases its work force during the late spring and summer months in connection with the Alaskan cruise season, which seasonal employees are included above. We have entered into agreements with unions covering certain employees on our ships and in our shoreside hotel and transportation operations. We consider our employee and union relationships to be strong. The percentages of our shipboard and shoreside employees that are represented by collective bargaining agreements are 39% and 14%, respectively.

We source our shipboard officers primarily from Italy, the UK, Holland, Germany and Norway. The remaining crew positions are sourced from around the world, with the largest contingent from the Philippines, Indonesia and India. We utilize a limited number of manning agencies to help locate and hire most of our shipboard employees. As manning agencies are located in the home countries of our crew, their knowledge of the local market and culture allows them to attract high volumes of qualified candidates. The services provided by our manning agencies may include interviewing, background and medical prescreenings, hiring, arranging air transportation and managing medical repatriations.

E. Supply Chain

Our largest non-payroll operating expenditures are for fuel, food and beverages, travel agency services, port facility utilization, repairs and maintenance including dry-docking, transportation services, advertising and marketing, hotel and restaurant products and supplies, entertainment expenses and credit card fees. Our largest capital investments are for the construction of new ships and improvements to existing ships, including EGCS and energy efficiency investments.

Although we utilize a select number of suppliers for most of our food and beverages, communication services, air transportation services and hotel and restaurant products and supplies, most of these products and services are available from multiple sources at competitive prices. The use of a select number of suppliers enables us to, among other things, obtain volume discounts. We purchase fuel and port facility services at some of our ports-of-call from a limited number of maritime suppliers. Almost 50% of our fuel purchases are provided by seven suppliers.

We are continually reviewing our supply chain procurement processes and have, or expect to, implement strategic initiatives to reduce our costs, including as follows:

- Negotiating company-wide contracts for guest, crew and shoreside employees' travel,
- Reviewing our processes for purchasing food, beverages, hotel supplies, restaurant products and technical spares to identify synergistic opportunities and to negotiate more favourable commercial terms,
- Combining warehousing facilities and optimizing logistics,
- Negotiating company-wide contracts for port services and shore excursions and
- Streamlining the use of manning agencies.

We perform our major dry-dock and ship improvement work at dry-dock facilities in The Bahamas, Europe, the U.S., Canada, Singapore and Australia. At February 20, 2015, we have agreements in place for the construction of ten cruise ships with two shipyards. We also purchase repair, maintenance and refurbishment items from a limited number of maritime suppliers. We believe there are sufficient dry-dock and shipbuilding facilities and related suppliers to meet our anticipated repair, maintenance, ship improvement and newbuild requirements.

F. Communities in Which We Operate

We help to create a higher standard of living and quality of life in our home communities and those that we visit. We often meet with local government leaders to discuss business and community planning and ways to interact sustainably. We also promote the local destinations, develop some local ports and cruise terminals, provide emergency aid and support and make philanthropic donations in some of the communities that we operate.

G. Information Technology

With the increasing size and sophistication of cruise ships, the technologies employed to create guest experiences and operate ships have grown ever more complex and integrated. Nearly every guest experience and operational process employs cutting edge technologies, from the navigation, communication and radar equipment on the bridge to integrated commerce solutions that enable guests to purchase photos and schedule shore excursions from their staterooms and staying connected with their family and friends back home. Our global information technology model is designed to contribute to exceeding expectations of our guests, crew, shoreside employees and other stakeholders. Our global technology model is focused on creating innovative platforms and solutions to create exceptional guest experiences while leveraging common technologies to drive process efficiency and effectiveness across our portfolio of brands. In order to achieve our goals, we are focusing on five areas as follows:

- Connectivity – to provide reliable guest connectivity at all times and geographies and deliver the best possible connectivity experience, improve crew morale through better connectivity with family and friends and offer support for new services and products. For example, we expect to implement an innovative “smart hybrid” network that combines land-based systems and advanced satellite connectivity to provide our guests and crew with faster and more consistent internet service regardless of our ships’ locations.
- Applications – to offer consistently higher quality experience for guests, crew and employees, achieve lower total cost of ownership, have more secure applications and have a stronger pipeline of solutions,
- Cybersecurity – to provide consistent protection of guest, employee and company data, develop best practices and tools to combat threats and malicious activity, ensure full compliance with applicable regulations and consistently model and implement a speedy response and recovery in case of an incident,
- Infrastructure – to become more cost-efficient, attain higher network availability and flexibility, achieve greater collaboration between our brands, make available a higher computer power/storage capacity through leveraging our information technology assets, reduce disruptions and improve response time to incidents and
- Innovation – to create proprietary platforms that enable unique and differentiated guest experiences across our portfolio of brands while amplifying individual brand characteristics and avoiding duplicate efforts.

All of our brands have actively contributed in the design of the global information technology model and will continue communicating, coordinating and collaborating to maximize the business value of our information technology investments by eliminating redundancies and driving synergies across the brands, identifying and leveraging best practices and establishing common standards.

H. Insurance

I. General

We maintain insurance to cover a number of risks associated with owning and operating our vessels and other non-ship related risks. All such insurance policies are subject to coverage limits, exclusions and deductible levels. Insurance premiums are dependent on our own loss experience and the general premium requirements of our insurers. We maintain certain levels of deductibles for substantially all the below-mentioned coverages, some of which have increased in recent years, and we may increase our deductibles further to mitigate future premium increases. We do not carry coverage related to loss of earnings or revenues from our ships or other operations.

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

Liabilities, costs and expenses for illness and injury to crew, guest injury, pollution and other third party claims in connection with our cruise activities are covered by our P&I clubs, which are mutual indemnity associations owned by ship owners.

We are members of two P&I clubs, which are part of a worldwide group of P&I clubs, known as the International Group of P&I Clubs (the “IG”). The IG insures directly, and through broad and established reinsurance markets, a large portion of the world’s shipping fleets. Coverage is subject to the P&I clubs’ rules and the limits of coverage are determined by the IG.

III. Hull and Machinery Insurance

We maintain insurance on the hull and machinery of each of our ships for reasonable amounts as determined by management. The coverage for hull and machinery is provided by large and well-established international marine insurers. Most insurers make it a condition for insurance coverage that a ship be certified as "in class" by a classification society that is a member of the International Association of Classification Societies ("IACS"). All of our ships are routinely inspected and certified to be in class by an IACS member.

IV. War Risk Insurance

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

V. Other Insurance

We maintain property insurance covering our shoreside assets and casualty insurance covering liabilities to third parties arising from our hotel and transportation businesses, shore excursion operations and shoreside operations, including our port and related commercial facilities. We also maintain workers compensation, directors and officer's liability and other insurance coverages.

I. Trademarks and Other Intellectual Property

We own and have registered or licensed numerous trademarks and domain names, which we believe are widely recognized and have considerable value. These intangible assets enable us to distinguish our cruise products and services, ships and programs from those of our competitors. Our trademarks include the trade names of our cruise brands, each of which we believe is a widely-recognized brand in the cruise industry, as well as our ship names and a wide variety of cruise products and services. We have entered into license agreements for the use of the P&O name, the P&O flag and other relevant trademarks and domain names in relation to cruising and related activities. We also have a license to use the "*Love Boat"* name and related marks. See Item 3. Business Review – "Critical Accounting Estimates – Asset Impairments" within this Strategic Report.

J. Taxation

A summary of our principal taxes and exemptions in the jurisdictions where our significant operations are located is as follows:

I. U.S. Income Tax

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

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

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

a. Application of Section 883 of the Internal Revenue Code

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

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

b. Exemption Under Applicable Income Tax Treaties

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

c. U.S. State Income Tax

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

II. UK and Australian Income Tax

Cunard, P&O Cruises (UK) and P&O Cruises (Australia) are divisions of Carnival plc and have elected to enter the UK tonnage tax under a rolling 10-year term and, accordingly, reapply every year. Companies to which the tonnage tax regime applies pay corporation taxes on profits calculated by reference to the net tonnage of qualifying ships. UK corporation tax is not chargeable under the normal UK tax rules on these brands' relevant shipping income. Relevant shipping income includes income from the operation of qualifying ships and from shipping related activities.

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

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

P&O Cruises (Australia) and all of the other cruise ships operated internationally by Carnival plc for the cruise segment of the Australian vacation market are exempt from Australian corporation tax by virtue of the UK/Australian income tax treaty.

III. Italian and German Income Tax

In early 2015, Costa and AIDA will re-elect to enter the Italian tonnage tax regime through 2024 and can reapply for an additional ten-year period beginning in early 2025. Companies to which the tonnage tax regime applies pay corporation taxes on shipping profits calculated by reference to the net tonnage of qualifying ships.

Most of Costa's and AIDA's earnings not considered to be shipping profits for Italian tonnage tax purposes will be taxed at an effective tax rate of 5.5% under the Italian international shipping tax regime since all of their ships are Italian registered.

Substantially all of AIDA's earnings are exempt from Italian and German corporation tax by virtue of the Italy/Germany income tax treaty.

IV. Income and Other Taxes in Asian Countries

Substantially all of our brands' income from their international operation in Asian countries is exempt from local corporation tax by virtue of relevant income tax treaties.

V. Other

In addition to or in place of income taxes, virtually all jurisdictions where our ships call impose taxes, fees and other charges based on guest counts, ship tonnage, passenger capacity or some other measure.

K. Industry and Market Data

This Strategic Report includes market share and industry data and forecasts that we obtained from industry publications, third-party surveys and internal company surveys. Industry publications, including those from CLIA, G.P. Wild and surveys and forecasts, generally state that the information contained therein has been obtained from sources believed to be reliable. CLIA is a non-profit marketing and training organization formed in 1975 to promote cruising and offer support and training for the travel agent community in North America. In addition, CLIA participates in the regulatory and policy development process while supporting measures that foster a safe, secure and healthy cruise ship environment. Also, CLIA facilitates strategic relationships between cruise industry suppliers and organizations, cruise lines, ports and shipyards and provides a forum for interaction with governmental agencies. All CLIA information, obtained from the CLIA website www.cruising.org, relates to the CLIA member cruise lines. In 2013, CLIA merged with similar organizations outside of North America and represents 63 cruise brands that operate 95% of cruise industry capacity. G.P Wild is an authoritative source of cruise industry statistics and publishes a number of reports and industry reviews. All G.P. Wild information is obtained from their annual Cruise Industry Statistical Review. All other references to third party information are publicly available at nominal or no cost. We use the most currently available industry and market data to support statements as to our market positions. Although we believe that the industry publications and third-party sources are reliable, we have not independently verified any of the data. Similarly, while we believe our internal estimates with respect to our industry are reliable, they have not been verified by any independent sources. While we are not aware of any misstatements regarding any industry data presented herein, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under Item 4. Principal Risks and Uncertainties within this Strategic Report.

3. Business Review.

2014 Executive Overview

Overall, 2014 was a strong year as we turned the corner with improved earnings and positive net revenue yields, despite the loss of attractive itineraries due to geopolitical factors and large cruise industry capacity increases in the Caribbean. We continued to gain momentum and achieved about a 1 percentage point increase in ROIC, as we move towards our goal of double digit ROIC in the next three to four years, while maintaining a strong balance sheet. (We define ROIC as the twelve-month non-GAAP earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress).

Non-GAAP net income for 2014 increased 24% to $1.5 billion ($1.2 billion U.S. GAAP). We saw strong profit improvement at both our Carnival Cruise Line and Costa brands and enjoyed several early wins from our cross-brand collaboration efforts that contributed to our improved 2014 results, particularly in the area of onboard revenues. The increase in our non-GAAP net income was driven by slightly higher net revenue yields (constant dollar), an increase in capacity and lower fuel prices and fuel consumption per ALBD ("available lower berth day"), partially offset by slightly higher net cruise costs excluding fuel per ALBD (constant dollar).

Our slightly higher net revenue yield (constant dollar) was due to a more than 3% increase in net onboard and other revenue yields, partially offset by slightly lower net passenger ticket revenue yields. The growth in net onboard and other revenue yields was driven by increases in primarily all the net onboard revenue categories on both sides of the Atlantic. The slight decrease in net passenger ticket revenue yields was driven by our North America brands' facing a promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity, partially offset by improvements at our continental European brands.

Our moderate capacity growth was driven by our new ship deliveries, partially offset by our ship sales. During 2014, we introduced Princess Cruises' 3,560-passenger *Regal Princess* and Costa Cruises' 3,692-passenger *Costa Diadema*. We are building new, innovative, purpose-built ships that are larger and more efficient and have a wider range of onboard amenities and features, which enable us to better compete for consumers' vacation spend. These larger ships enable us to obtain greater economies of scale. In addition, we continue to make substantial investments in our existing ship enhancement programs to improve our onboard product offerings and enrich our guests' vacation experiences. Furthermore, in 2014 we sold four of our smaller, less efficient vessels: *Costa Celebration*, *Costa Voyager*, *Grand Holiday* and *Ocean Princess*.

We benefited from a reduction in fuel prices, which resulted in $126 million of savings. In addition, we had an almost 5% reduction in fuel consumption per ALBD thus saving another $107 million of fuel expense compared to 2013, which continued our multiple-year cumulative unit fuel consumption savings trend that has reached 25% since 2007. We achieved our stated goal of delivering a 20% reduction (per unit) in the intensity of carbon dioxide emissions from our shipboard operations one year prior to our target date and are currently developing new goals aimed at protecting the environment and further reducing our fuel consumption. We are installing new exhaust gas cleaning systems on our ships to achieve environmental objectives and mitigate the financial impact of the new 2015 low sulphur regulatory requirements. We are also implementing a series of new energy saving technology initiatives across our fleet in areas such as propulsion, air conditioning and waste heat recovery systems as well as more efficient lighting in order to help reduce our carbon footprint and costs.

Our ability to generate significant operating cash flows allows us to internally fund our capital investments. We generated $3.4 billion of cash from operations, 21% higher than last year, and used $2.5 billion to fund investing activities, leaving us with almost $1.0 billion, most of which was returned to shareholders through our regular quarterly dividend. Our goal is to return "excess free cash flows" (defined as cash flows from operations less investing activities and regularly scheduled quarterly dividends) to our shareholders in the form of additional dividends and/or share buybacks.

We identified new strategies and tactics to strengthen our cruise ticket revenue management processes and systems across our portfolio of brands, such as optimizing our pricing methodologies, improving our pricing models and increasing our brands' coordination of our global fleet deployments. Our objectives are to drive greater penetration, more effective capacity management and improve revenue yields. In addition, we have started to implement various demand creating initiatives as we strive to create additional demand for our brands that far outpaces supply, ultimately leading to higher revenue yields.

Our goal is to consistently exceed our guests' expectations while providing them with a wide variety of exceptional vacation experiences. To this end, we are conducting psychographic segmentation studies to gain a more insightful and impactful understanding of our guests' needs, wants and expectations. We will then target our advertising and promotions toward these specific guest segments in order to drive demand for our offerings and better guide our guests to the cruise brand experience that best matches their tastes. These studies should enable us to better differentiate each brand in the minds of vacationers and consumers-at-large and adjust the product and service offerings of our brands.

Strong relationships with our travel agents are also vital to our success. In 2014, we continued to strengthen our relationship with the travel agent community by increasing our communication and outreach, implementing changes based on travel agent feedback, increasing our trade marketing presence and improving our educational programs to assist agents in stimulating cruise demand. In 2014, our operating income in China significantly increased due to a combination of capacity growth and revenue yield improvement. We believe that we have significant opportunities to continue to grow our presence in China due to its large and growing middle-class population and expansion of their international tourism. Due to the high strategic importance we place on the China cruise market, in 2014 we relocated our Chief Operations Officer to China to more closely oversee our brands' strategic initiatives, coordinate our growth strategy in China and the surrounding markets and liaise with Chinese government officials. With the introduction of *Costa Serena* in 2015, we will have four ships home ported in China, which will represent a 140% increase in guest capacity over a two-year period and will offer our Chinese guests diversified cruise products with two brands targeting two different segments of travellers. As part of our China cruise strategy, we are exploring opportunities aimed at the development of a domestic cruise company and the formation of a domestic cruise shipbuilding company, as well as port development, talent development and training, enhanced relationships with our distribution partners and sharing of supply chain and logistics expertise.

With 100 ships and 10.6 million guests in 2014, we have the scale to optimize our structure by utilizing our combined purchasing volumes and common technologies and implementing cross-brand initiatives aimed at cost containment. In 2014, we continued working on expanding cross-brand contracting for food and beverages and began working on cross-brand contracting for air travel to further utilize the scale of our combined purchases.

Our uncompromising commitment to the safety and comfort of our guests and crew is paramount to the success of our business. We are developing a company-wide safety management system that standardizes our maritime related policies, procedures and processes and are increasing the amount of maritime safety, ship command and engine room management training for our shipboard officers at our expanding global training facility in the Netherlands. We are also updating our processes, systems and training surrounding fire prevention, detection and suppression. Furthermore, we continue to make investments in our ships' maritime systems to improve their safety and reliability, which also allows us to operate them more efficiently and sustainably.

We employ an average of 81,200 crew members, including officers, onboard the 100 ships we currently operate, which exclude crew who are on a leave. We also have an average of 10,100 full-time shoreside employees and 2,800 part-time/seasonal employees. Our goal is to select, train and retain the finest shipboard and shoreside employees because having a team of highly motivated and engaged employees is key to delivering vacation experiences that exceed our guests' expectations. We have structured our work processes and incentive compensation plans to reflect a culture that enables our brands to better align their individual performance with our primary financial goals. Our management teams are aligned by geographic region to further optimize our operations, utilize our scale and better manage our performance. In 2014, we accelerated our cross-brand collaboration and streamlined our non-guest facing operations within the Holland America Line, Princess and Seabourn group.

While we are well underway with certain initiatives discussed above and are already beginning to see their positive results, some of our initiatives will take longer to realize their full benefits due to our size and the nature of the cruise industry. Our strategic initiatives demonstrate the benefits of communicating, coordinating and collaborating across our brands and will help us fulfil our vision to deliver unmatched joyful vacation experiences and breakthrough total shareholder returns by exceeding guests' expectations and achieving the full benefits inherent in our scale.

As of February 20, 2015, we have ten cruise ships scheduled to be delivered between late February 2015 and November 2018, some of which will replace existing capacity as older, smaller and less efficient ships exit our fleet. We strategically time the introduction of additional ships into our brands to allow ample time for those lines to further grow their guest base and absorb the new capacity. We have removed 16 ships from our fleet since 2006 and have agreements in place to remove three more ships by March 2016. Based on our current ship orders and announced ship withdrawals, our net capacity growth rate is expected to be 2.0% in 2015 and 2.8% compounded annually through 2018. We are committed to measured capacity growth so that we achieve an optimal balance of supply and demand to maximize our profitability in established cruise regions, such as North America and Western Europe. We believe the increasing deployment of ships into the emerging Asia market may further moderate the level of supply in North America and Western Europe.

Outlook for the 2015 First Quarter and Full Year

On December 19, 2014, we said that we expected our non-GAAP diluted earnings per share for the 2015 first quarter and full year to be in the ranges of $0.07 to $0.11 and $2.30 to $2.60, respectively (see "Key Performance Non-GAAP Financial Indicators"). Our guidance was based on fuel prices of $421 per metric ton and $436 per metric ton for the 2015 first quarter and full year, respectively. In addition, our guidance was based on 2015 first quarter and full year currency rates of $1.23 to the euro, $1.57 to sterling and $0.83 to the Australian dollar. The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions.

The above forward-looking statements involve risks, uncertainties and assumptions with respect to us. There are many factors that could cause our actual results to differ materially from those expressed above including, but not limited to, general economic and business conditions, increases in fuel prices, incidents, spread of contagious diseases, adverse weather conditions, geopolitical events, negative publicity and other factors that could adversely impact our revenues, costs and expenses. You should read the above forward-looking statements together with the discussion of these and other risks under Item 4. Principal Risks and Uncertainties within this Strategic Report.

Critical Accounting Estimates

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

Ship Accounting

Our most significant assets are our ships, including ship improvements and ships under construction, which represent 80% of our total assets at November 30, 2014. We make several critical accounting estimates with respect to our ship accounting. First, in order to compute our ships' depreciation expense, which represented 11% of our cruise costs and expenses in 2014, we have to estimate the useful life of each of our ships as well as their residual values. Secondly, we account for ship improvement costs by capitalizing those costs that we believe add value to our ships and have a useful life greater than one year, and depreciate those improvements over the shorter of their or the ships' estimated remaining useful life, while the costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred. Finally, when we record the retirement of a ship component that is included within the ship's cost basis, we may have to estimate the net book value of the asset being retired in order to remove it from the ship's cost basis.

We determine the useful life of our ships and ship improvements based on our estimates of the period over which the assets will be of economic benefit to us, including the impact of long-term vacation market conditions, marketing and technical obsolescence, competition, physical deterioration, historical useful lives of similarly-built ships, regulatory constraints and maintenance requirements. In addition, we consider estimates of the weighted-average useful lives of the ships' major component systems, such as the hull, cabins, main electric, superstructure and engines. Taking all this into consideration, we have estimated our new ships' useful lives at 30 years.

We determine the residual value of our ships based on our long-term estimates of their resale value at the end of their useful life to us but before the end of their physical and economic lives to others, historical resale values of our and other cruise ships and viability of the secondary cruise ship market. We have estimated our residual values at 15% of our original ship cost.

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

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs. Our 2014 ship depreciation expense would have increased by approximately $50 million assuming we had reduced our estimated 30-year ship useful life estimate by one year at the time we took delivery or acquired each of our ships. In addition, our 2014 ship depreciation expense would have increased by approximately $205 million assuming we had estimated our ships to have no residual value at the time of their delivery or acquisition.

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

Asset Impairments

Impairment reviews of our cruise ships, goodwill and trademarks require us to make significant estimates to determine the fair values of these assets and cruise brands.

For our cruise ships, we perform our impairment reviews, if required, at the individual cruise ship level, which is the lowest level for which we maintain identifiable cash flows that are independent of the cash flows of other assets and liabilities.

We believe it is probable that each of our cruise brands' estimated fair value that carry goodwill at November 30, 2014 exceeded their carrying value. We also believe that it is probable that the estimated fair value of each of our cruise brands' trademarks recorded at November 30, 2014 exceeded their carrying values.

The determination of fair value includes numerous assumptions that are subject to various risks and uncertainties, unless a comparable, viable actively-traded market exists, which is usually not the case for cruise ships, cruise brands and trademarks. Our ships' fair values are typically estimated based either on ship sales price negotiations or discounted future cash flows. The principal assumptions used to calculate our discounted future cash flows include forecasted future operating results over the expected period we believe the ships will have economic benefit to us and their estimated residual values.

In performing annual assessments of our cruise brands that carry goodwill, qualitative factors that we consider to determine their effect on each of the cruise brand's estimated fair values include industry and market conditions, macroeconomic conditions, changes to WACC, overall financial performance, changes in fuel prices and capital expenditures. In determining the estimated fair values of cruise brands utilizing discounted future cash flow analysis for our quantitative goodwill impairment tests, significant judgments are made related to forecasting future operating results, including net revenue yields and net cruise costs including fuel prices; capacity changes, including the expected rotation of vessels into, or out of, the cruise brand; capital expenditures; WACC of market participants, adjusted for the risk attributable to the geographic region in which the cruise brand operates and terminal values. In addition, third-party appraisers are sometimes used to help determine fair values of cruise brands and trademarks, and their valuation methodologies are also typically subject to uncertainties similar to those discussed above.

In addition, in performing our annual assessments of our cruise brands' significant trademarks, qualitative factors that we consider to determine their effect on each of the cruise brand's recorded trademarks' estimated fair values include industry and market conditions, macroeconomic conditions, changes to the WACC, changes in royalty rates and overall financial performance. In determining our trademark estimated fair values for our quantitative impairment tests, we also use discounted future cash flow analysis, which requires some of the same significant judgments discussed above. Specifically, determining the estimated amount of royalties that we are relieved from having to pay for the use of the associated trademarks is based upon forecasted cruise revenues and a market participant's royalty rate. The royalty rates are estimated primarily using comparable royalty agreements for similar industries.

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

Contingencies

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, regulatory, guest and crew and tax matters. In addition, we periodically assess the recoverability of our trade and other receivables, charter-hire agreements and other counterparty credit exposures, such as contractual nonperformance by financial and other institutions with which we conduct significant business. Our credit exposure includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honour our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine if it is highly probable, or probable for income tax matters, that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such matters, if any, can be made. In assessing probable losses, we make estimates of the amount of probable insurance recoveries, if any, which are recorded as assets. We accrue a liability and establish a reserve when we believe a loss is highly probable, or probable for income tax matters, and the amount of the loss can be reasonably estimated in accordance with IFRS. Such accruals and reserves are typically based on developments to date, management’s estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar non-income tax matters, historical claims experience, actuarially determined estimates of liabilities and any related insurance coverages.

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

Results of Operations

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

- sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from airports near our ships’ home ports and cancellation fees. The cruise ticket price typically includes accommodations, most meals, some non-alcoholic beverages and most onboard entertainment. We also collect fees, taxes and other charges from our guests, and
- sales of goods and services primarily onboard our ships not included in the cruise ticket price including substantially all liquor and some non-alcoholic beverage sales, casino gaming, shore excursions, gift shop sales, photo sales, communication services, full service spas, specialty themed restaurants, cruise vacation protection programs and pre- and post-cruise land packages. These goods and services are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee.

We incur cruise operating costs and expenses for the following:

- the costs of passenger cruise bookings, which represent costs that are directly associated with passenger cruise ticket revenues, and include travel agent commissions, air and other transportation related costs, fees, taxes and other charges that vary with guest head counts and related credit and debit card or direct debit fees,
- onboard and other cruise costs, which represent costs that are directly associated with onboard and other revenues, and include the costs of liquor and some non-alcoholic beverages, costs of tangible goods sold by us in our gift shops and from our photo sales, communication costs, costs of cruise vacation protection programs, costs of pre- and post-cruise land packages and related credit and debit card or direct debit fees. Concession revenues do not have significant associated expenses because the costs and services incurred for concession revenues are borne by our concessionaires,
- fuel costs, which include fuel delivery costs,
- payroll and related costs, which represent all costs related to our shipboard personnel, including deck and engine crew, including officers, and hotel and administrative employees, while costs associated with our shoreside personnel are included in selling and administrative expenses,
- food costs, which include both our guest and crew food costs and
- other ship operating expenses, which include port costs that do not vary with guest head counts, repairs and maintenance, including minor improvements and dry-dock expenses, hotel costs, entertainment, gains and losses on ship sales, ship impairments, freight and logistics, insurance premiums and all other ship operating expenses.

Statistical Information

	Years Ended November 30,	
	2014	2013
ALBDs (in thousands) (a) (b)	76,000	74,033
Occupancy percentage (c)	104.1%	105.1%
Passengers carried (in thousands)	10,566	10,061
Fuel consumption in metric tons (in thousands)	3,194	3,266
Fuel consumption in metric tons per ALBD	0.042	0.044
Fuel cost per metric ton consumed	$ 636	$ 676
Currencies		
U.S. dollar to €1	$ 1.34	$ 1.32
U.S. dollar to £1	$ 1.66	$ 1.56
U.S. dollar to Australian dollar	$ 0.91	$ 0.98

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

(b) In 2014, we had a 2.7% capacity increase in ALBDs compared to 2013 comprised of a 4.3% capacity increase in our North America brands and a minor capacity increase in our EAA brands.

Our North America brands' capacity increase was caused by:

- the full year impact from one Princess 3,560-passenger capacity ship delivered in 2013;
- the partial year impact from one Princess 3,560-passenger capacity ship delivered in 2014 and
- fewer ship dry-dock days in 2014 compared to 2013.

In 2013, we had a 2.9% capacity increase in ALBDs compared to 2012 comprised of a 3.4% and 2.5% capacity increase in our EAA brands and North America brands, respectively.

Our EAA brands' capacity increase was caused by:

- the full year impact from one AIDA 2,194-passenger capacity ship and one Costa 2,984-passenger capacity ship both delivered in 2012;
- the partial year impact from one AIDA 2,194-passenger capacity ship delivered in 2013 and
- fewer ship dry-dock days in 2013 compared to 2012.

These increases were partially offset by the full year impact from the removal of two Costa ships and the sale of one P&O Cruises (Australia) 1,462-passenger capacity ship all in 2012.

Our North America brands' capacity increase was caused by:

- the full year impact from one Carnival Cruise Line 3,690-passenger capacity ship delivered in 2012 and
- the partial year impact from one Princess 3,560-passenger capacity ship delivered in 2013.

These increases were partially offset by more ship dry-dock days in 2013 compared to 2012.

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

2014 Compared to 2013

Revenues

Consolidated

Cruise passenger ticket revenues made up 75% of our 2014 total revenues. Cruise passenger ticket revenues increased by $241 million, or 2.1%, to $11.9 billion in 2014 from $11.6 billion in 2013.

This increase was caused by:

- $309 million – 2.7% capacity increase in ALBDs and
- $102 million – foreign currency translational impact from a weaker U.S. dollar against the euro and sterling, net of a stronger U.S. dollar against the Australian dollar ("2014 net currency impact").

These increases were partially offset by:

- $114 million – 1.0 percentage point decrease in occupancy and
- $37 million – decrease in cruise ticket pricing.

The remaining 25% of 2014 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by $182 million, or 5.1%, to $3.8 billion in 2014 from $3.6 billion in 2013. This increase was principally due to our 2.7% capacity increase in ALBDs, which accounted for $96 million, and higher onboard spending by our guests, which accounted for $92 million, partially offset by a 1.0 percentage point decrease in occupancy, which accounted for $36 million. Onboard and other revenues included concession revenues of $1.1 billion in both 2014 and 2013.

North America Brands

Cruise passenger ticket revenues made up 73% of our 2014 total revenues. Cruise passenger ticket revenues increased slightly by $19 million to $6.9 billion in 2014 from $6.8 billion in 2013.

This increase was caused by:

- $294 million – 4.3% capacity increase in ALBDs.

This increase was partially offset by:

- $130 million – 2.0 percentage point decrease in occupancy;
- $75 million – decrease in cruise ticket pricing and
- $58 million – decrease in air transportation revenues from guests who purchased their tickets from us.

Our cruise ticket pricing decrease was driven by the promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity.

The remaining 27% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by $168 million, or 7.0%, to $2.6 billion in 2014 from $2.4 billion in 2013.

This increase was caused by:

- $103 million – 4.3% capacity increase in ALBDs;
- $78 million – higher onboard spending by our guests and
- $20 million – higher other third-party revenues.

These increases were partially offset by:

- $46 million – 2.0 percentage point decrease in occupancy.

Onboard and other revenues included concession revenues of $735 million in 2014 and $727 million in 2013.

EAA Brands

Cruise passenger ticket revenues made up 82% of our 2014 total revenues. Cruise passenger ticket revenues increased by $223 million, or 4.6%, to $5.0 billion in 2014 from $4.8 billion 2013.

This increase was substantially due to:

- $102 million – 2014 net currency impact;
- $49 million – increase in air transportation revenues from guests who purchased their tickets from us;
- $39 million – increase in cruise ticket pricing and $23 million – slight increase in occupancy.

The remaining 18% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by $19 million, or 1.7%, and remained at $1.1 billion in both 2014 and 2013. Onboard and other revenues included concession revenues of $367 million in 2014 and $370 million in 2013.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by $221 million, or 2.1%, to $10.4 billion in 2014 from $10.6 billion in 2013.

This decrease was caused by:

- $176 million – nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- $126 million – lower fuel prices;
- $107 million – lower fuel consumption per ALBD;
- $64 million – decreases in commissions, transportation and other related expenses primarily due to a decrease in air transportation costs related to guests who purchased their tickets from us;
- $56 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of $20 million;
- $51 million – gains from the sales of *Costa Voyager* and *Ocean Princess*;
- $40 million – lower dry-dock and other ship repair and maintenance expenses and
- $38 million – 1.0 percentage point decrease in occupancy.

These decreases were partially offset by:

- $278 million – 2.7% capacity increase in ALBDs;
- $59 million – 2014 net currency impact;
- $53 million – impairment charges related to *Costa Celebration* and *Grand Holiday* and
- $47 million – various other operating expenses, net.

Selling and administrative expenses increased by $175 million, or 9.3%, to $2.1 billion in 2014 from $1.9 billion in 2013.

Depreciation and amortization expenses increased by $47 million, or 3.0%, and remained at $1.6 billion in both 2014 and 2013.

Our total costs and expenses as a percentage of revenues decreased to 89% in 2014 from 91% in 2013.

North America Brands

Operating costs and expenses decreased slightly by $22 million and remained at $6.3 billion in both 2014 and 2013.

This decrease was caused by:

- $103 million – decreases in commissions, transportation and other related expenses primarily due to a decrease in air transportation costs related to guests who purchased their tickets from us;
- $87 million – lower fuel prices;
- $58 million – lower fuel consumption per ALBD;
- $56 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of $20 million;
- $43 million – 2.0 percentage point decrease in occupancy;
- $43 million – lower dry-dock and other ship repair and maintenance expenses and
- $14 million – gain from the sale of *Ocean Princess.*

These decreases were partially offset by:

- $271 million – 4.3% capacity increase in ALBDs;
- $39 million – nonrecurrence in 2014 of an intersegment transaction, which was fully offset in our Cruise Support segment and
- $72 million – various other operating expenses, net.

Our total costs and expenses as a percentage of revenues decreased to 89% in 2014 from 90% in 2013.

EAA Brands

Operating costs and expenses decreased by $223 million, or 5.4%, to $3.9 billion in 2014 from $4.1 billion in 2013.

This decrease was caused by:

- $176 million – nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- $51 million – lower fuel consumption per ALBD;
- $41 million – lower fuel prices;
- $39 million – lower dry-dock and other ship repair and maintenance expenses;
- $37 million – gain from the sale of *Costa Voyager* and
- $37 million – various other operating expenses, net.

These decreases were partially offset by:

- $59 million – 2014 net currency impact;
- $53 million – impairment charges related to *Costa Celebration* and *Grand Holiday* and
- $46 million – increases in commissions, transportation and other related expenses principally due to an increase in air transportation costs related to guests who purchased their tickets from us.

Our total costs and expenses as a percentage of revenues decreased to 86% in 2014 from 92% in 2013.

Operating Income

Our consolidated operating income increased by $440 million, or 33%, to $1.8 billion in 2014 from $1.4 billion in 2013. Our North America brands' operating income increased by $105 million, or 11%, to $1.1 billion in 2014 from $956 million in 2013, and our EAA brands' operating income increased by $422 million, or 90%, to $893 million in 2014 from $471 million in 2013. These changes were primarily due to the reasons discussed above.

Nonoperating Expense

Net interest expense decreased by $31 million, or 9.7%, to $288 million in 2014 from $319 million in 2013. In 2014, losses on fuel derivatives, net of $271 million were substantially all comprised of unrealized losses, net, and in 2013 gains on fuel derivatives, net of $36 million were all comprised of unrealized gains, net.

Key Performance Non-GAAP Financial Indicators

We use net cruise revenues per ALBD ("net revenue yields"), net cruise costs per ALBD and net cruise costs excluding fuel per ALBD as significant non-GAAP financial measures of our cruise segments' financial performance. These measures enable us to separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business; gains and losses on ship sales and ship impairments, net; and restructuring expenses that are not part of our core operating business. We believe these non-GAAP measures provide useful information to investors and expanded insight to measure our revenue and cost performance as a supplement to our U.S. GAAP consolidated financial statements.

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

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

Net cruise costs per ALBD and net cruise costs excluding fuel per ALBD are the most significant measures we use to monitor our ability to control our cruise segments' costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs with and without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. In addition, we exclude gains and losses on ship sales and ship impairments, net and restructuring expenses from our calculation of net cruise costs with and without fuel as they are not considered part of our core operating business and, therefore, are not an indication of our future earnings performance. As such, we also believe it is more meaningful for gains and losses on ship sales and ship impairments, net and restructuring expenses to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these items.

In addition, because our EAA cruise brands utilize the euro, sterling and Australian dollar to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report these non-GAAP financial measures assuming the 2014 periods' currency exchange rates have remained constant with the 2013 periods' rates, respectively, or on a "constant dollar basis," in order to remove the impact of changes in exchange rates on the translation of our EAA brands. We believe that this is a useful measure since it facilitates a comparative view of the changes in our business in a fluctuating currency exchange rate environment.

Although our constant dollar basis measure removes the foreign currency translational impact as discussed above, it does not remove the foreign currency transactional impact from changes in exchange rates on our brands' revenues and expenses that are denominated in a currency other than their functional currency. Historically, the foreign currency transactional impact has not been significant when measuring the periodic changes in our results of operations. However, given the continuing expansion of our global business and the heightened volatility in foreign currency exchange rates, we believe the foreign currency transactional impact will be more significant in measuring our 2015 results compared to 2014 than in previous years. See "Quantitative and Qualitative Disclosures About Market Risk – Foreign Currency Exchange Rate Risks – Operational Currency Risks" below.

We believe that the goodwill, trademark and other impairment charges and restructuring expenses recognized in 2014 and 2013 are special charges and, therefore, are also not an indication of our future earnings performance. As such, we believe it is more meaningful for these impairment charges and restructuring expenses to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these charges.

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

We have not included in our earnings guidance the impact of unrealized gains and losses on fuel derivatives because these unrealized amounts involve a significant amount of uncertainty, and we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on a non-GAAP basis only. As a result, we did not present a reconciliation between forecasted non-GAAP diluted earnings per share guidance and forecasted U.S. GAAP diluted earnings per share guidance, since we do not believe that the reconciliation information would be meaningful. However, we do forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period.

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

Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues by ALBDs as follows (dollars in millions, except yields):

	Years Ended November 30,		
	2014	2014 Constant Dollar	2013
Passenger ticket revenues	$ 11,889	$ 11,787	$ 11,648
Onboard and other revenues	3,780	3,765	3,598
Gross cruise revenues	15,669	15,552	15,246
Less cruise costs			
Commissions, transportation and other	(2,299)	(2,277)	(2,303)
Onboard and other	(519)	(516)	(539)
	(2,818)	(2,793)	(2,842)
Net passenger ticket revenues	9,590	9,510	9,345
Net onboard and other revenues	3,261	3,249	3,059
Net cruise revenues	$ 12,851	$ 12,759	$ 12,404
ALBDs	75,999,952	75,999,952	74,032,939
Gross revenue yields	$ 206.17	$ 204.63	$ 205.94
% increase (decrease) vs. prior year	0.1%	(0.6)%	
Net revenue yields	$ 169.09	$ 167.88	$ 167.56
% increase (decrease) vs. prior year	0.9%	0.2%	
Net passenger ticket revenue yields	$ 126.18	$ 125.14	$ 126.23
% decrease vs. prior year	0.0%	(0.9)%	
Net onboard and other revenue yields	$ 42.90	$ 42.75	$ 41.33
% increase vs. prior year	3.8%	3.4%	

Consolidated gross and net cruise costs and net cruise costs excluding fuel per ALBD were computed by dividing the gross and net cruise costs and net cruise costs excluding fuel by ALBDs as follows (dollars in millions, except costs per ALBD):

	Years Ended November 30,		
	2014	**2014 Constant Dollar**	**2013**
Cruise operating expenses	$ 10,243	$ 10,184	$ 10,481
Cruise selling and administrative expenses	2,046	2,035	1,871
Gross cruise costs	12,289	12,219	12,352
Less cruise costs included above			
Commissions, transportation and other	(2,299)	(2,277)	(2,303)
Onboard and other	(519)	(516)	(539)
Losses on ship sales and ship impairments, net	(2)	(5)	(178)
Restructuring expenses	(18)	(18)	-
Net cruise costs	9,451	9,403	9,332
Less fuel	(2,033)	(2,033)	(2,208)
Net cruise costs excluding fuel	$ 7,418	$ 7,370	$ 7,124
ALBDs	75,999,952	75,999,952	74,032,939
Gross cruise costs per ALBD	$ 161.69	$ 160.77	$ 166.83
% (decrease) increase vs. prior year	(3.1)%	(3.6)%	
Net cruise costs per ALBD	$ 124.35	$ 123.70	$ 126.05
% (decrease) increase vs. prior year	(1.3)%	(1.9)%	
Net cruise costs excluding fuel per ALBD	$ 97.60	$ 96.95	$ 96.23
% increase vs. prior year	1.4%	0.8%	

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

	Years Ended November 30, 2014	2013
Net income - diluted		
U.S. GAAP net income	$1,236	$1,078
Losses on ship sales and ship impairments, net	2 (a)	163 (b)
Goodwill, trademark and other impairment charges	-	27 (c)
Restructuring expenses	18	-
Unrealized losses (gains) on fuel derivatives, net	268	(36)
Non-GAAP net income	$1,524	$1,232
Weighted-average shares outstanding – diluted	778	777
Earnings per share – diluted		
U.S. GAAP earnings per share	$ 1.59	$ 1.39
Losses on ship sales and ship impairments, net	- (a)	0.21 (b)
Goodwill, trademark and other impairment charges	-	0.03 (c)
Restructuring expenses	0.02	-
Unrealized losses (gains) on fuel derivatives, net	0.35	(0.05)
Non-GAAP earnings per share	$ 1.96	$ 1.58

(a) Represents impairment charges of $22 million for *Grand Celebration* and $31 million for *Grand Holiday*, partially offset by gains of $37 million from the sale of *Costa Voyager* and $14 million from the sale of *Ocean Princess*.
(b) Substantially due to $176 million of impairment charges related to *Costa Classica* and *Costa Voyager*, partially offset by a $15 million gain in our Tour and Other segment from the sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.
(c) Represents impairment charges of $14 million for an investment and $13 million for Ibero's remaining trademarks' carrying value.

Net cruise revenues increased by $447 million, or 3.6%, to $12.9 billion in 2014 from $12.4 billion in 2013. This increase was caused by our 2.7% capacity increase in ALBDs, which accounted for $330 million, the 2014 net currency impact, which accounted for $92 million, and a slight increase in constant dollar net revenue yields, which accounted for $24 million. The increase in net revenue yields on a constant dollar basis was caused by a 3.4% increase in net onboard and other revenue yields, partially offset by a slight decrease in net passenger ticket revenue yields. The 3.4% increase in net onboard and other revenue yields resulted from a 3.7% increase from our North America brands and a 2.8% increase from our EAA brands, which included increases in primarily all the net onboard revenue categories. The slight decrease in net passenger ticket revenue yields was driven by our North America brands' promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity, partially offset by improvements at our continental European brands. Gross cruise revenues increased by $423 million, or 2.8%, to $15.7 billion in 2014 from $15.2 billion in 2013 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by $294 million, or 4.1%, to $7.4 billion in 2014 from $7.1 billion in 2013. The increase was caused by our 2.7% capacity increase in ALBDs, which accounted for $190 million, a slight increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for $55 million, and the 2014 net currency impact, which accounted for $49 million.

Fuel costs decreased by $175 million, or 7.9%, to $2.0 billion in 2014 from $2.2 billion in 2013. This was caused by lower fuel prices, which accounted for $126 million, and lower fuel consumption per ALBD, which accounted for $107 million, partially offset by our 2.7% capacity increase in ALBDs, which accounted for $59 million.

Gross cruise costs decreased slightly by $63 million to $12.3 billion in 2014 from $12.4 billion in 2013 for principally the same reasons as discussed above.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital, reaching double digit returns in the next three to four years, while maintaining a strong balance sheet. Our ability to generate significant operating cash flows allows us to internally fund our capital investments. Our goal is to return excess free cash flows to our shareholders in the form of additional dividends and/or share buybacks. In addition, we are committed to maintaining our strong investment grade credit ratings, which are among the highest in the leisure travel industry. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability in most financial credit market environments to obtain debt financing, as needed. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, those noted under Item 4. Principal Risks and Uncertainties within this Strategic Report. If our long-term senior unsecured credit ratings were to be downgraded or assigned a negative outlook, our access to and cost of debt financing may be negatively impacted.

At November 30, 2014, we had a working capital deficit of $5.4 billion. This deficit included $3.0 billion of current customer deposits, which represent the passenger revenues already collected for cruises departing over the next twelve months and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our November 30, 2014 working capital deficit also included $1.7 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our November 30, 2014 working capital deficit balance, our non-GAAP adjusted working capital deficit was $661 million. Our business model, along with our strong balance sheet and unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future.

At November 30, 2013, the U.S. dollar was $1.63 to sterling, $1.36 to the euro and $0.91 to the Australian dollar. Had these November 30, 2013 currency exchange rates been used to translate our November 30, 2014 non-U.S. dollar functional currency operations' assets and liabilities instead of the November 30, 2014 U.S. dollar exchange rates of $1.56 to sterling, $1.25 to the euro and $0.85 to the Australian dollar, our total assets and liabilities would have been higher by $1.2 billion and $565 million, respectively.

Sources and Uses of Cash

Our business provided $3.4 billion of net cash from operations during 2014, an increase of $596 million, or 21%, compared to $2.8 billion in 2013. This increase was substantially due to more cash being provided from our operating results and an increase in customer deposits.

During 2014, our expenditures for capital projects were $2.6 billion, of which $1.5 billion was spent on our ongoing new shipbuilding program, substantially for *Regal Princess* and *Costa Diadema*. In addition to our new shipbuilding program, we had capital expenditures of $754 million for ship improvements and replacements and $305 million for information technology, buildings and improvements, and other assets. Furthermore, in 2014 we sold *Costa Voyager* and received $42 million in cash proceeds.

During 2014, we borrowed a net $617 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the year. In addition, during 2014 we repaid $2.5 billion of long-term debt, including early repayments of $839 million of three bank loans and $590 million of two export credit facilities. Furthermore, during 2014 we borrowed $1.6 billion of new long-term debt under two export credit facilities and three bank loans. Finally, during 2014 we paid cash dividends of $776 million.

Future Commitments and Funding Sources

At November 30, 2014, our contractual cash obligations, including ship construction contracts entered into through February 20, 2015, were as follows (in millions):

	Payments Due by						
	2015	2016	2017	2018	2019	Thereafter	Total
Recorded Contractual Cash Obligations							
Short-term borrowings	$ 666						$ 666
Long-term debt (a)	1,059	$ 1,785	$ 634	$ 1,302	$ 685	$ 2,957	8,422
Other long-term liabilities reflected on the balance sheet (b)	-	245	187	158	59	175	824
Unrecorded Contractual Cash Obligations							
Shipbuilding (c)	1,560	1,881	815	1,371	-	-	5,627
Operating leases (c)	56	45	30	25	24	147	327
Port facilities and other (c)	231	188	141	110	70	600	1,340
Purchase obligations (d)	903	71	30	22	14	4	1,044
Fixed rate interest payments (e)	182	157	127	103	86	331	986
Floating rate interest payments (e)	37	43	48	48	43	127	346
Total Contractual Cash Obligations (f)	$ 4,694	$ 4,415	$ 2,012	$ 3,139	$ 981	$ 4,341	$19,582

(a) Our long-term debt has a weighted-average maturity of 4.3 years.

(b) Represents cash outflows for certain of our long-term liabilities that could be reasonably estimated. The primary outflows are for estimates of our compensation plans' obligations, crew and guest claims, uncertain income tax position liabilities and certain deferred income taxes. Customer deposits and certain other deferred income taxes have been excluded from the table because they do not require a cash settlement in the future.

(c) Our shipbuilding contractual obligations are legal commitments and, accordingly, cannot be cancelled without cause by the shipyards or us, and such cancellation will subject the defaulting party to significant contractual liquidating damage payments.

(d) Represents legally-binding commitments to purchase inventory and other goods and services made in the normal course of business to meet operational requirements. Many of our contracts contain clauses that allow us to terminate the contract with notice, either with or without a termination penalty. Termination penalties are generally an amount less than the original obligation. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for their termination.

(e) Fixed rate interest payments represent cash outflows for fixed interest payments, including interest swapped from a floating rate to a fixed rate. Floating rate interest payments represent forecasted cash outflows for interest payments on floating rate debt, including interest swapped from a fixed rate to a floating rate, using the November 30, 2014 forward interest rates for the remaining terms of the loans.

(f) Amounts payable in foreign currencies, which are principally the euro, sterling and Australian dollars, are based on the November 30, 2014 exchange rates.

As of November 30, 2014, as adjusted for our new ship orders through February 20, 2015, our total annual capital expenditures consist of ships under contract for construction, estimated improvements to existing ships and shoreside assets and for 2015, 2016, 2017 and 2018 are expected to be $3.0 billion, $3.3 billion, $2.1 billion and $2.5 billion, respectively.

The year-over-year percentage increase in our annual capacity is currently expected to be 2.0%, 4.4%, 2.8% and 1.9% for 2015, 2016, 2017 and 2018, respectively. These percentage increases are expected to result primarily from contracted new ships entering service, partially offset by *Costa Celebration*, *Grand Holiday* and *Seabourn Pride* having left the fleet through February 20, 2015, and *Seabourn Legend*, *Seabourn Spirit* and *Ocean Princess* leaving the fleet by April 2015, May 2015 and March 2016, respectively.

Our Boards of Directors have authorized, subject to certain restrictions, the repurchase of up to an aggregate of $1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program was $975 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs. Depending on market conditions and other factors, we may repurchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently. We use the Stock Swap programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program. Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2015 annual general meeting or October 16, 2015. Finally, under the Stock Swap programs, any sales of the Carnival Corporation common stock and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

At February 20, 2015, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

At November 30, 2014, we had liquidity of $4.9 billion. Our liquidity consisted of $92 million of cash and cash equivalents, which excludes $239 million of cash used for current operations, $2.3 billion available for borrowing under our revolving credit facilities, net of our commercial paper borrowings, and $2.5 billion under our committed future financings, which are comprised of ship export credit facilities. Of this $2.5 billion, $0.9 billion and $1.6 billion are scheduled to be funded in 2015 and 2016, respectively. At November 30, 2014, substantially all of our revolving credit facilities are scheduled to mature in 2019, except for $300 million that matures in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honour their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants and at November 30, 2014, we believe we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risks

Operational Currency Risks

We have foreign operations that have functional currencies other than the U.S. dollar, which result in foreign currency translational impacts. Our operations execute transactions in a number of currencies different than their functional currencies, principally the euro, sterling and Australian and U.S. dollars, which result in foreign currency transactional impacts. Based on a 10% hypothetical change in all currency exchange rates that were used in our December 19, 2014 guidance, we estimate that our 2015 first quarter and full year December 19, 2014 non-GAAP guidance would change by $0.04 per share and $0.30 per share, respectively, including both the foreign currency translational and transactional impacts.

Investment Currency Risks

We have $403 million of foreign currency forwards that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting this foreign currency exchange rate risk. Based on a 10% hypothetical change in the U.S. dollar to euro exchange rate as of November 30, 2014, we estimate that these foreign currency forwards' fair values would change by $40 million, which would be offset by a corresponding change of $40 million in the U.S. dollar value of our net investments.

Newbuild Currency Risks

In 2012, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of P&O Cruises (UK) *Britannia's* euro-denominated shipyard payments. These collars mature in late February 2015 at a weighted-average ceiling of $287 million and a weighted-average floor of $266 million. In 2014, we entered into foreign currency zero cost collars that are also designated as cash flow hedges for the remaining unhedged portion of *Britannia*'s euro-denominated shipyard payments. These collars also mature in late February 2015 at a weighted-average ceiling of $281 million and a weighted-average floor of $274 million. If the spot rate is between the weighted average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars. At November 30, 2014, the estimated fair value of these outstanding foreign currency zero cost collars was a nominal liability. Based on a 10% hypothetical increase or decrease in the November 30, 2014 sterling rates to euro exchange rates, we estimate the fair value of these collars would increase $26 million or decrease $27 million, respectively.

On January 22, 2015, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of a Princess and Seabourn newbuilds' euro-denominated shipyard payments. The Princess newbuild's collars mature in March 2017 at a weighted-average ceiling of $590 million and a weighted-average floor of $504 million. The Seabourn newbuild's collars mature in November 2016 at a weighted-average ceiling of $221 million and a weighted-average floor of $185 million. If the spot rate is between the weighted-average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

At February 20, 2015, substantially all of our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild construction payments for a Carnival Cruise Line, Holland America Line and Seabourn newbuild, which represent a total unhedged commitment of $1.7 billion. The functional currency cost of each of these ships will increase or decrease based on changes in the exchange rates until the payments are made under the shipbuilding contract, or we enter into a foreign currency hedge. Based on a 10% hypothetical change in the U.S. dollar to euro exchange rates as of November 30, 2014, the unpaid cost of these ships would have a corresponding change of $171 million.

Interest Rate Risks

At November 30, 2014, we have interest rate swaps that have effectively changed $500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt and $750 million of EURIBOR-based floating rate euro debt to fixed rate euro debt. Based on a 10% hypothetical change in the November 30, 2014 market interest rates, the fair value of all our debt and related interest rate swaps would change by $96 million. In addition, based on a 10% hypothetical change in the November 30, 2014 market interest rates, our annual interest expense on floating rate debt, including the effect of our interest rate swaps, would change by an insignificant amount. Substantially all of our fixed rate debt can only be called or prepaid by incurring additional costs.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relates to the consumption of fuel on our ships. We expect to consume approximately 3.2 million metric tons of fuel in 2015. Based on a 10% hypothetical change in our December 19, 2014 guidance's forecasted average fuel price, we estimate that our 2015 fuel expense, excluding the effect of zero cost collar fuel derivatives, would change by $139 million.

We mitigate a portion of our economic risk attributable to potential fuel price increases through the use of Brent zero cost collars. The actual fuel we use on our ships is marine fuel. At November 30, 2014, our fuel derivatives cover a portion of our estimated fuel consumption through 2018. At November 30, 2014, the estimated fair value of our outstanding fuel derivative contracts was a net liability of $229 million. Based on a 10% hypothetical increase or decrease in the November 30, 2014 Brent forward price curve, we estimate the fair value of our fuel derivatives would increase $127 million or decrease $152 million, respectively.

4. Principal Risks and Uncertainties.

You should carefully consider the specific risks and uncertainties set forth below and the other information contained within this Strategic Report, as these are important factors that could cause our actual results, performance or achievements to differ materially from our expected or historical results. Some of the statements within this Strategic Report and in the Carnival plc IFRS Financial Statements are "forward-looking statements." For a discussion of those statements and of other factors to consider see the "Cautionary Note Concerning Factors That May Affect Future Results" section below.

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

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

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

Economic, market and political conditions around the world, such as fuel demand, regulatory requirements, supply disruptions and related infrastructure needs, make it difficult to predict the future price and availability of fuel. Fuel costs accounted for 20% and 21% of our cruise operating expenses in 2014 and 2013, respectively. Future increases in the global price of fuel would increase the cost of our cruise ship operations as well as some of our other expenses, such as crew travel, freight and commodity prices. Furthermore, volatility in fuel prices could have a material adverse effect on our operations, financial condition and liquidity. We may be unable to implement additional fuel conservation initiatives and other best practices or increase ticket prices and collect fuel supplements, which would help to fully or partially offset these fuel price increases. See risks relating to environmental laws and regulations, continuing financial viability of air service providers and failures to keep pace with technology below for additional information regarding our fuel risks.

To mitigate a portion of our economic risk attributable to potential fuel price increases, we have established a fuel derivatives program. To date under this program, we have bought Brent crude oil ("Brent") call options and sold Brent put options, collectively referred to as zero cost collars, that establish ceiling and floor prices. These derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices. In addition, there can be no assurance that our fuel derivatives program will provide a sufficient level of protection against increases in fuel prices or that our counterparties will be able to perform, such as in the case of a counterparty bankruptcy. The zero cost collars will reduce the benefit we currently expect to obtain from lower 2015 fuel prices since the current Brent prices are below the floor of our 2015 zero cost collars. Also, the fuel derivative contracts may create significant volatility in our U.S. GAAP earnings due to volatility in fuel prices over the contracts' terms. We may be able to mitigate a portion of the risk of fuel price increases by continuing to reduce our fuel consumption. Furthermore, we expect to have EGCSs installed on approximately 70% of our fleet by the end of 2017. We expect these efforts should mitigate the impact of the 2015 ECA.

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

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

The operation of cruise ships, hotels, land tours, port and related commercial facilities and shore excursions involve the risk of incidents, including those caused by the improper operation or maintenance of ships, motorcoaches and trains; guest and crew illnesses, such as from the spread of contagious diseases; mechanical failures, fires and collisions and the resulting costs incurred on emergency ship repairs; repair delays; groundings; navigational errors; oil spills and other maritime and environmental mishaps; missing passengers and other incidents at sea or while in port or on land, which may cause injury and death, guest and crew discomfort and the alteration of itineraries or cancellation of a cruise or series of cruises or tours. Although our uncompromising commitment to the safety and comfort of our guests and crew is paramount to the success of our business, our ships have been involved in accidents and other incidents in the past. We may experience similar or other incidents in the future, even though we have and will implement policies, procedures and best practices to limit their future occurrence. These types of incidents may bring into question guest and crew health, safety, security and satisfaction and may adversely affect our brands' reputations and demand for our brands, and cruising in general, and may affect our sales and profitability, may result in additional costs to our business, litigation against us and increasing government or other regulatory oversight.

In particular, our ability to effectively and efficiently operate shipboard and shoreside activities may be impacted by widespread public health issues/illnesses or health warnings resulting in, among other things, reduced demand for cruises and cruise cancellations and employee absenteeism that could have an adverse effect on our sales and profitability. We have, and will continue to, implement itinerary changes, crew training, guest and crew screening, ship cleaning and medical protocols to limit the introduction and spread of contagious diseases, but such actions may not be sufficient to fully mitigate this risk. For example, a severe outbreak of the influenza virus or some other pandemic could, among other things, disrupt our ability to embark/disembark passengers and crew, disrupt air travel to and from ports, increase costs for prevention and treatment and adversely affect our supply chain. This could also adversely impact cruise demand in areas unaffected by such an outbreak.

In addition, as mentioned above, our ships are subject to the risks of mechanical failures and accidents, for which we have had to incur repair and equipment replacement expenditures. If these occur in the future, we may be unable to procure spare parts or new equipment when needed or make repairs without incurring significant expenditures or suspension of service. However, we do maintain certain strategic spare parts on our ships to help mitigate this risk. A significant performance deficiency or problem on any one or more of our ships could have an adverse effect on our financial condition and results of operations.

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

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

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

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

Demand for cruises and other vacation options has been and is expected to continue to be affected by the public's attitude towards the safety and security of travel. Factors including, but not limited to, past acts of terrorism, threats of additional terrorist attacks, drug-related violence in Mexico, pirate attacks and vessel seizures off the east and west coasts of Africa, national government travel advisories, political instability in North Africa, the Middle East, the Baltics and elsewhere, geopolitical issues between China and Japan and general concerns over the safety and security aspects of traveling have had a significant adverse impact on demand and pricing in the travel and vacation industry in the past and may have an adverse impact in the future. Decreases in demand may lead to price reductions, which in turn would reduce our profitability. These types of events could also impact our ability to source qualified crew from throughout the world at competitive costs and, therefore, increase our shipboard crew costs. We have implemented various safety and security policies and procedures to help mitigate this risk, but it is still possible that they could occur.

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

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

Maintaining a good reputation is critical to our business. Reports and media coverage of ship incidents at sea or while in port, including missing guests, improper conduct by our employees, guests or agents, crimes, dissatisfied guests, crew and guest illnesses, such as incidents of stomach flu, parasitic outbreaks or other contagious diseases, security breaches, terrorist threats and attacks and other adverse events can result in negative publicity, which could lead to a negative perception regarding the safety of our ships and the satisfaction of our guests. In addition, negative publicity regarding adverse environmental impacts of cruising, such as climate change and oil spills, could diminish our reputation. The considerable expansion in the use of social media over recent years has increased the ways in which our reputation can be impacted, and the speed with which it can occur. Anything that damages our reputation, whether or not justified, could have an adverse impact on demand, which could lead to price reductions and a reduction in our sales and profitability. We utilize the reach and impact of digital marketing and social media, such as Facebook, Twitter, YouTube, Blog, Google+, Flickr, Instagram and Pinterest to provide accurate information to the media, popular bloggers, fans and brand advocates to mitigate some of the risk of negative publicity.

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

As we expand our global presence in emerging markets, such as Asia, it requires, among other things, significant levels of investments. We may not recover our investments in these markets, and we cannot be certain that these markets will ultimately develop as we expect. Accordingly, our business expansion may not produce the returns that we had expected, which could adversely impact the growth and profitability of our business. We partially mitigate this risk by targeting specific guest segments and develop various demand creating initiatives for our brands in these geographic segments.

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

Some environmental groups have lobbied for more stringent regulation of cruise ships. Some groups have also generated negative publicity about the cruise business and its environmental impact. Various agencies and regulatory organizations have enacted or are considering new regulations or policies, such as stricter emission limits to reduce GHG effects, which could adversely impact the cruise industry.

The IMO has amended the MARPOL regulations to reduce emissions from ships. As described in "Maritime Environmental Regulations" as referenced below, these changes will result in reductions in ship SOx emissions by requiring progressive reductions in the sulphur content in fuel or the use of abatement technologies. These limits will be further reduced in designated ECAs, including ECAs that have been or could be proposed in other prime cruising areas, such as around Australia, Hong Kong, Japan, the Mediterranean Sea and Mexico. As a result of these amendments, we have elected to install EGCSs on certain of our ships, which we believe will enable our SOx emissions to meet the MARPOL current and probable future requirements without the use of low sulphur fuel, in all material respects. However, if this type of technology is not widely used within the shipping industry it is possible that there could be limited availability of high sulphur fuels because of low demand and the cost of such fuel may increase. The increase in fuel prices caused by these regulations may impact our other expenses including, but not limited to, crew travel, freight and commodity prices and may have an adverse impact on our profitability.

From time to time initiatives to limit GHG emissions are introduced around the world. For example, numerous bills related to climate change have been introduced in the U.S. Congress, which could adversely impact our business. While not all are likely to become law, there are indications that additional climate change related mandates could be forthcoming, and they may significantly impact our costs, including, among other things, increasing fuel prices, including new taxes on bunker fuel, establishment of costly emissions trading schemes and increasing newbuild and operational costs.

Environmental laws and regulations or liabilities arising from past or future releases of, or exposure to, hazardous substances or vessel discharges, including ballast water and waste disposal, could materially increase our cost of compliance or otherwise adversely affect our business, results of operations and financial condition. See Item 2. Business. C. "Our Global Cruise Business-Governmental Regulations – Maritime Regulations" for additional information regarding these risks.

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

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

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

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

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

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

We are subject to the continual examination of our income tax returns by tax authorities in the jurisdictions where we operate. There can be no assurance that the outcome from these examinations will not adversely affect our net income.

As budgetary constraints continue to adversely impact the jurisdictions in which we operate, or for other reasons, increases in income or other taxes affecting our operations may be imposed. Some social activist groups have lobbied for more taxation on income generated by cruise companies. Certain groups have also generated negative publicity for us. In recent years, certain members of the U.S. Congress have proposed various forms of legislation that would result in higher taxation on income generated by cruise companies. We continue to monitor global administrative, legislative and judicial tax related developments and evaluate a variety of possible courses of action based upon such developments. However, there is no assurance that such actions, if taken, will successfully mitigate any adverse income tax consequences.

- *Lack of continuing availability of attractive, convenient and safe port destinations on terms that are favourable or consistent with our expectations could adversely affect our net revenue yields and net income.*

We believe that attractive, convenient and safe port destinations, including ports that are not overly congested with tourists, are major reasons why our guests choose a cruise versus an alternative vacation option. The continuing availability of these types of ports on terms that are favourable or consistent with our expectations, including the port facilities where our guests embark and disembark, is affected by a number of factors including, but not limited to, existing capacity constraints (particularly during the Caribbean winter months and Mediterranean summer months), security, safety and environmental concerns, adverse weather conditions and other natural disasters, financial and other limitations on port development in established or emerging markets, political instability, exclusivity arrangements that ports may have with our competitors, port operator consolidation, local governmental regulations and local community concerns about both port development and other adverse impacts on their communities from additional tourists. We work with port authorities and others to educate them on the benefits derived from cruising as well as taking actions to address their concerns in order to help mitigate this risk. The inability to continue to utilize, maintain, rebuild, if necessary, and increase the number of ports that our ships call on could adversely affect our net revenue yields and net income.

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

Primarily all of our guests book their cruises through independent travel agents, including wholesalers, general sales agents and tour operators. These parties generally sell and market our cruises on a nonexclusive basis. Our competitors may offer higher commissions and incentives and thus adversely impact our business. Significant disruptions, contractions or consolidations to our travel agent distribution system, such as those caused by a reduction in travel and related commission income as a result of an economic slowdown could have an adverse effect on our sales and profitability. In addition, we currently extend credit to certain of our larger European travel agents and tour operators and, accordingly, if such agents and operators cannot repay their debts to us, it will adversely impact our cash flows and operations. However, we have entered into agreements with certain of our larger European travel agents and tour operators in order to help mitigate this risk.

Many of our guests and substantially all our crew depend on scheduled or chartered commercial airline services to transport them to or from the airports near the ports where our cruises embark and disembark. Changes or disruptions in commercial or chartered airline services as a result of strikes, labour unrest, financial instability or viability, adverse weather conditions, airport delays, consolidation of carriers, or other events or the lack of availability due to schedule changes or a high level of airline bookings could adversely affect our ability to deliver guests and crew to or from our cruise ships and increase our costs which would, in turn, have an adverse effect on our results of operations. In addition, increases in the prices of airfares due to, among other things, rising fuel prices and airline consolidations would increase the overall vacation price to our guests and may adversely affect demand for our cruises, as well as increase our airfare for our crew.

Travel agents may face increased pressure from our competitors, particularly in the North America market, to sell and market these competitor cruises exclusively. If such exclusive arrangements were introduced, there can be no assurance that we will be able to find alternative distribution channels to ensure our customer base would not be affected.

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

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

Our ability to increase revenues and control costs, as well as our ability to serve guests most effectively depends in part on the reliability of our sophisticated technologies and system networks. We use communication applications, information technology and other systems to manage our inventory of cabins held for sale and set pricing in order to maximize our revenue yields and to optimize the effectiveness and efficiency of our shoreside and shipboard operations. Gaining unauthorized access to digital systems and networks for purposes of misappropriating assets or sensitive financial, medical or other personal or business information, corrupting data, causing shoreside or shipboard operational disruptions and other cyber-related risks could adversely impact our guest services and satisfaction, employee relationships, business plans, ship safety and our reputation. Global companies are repeatedly being targeted to gain access to critical company, guest and other information. In addition, the operation and maintenance of our systems is in some cases dependent on third-party technologies and service providers for which there is no certainty of uninterrupted availability or through which hackers could gain access to sensitive information. These potential disruptions and cyber attacks could negatively affect costs, customer demand, system availability and pricing for our cruises. Carnival Corporation & plc help to mitigate the effect of a cyber event by implementing and maintaining security controls to protect our corporate applications, network and company and customer data by focusing on protection, identification and recovery. Carnival also continually reviews its security environment to address new security concerns that may impact our critical data.

Our principal offices are located in Australia, Germany, Italy, the UK and the U.S. Although we have developed disaster recovery and similar business contingency plans, actual or threatened natural disasters (for example, hurricanes, earthquakes, floods, fires, tornados, tsunamis, typhoons and volcanic eruptions) or similar events in these locations may have a material impact on our business continuity, reputation and results of operations.

- *Overcapacity in the cruise ship and land-based vacation industry could have a negative impact on our net revenue yields and increase operating costs.*

Although cruising capacity in most of the established markets has grown at a slower pace in recent years, we expect it to continue to increase in both the established and emerging markets. Since the cruise industry relies on long-lived ships, we face the risk that our industry's capacity will grow beyond its demand. The wider vacation industry may also face increases in land-based vacation capacity, which may impact us as well. We typically aim to fill our new capacity at favourable revenue yields despite the new competing cruise and land-based capacity growth. Also, to the extent that we or our competitors deploy ships to a particular itinerary and the resulting capacity in that region exceeds the demand, we may lower pricing and profitability may be lower than initially anticipated. Should net revenue yields be negatively impacted, our results of operations and financial condition could be adversely affected. In addition, increased cruise capacity could impact our ability to retain and attract qualified crew, including officers, at competitive rates and, therefore, increase our shipboard employee costs. To partially mitigate this risk, we strategically time the introduction of new ships into our brands to allow ample time to further grow their guest base and absorb our new capacity.

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

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

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

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

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

We earn revenues, pay expenses, purchase and own assets and incur liabilities in currencies other than the U.S. dollar; most significantly, the euro, sterling and Australian dollars. We derived 57%, 56% and 54% of our revenues from guests sourced from outside of the U.S. in 2014, 2013 and 2012, respectively. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. We report currency transactions in the functional currencies of our reporting units, excluding fuel which is always transacted and reported in U.S. dollars regardless of the functional currency of the reporting unit. Furthermore, we convert a significant amount of these currencies into U.S. dollar. Therefore, the strengthening of the U.S. dollar against our other major currencies. will adversely affect our U.S. dollar financial results and will reduce the U.S. dollar amount received upon conversion of these currencies into U.S. dollars. We partially mitigate some of our currency exchange rate risk by netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances.

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained within this Strategic Report are “forward-looking statements” that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and the beliefs and assumptions of our management. We have tried, whenever possible, to identify these statements by using words like “will,” “may,” “could,” “should,” “would,” “believe,” “depends,” “expect,” “goal,” “anticipate,” “forecast,” “project,” “future,” “intend,” “plan,” “estimate,” “target,” “indicate” and similar expressions of future intent or the negative of such terms.

Forward-looking statements include those statements that may impact, among other things, the forecasting of our non-GAAP earnings per share; net revenue yields; booking levels; pricing; occupancy; operating, financing and tax costs, including fuel expenses; net cruise costs per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill, ship and trademark fair values and outlook.

Certain of the risks we are exposed to are identified within this Strategic Report. This Strategic Report contains important cautionary statements and a discussion of the known factors that we consider could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position. It is not possible to predict or identify all such risks. There may be additional risks that we consider immaterial or which are not known.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this Strategic Report, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

5. Repurchase Authorizations and Stock Swap Programs.

A. Repurchase Authorizations

Our Boards of Directors have authorized, subject to certain restrictions, the repurchase of up to an aggregate of $1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the “Repurchase Program”). The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time. During the year ended November 30, 2014, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program has been $975 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs described below. At February 20, 2015, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2015 annual general meeting or October 16, 2015. Depending on market conditions and other factors, we may repurchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently.

B. Stock Swap Programs

We use the Stock Swap programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program.

In the event Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell shares of Carnival Corporation common stock through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis. Based on an authorization provided by the board of directors in October 2008, Carnival Corporation was authorized to issue and sell up to 19.2 million shares of its common stock in the U.S. market and had 18.1 million shares remaining at February 20, 2015. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act.

In the event Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Corporation or Carnival Investments Limited through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. Based on an authorization provided by the board of directors in January 2013, Carnival Corporation or Carnival Investments Limited was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and had 32.0 million shares remaining at February 20, 2015. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act.

This Strategic Report, as set out on pages 2 to 64, has been approved by the Board.

By order of the Board

Micky Arison
Chairman of the Board of Directors
February 20, 2015

INTRODUCTORY NOTE TO THE CARNIVAL PLC IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 2014

The Carnival plc consolidated IFRS Financial Statements on pages 66 to 110, which are required to satisfy reporting requirements of the Companies Act 2006, incorporate the results of Carnival plc and its subsidiaries and, accordingly, do not include the IFRS consolidated results and financial position of Carnival Corporation and its subsidiaries.

However, the Directors consider that, within the Carnival Corporation and Carnival plc dual listed company arrangement, the most appropriate presentation of Carnival plc's results and financial position is by reference to the Carnival Corporation & plc U.S. GAAP consolidated financial statements ("DLC Financial Statements"), which are included in Annex 1, but do not form part of these Carnival plc financial statements.

CARNIVAL PLC
GROUP STATEMENTS OF INCOME
(in millions, except per share data)

	Years Ended November 30, 2014	2013 (restated) (See Note 1)
Revenues		
Cruise		
Passenger tickets	$ 5,664	$ 5,315
Onboard and other	1,329	1,284
Tour and other	215	208
	7,208	6,807
Operating Costs and Expenses		
Cruise		
Commissions, transportation and other	1,187	1,102
Onboard and other	201	229
Fuel	836	895
Payroll and related	716	713
Food	391	375
Other ship operating	1,389	1,295
Tour and other	160	158
	4,880	4,767
Selling and administrative	813	771
Depreciation and amortisation	665	649
Impairment losses, net	16	189
	6,374	6,376
Operating Income	834	431
Nonoperating (Expense) Income		
Interest income	2	5
Interest expense, net of capitalised interest	(70)	(119)
Other (expense), net	(3)	(20)
	(71)	(134)
Income Before Income Taxes	763	297
Income Tax Expense, Net	(20)	(1)
Net Income	$ 743	$ 296
Earnings Per Share		
Basic	$ 3.45	$ 1.37
Diluted	$ 3.44	$ 1.37

The accompanying notes on pages 72 to 110 are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation. In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Statements of Income or Statements of Comprehensive Income.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements (see Note 1). For information, set out below is the U.S. GAAP and Non-GAAP consolidated earnings per share included within the DLC Financial Statements of the DLC Annual Report and the Business Review section of the Strategic Report, respectively, for the years ended November 30:

	2014	2013
DLC U.S. GAAP basic earnings per share	$ 1.59	$ 1.39
DLC U.S. GAAP diluted earnings per share	$ 1.59	$ 1.39
DLC Non-GAAP diluted earnings per share	$ 1.96	$ 1.58

CARNIVAL PLC
GROUP STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Years Ended November 30,	
	2014	**2013**
		(restated)
Net Income	$ 743	$296
Other Comprehensive (Loss) Income		
Items that will not be reclassified through the Statements of Income		
Actuarial gains (losses) on post-employment benefit obligations	6	(2)
Items that may be reclassified through the Statements of Income		
Changes in foreign currency translation adjustment	(712)	329
Net gains (losses) on hedges of net investments in foreign operations	25	(10)
Net (losses) gains on cash flow derivative hedges	(37)	1
	(724)	320
Other Comprehensive (Loss) Income	(718)	318
Total Comprehensive Income	$ 25	$614

The accompanying notes on pages 72 to 110 are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements (see Note 1).

CARNIVAL PLC
BALANCE SHEETS
(in millions)

	Group		Company	
	November 30,			
	2014	2013 (restated)	2014	2013 (restated)
ASSETS				
Current Assets				
Cash and cash equivalents	$ 217	$ 263	$ 107	$ 144
Trade and other receivables, net	145	184	72	71
Insurance recoverables	166	373	-	-
Inventories, net	127	142	38	43
Prepaid expenses and other	129	109	50	36
Total current assets	784	1,071	267	294
Property and Equipment, Net	13,659	14,303	4,064	4,361
Amount Owed from Subsidiaries	-	-	77	1,336
Intangibles	669	723	172	179
Other Assets	216	169	31	32
Investments in Subsidiaries	-	-	6,129	5,106
	$15,328	$16,266	$10,740	$11,308
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Short-term borrowings	$ 14	$ 60	$ -	$ -
Current portion of long-term debt	518	373	470	318
Amount owed to the Carnival Corporation group	1,513	2,265	1,328	1,943
Amount owed to subsidiaries	-	-	-	104
Accounts payable	328	353	100	88
Dividends payable	54	54	54	54
Claims reserve	178	378	9	7
Accrued liabilities and other	348	325	128	116
Customer deposits	1,208	1,253	745	721
Total current liabilities	4,161	5,061	2,834	3,351
Long-Term Debt	2,130	2,049	1,687	1,515
Other Long-Term Liabilities	283	223	78	62
Shareholders' Equity				
Share capital	358	358	358	358
Share premium	137	136	137	128
Retained earnings	7,835	7,291	5,734	5,779
Other reserves	424	1,148	(88)	115
Total shareholders' equity	8,754	8,933	6,141	6,380
	$15,328	$16,266	$10,740	$11,308

The accompanying notes on pages 72 to 110 are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

The Carnival plc Group financial statements contained on pages 66 to 110 were approved by the board of directors on February 20, 2015 and signed on their behalf by

Micky Arison
Chairman of the Board of Directors

Arnold Donald
President and Chief Executive Officer and Director

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements (see Note 1).

CARNIVAL PLC
STATEMENTS OF CASH FLOWS
(in millions)

	Group		Company	
	Years Ended November 30,			
	2014	2013 (restated)	2014	2013 (restated)
OPERATING ACTIVITIES				
Income before income taxes	$ 763	$ 297	$ 153	$ 678
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortisation	665	649	220	209
Trademark impairment charges	-	13	-	-
Ship impairments	53	176	-	-
Gains on ship sale	(37)	-	-	-
Share-based compensation	10	7	5	4
Interest expense, net	68	114	32	65
Other, net	12	17	15	7
	1,534	1,273	425	963
Changes in operating assets and liabilities				
Receivables	15	(1)	(8)	6
Inventories	6	20	3	5
Insurance recoverables, prepaid expenses and other	413	418	(21)	(5)
Accounts payable	(3)	42	16	13
Claims reserve and accrued and other liabilities	(359)	(419)	42	4
Customer deposits	41	27	63	(19)
Cash provided by operations before interest and taxes	1,647	1,360	520	967
Interest received	2	5	20	1
Interest paid	(77)	(117)	(56)	(61)
Income taxes paid, net	(9)	(5)	(1)	(1)
Net cash provided by operating activities	1,563	1,243	483	906
INVESTING ACTIVITIES				
Additions to property and equipment	(1,075)	(729)	(780)	(153)
Proceeds from sale of ship	42	-	647	-
Capital contribution to a subsidiary	-	-	(1,243)	-
Other, net	21	17	11	1
Net cash used in investing activities	(1,012)	(712)	(1,365)	(152)
FINANCING ACTIVITIES				
Changes in loans with the Carnival Corporation group and Group companies	(728)	689	645	387
(Proceeds from) repayments of short-term borrowings, net	(35)	4	10	2
Principal repayments of long-term debt	(357)	(1,232)	(308)	(1,183)
Proceeds from issuance of long-term debt	773	311	773	311
Dividends paid	(216)	(323)	(216)	(323)
Other, net	(4)	(5)	(3)	(5)
Net cash (used in) provided by financing activities	(567)	(556)	901	(811)
Effect of exchange rate changes on cash and cash equivalents	(30)	(7)	(56)	15
Net decrease in cash and cash equivalents	(46)	(32)	(37)	(42)
Cash and cash equivalents at beginning of year	263	295	144	186
Cash and cash equivalents at end of year	$ 217	$ 263	$ 107	$ 144

The accompanying notes on pages 72 to 110 are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements (see Note 1).

CARNIVAL PLC
GROUP STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions)

	Share capital	Share premium	Retained earnings	Other reserves: Translation reserve	Other reserves: Cash flow hedges	Other reserves: Merger reserve	Other reserves: Total	Total shareholders' equity
Balances at November 30, 2012 (as previously reported)	$357	$134	$7,200	$ (678)	$ 3	$1,503	$ 828	$8,519
Effect of change in accounting policy	-	-	4	-	-	-	-	4
Balances at November 30, 2012 (restated)	357	134	7,204	(678)	3	1,503	828	8,523
Comprehensive income								
Net income	-	-	296	-	-	-	-	296
Changes in foreign currency translation adjustment	-	-	-	329	-	-	329	329
Net losses on hedges of net investments in foreign operations	-	-	-	(10)	-	-	(10)	(10)
Net gains on cash flow derivative hedges	-	-	-	-	1	-	1	1
Actuarial losses on post-employment benefit obligations	-	-	(2)	-	-	-	-	(2)
Total comprehensive income	-	-	294	319	1	-	320	614
Cash dividends declared	-	-	(215)	-	-	-	-	(215)
Other, net	1	2	8	-	-	-	-	11
Balances at November 30, 2013 (restated)	358	136	7,291	(359)	4	1,503	1,148	8,933
Comprehensive income Net income	-	-	743	-	-	-	-	743
Changes in foreign currency translation adjustment	-	-	-	(712)	-	-	(712)	(712)
Net gains on hedges of net investments in foreign operations	-	-	-	25	-	-	25	25
Net losses on cash flow derivative hedges	-	-	-	-	(37)	-	(37)	(37)
Actuarial gains on post-employment benefit obligations	-	-	6	-	-	-	-	6
Total comprehensive income (loss)	-	-	749	(687)	(37)	-	(724)	25
Cash dividends declared	-	-	(216)	-	-	-	-	(216)
Other, net	-	1	11	-	-	-	-	12
Balances at November 30, 2014	$358	$137	$7,835	$(1,046)	$(33)	$1,503	$ 424	$8,754

The accompanying notes on pages 72 to 110 are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements (see Note 1).

CARNIVAL PLC
COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions)

	Share capital	Share premium	Retained earnings	Other reserves: Translation reserve	Other reserves: Cash flow hedges	Other reserves: Merger reserve	Other reserves: Total	Total shareholders' equity
Balances at November 30, 2012 (as previously reported)	$357	$130	$5,307	$ (17)	$ 3	$36	$ 22	$5,816
Effect of change in accounting policy	-	-	4	-	-	-	-	4
Balances at November 30, 2012 (restated)	357	130	5,311	(17)	3	36	22	5,820
Comprehensive income								
Net income	-	-	677	-	-	-	-	677
Changes in foreign currency translation adjustment	-	-	-	102	-	-	102	102
Net losses on hedges of net investments in foreign operations	-	-	-	(10)	-	-	(10)	(10)
Net gains on cash flow derivative hedges	-	-	-	-	1	-	1	1
Actuarial losses on post-employment benefit obligations	-	-	(2)	-	-	-	-	(2)
Total comprehensive income	-	-	675	92	1	-	93	768
Cash dividends declared	-	-	(215)	-	-	-	-	(215)
Other, net	1	(2)	8	-	-	-	-	7
Balances at November 30, 2013 (restated)	358	128	5,779	75	4	36	115	6,380
Comprehensive income Net income	-	-	155	-	-	-	-	155
Changes in foreign currency translation adjustment	-	-	-	(191)	-	-	(191)	(191)
Net gains on hedges of net investments in foreign operations	-	-	-	25	-	-	25	25
Net losses on cash flow derivative hedges	-	-	-	-	(37)	-	(37)	(37)
Actuarial gains on post-employment benefit obligations	-	-	6	-	-	-	-	6
Total comprehensive income (loss)	-	-	161	(166)	(37)	-	(203)	(42)
Cash dividends declared	-	-	(216)	-	-	-	-	(216)
Other, net	-	9	10	-	-	-	-	19
Balances at November 30, 2014	$358	$137	$5,734	$ (91)	$(33)	$36	$ (88)	$6,141

The accompanying notes on pages 72 to 110 are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements (see Note 1).

NOTE 1 - Summary of Significant Accounting Policies

Carnival plc was incorporated in England and Wales in 2000 and its headquarters is located at Carnival House, 100 Harbour Parade, Southampton, SO15 1ST, UK (registration number 4039524). The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Carnival plc (the "Company"), its subsidiaries and associates (referred to collectively in these IFRS financial statements as the "Group," "our," "us," and "we").

As of February 20, 2015, our cruise brands' summary information is as follows:

Cruise Brands	Passenger Capacity (a)	Percentage of Total Capacity	Number of Cruise Ships
Costa Cruises ("Costa")	35,828	37%	15
AIDA Cruises ("AIDA")	18,656	19	10
P&O Cruises (UK)	14,736	15	7
Princess Cruises ("Princess") (b)	11,420	12	5
Cunard	6,694	7	3
P&O Cruises (Australia)	4,804	5	3
Carnival Cruise Line (b)	4,248	5	2
	96,386	100%	45

(a) In accordance with cruise industry practice, passenger capacity is calculated based on the assumption of two passengers per cabin even though some cabins can accommodate three or more passengers.
(b) Princess and Carnival Cruise Line, two of Carnival Corporation's North America cruise brands, time charter five and one of their ships, respectively, to us to operate year-round in Australia and/or Asia. Since September 2014, Carnival Cruise Line began time chartering another ship to us that operated seasonally from Australia.

Basis of Preparation

The Carnival plc Group and Company financial statements are presented in U.S. dollars unless otherwise noted, as this is the Group's and Company's presentation currency. They are prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) that are stated at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and International Financial Reporting Interpretations Committee interpretations. The financial statements have been prepared on a going concern basis.

The preparation of Group and Company financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported and disclosed amounts in the financial statements. The estimates and underlying assumptions are based on historical experience and various other factors that we believe to be reasonable under the circumstances, and form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in preparing the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

A review of the critical accounting estimates made by management is included within the Business Review section of the Strategic Report on pages 43 to 45.

Basis of Consolidation

The Carnival plc Group IFRS Financial Statements include the results of the Company and all its controlled subsidiaries, as typically evidenced by a voting control of greater than 50%, and incorporate the Group's interest in its associates under the equity method of accounting, as typically evidenced by a voting control of 20% to 50%. All significant intra-Group balances and transactions are eliminated in consolidation.

Carnival Corporation and Carnival plc operate a dual listed company ("DLC"), known as Carnival Corporation & plc, whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation's Articles of Incorporation and By-Laws and Carnival plc's Articles of Association. The two companies operate as if they are a single economic enterprise, but each has retained its separate legal identity. Each company's shares are publicly traded; on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange for Carnival plc. In addition, Carnival plc American Depository Shares are traded on the NYSE. The contracts governing the DLC arrangement provide that Carnival Corporation and Carnival plc each continue to have separate boards of directors, but the boards of directors and senior executive management of both companies are identical. Further details relating to the DLC arrangement are included in Note 3 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

In order to provide the Carnival Corporation and Carnival plc shareholders with the most meaningful picture of their economic interest in the DLC arrangement, consolidated financial statements of Carnival Corporation & plc are included in the DLC Annual Report. The DLC Financial Statements have been prepared under purchase accounting principles whereby the DLC transaction was accounted for as an acquisition of Carnival plc by Carnival Corporation.

The Group and Company IFRS Financial Statements are required to satisfy reporting requirements of the Companies Act 2006 and do not include the IFRS consolidated results and financial position of Carnival Corporation and its subsidiaries. Accordingly, 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. generally accepted accounting principles ("U.S. GAAP") DLC Financial Statements, on the basis that all significant financial and operating decisions affecting the DLC companies are made on the basis of U.S. GAAP information and consequences. Accordingly, the DLC Financial Statements on pages 6 to 36 in the DLC Annual Report are provided to shareholders as other information, which are included in Annex 1, but do not form part of these Carnival plc financial statements. Finally, the Carnival plc Directors' Report, Part II of the Carnival plc Directors' Remuneration Report and the Carnival plc Corporate Governance Report, included as Annexes A, B and C, respectively, to the Notice of Annual Meetings and Proxy Statement, dated February 20, 2015 ("Proxy Statement"), Part I of the Carnival plc Directors' Remuneration Report, contained within the Proxy Statement and the Strategic Report are all included as part of the 2014 Carnival plc Annual Report. Additional information related to environmental, social and governance issues can be found in our Strategic Report, Carnival plc Directors' Report and Carnival plc Corporate Governance Report.

The above mentioned Proxy Statement information can be found at the Carnival Corporation & plc website at www.carnivalcorp.com or www.carnivalplc.com.

Cash and Cash Equivalents

Cash and cash equivalents include investments with maturities of three months or less at acquisition, which are stated at cost.

Inventories

Inventories consist substantially of food and beverages, hotel and restaurant products and supplies, fuel and gift shop merchandise held for resale, which are all carried at the lower of cost or net realisable value. Cost is determined using the weighted-average or first-in, first-out methods.

Property and Equipment

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

	Years	Residual Values
Ships	30	15%
Ship improvements	Shorter of remaining ship life or useful life (3-28)	0%
Buildings and improvements	10-35	0% or 10%
Computer hardware and software	3-10	0% or 10%
Transportation equipment and other	3-20	0% or 10%
Leasehold improvements, including port facilities	Shorter of lease term or related asset life (3-30)	-

The cruise industry is very capital intensive, and at February 20, 2015, we operated 45 cruise ships. Therefore, we have a capital program that we develop for the improvement of our ships and for asset replacements in order to enhance the effectiveness and efficiency of our operations; comply with, or exceed all relevant legal and statutory requirements related to health, environment, safety, security and sustainability; and gain strategic benefits or provide newer improved product innovations to our guests.

Ship improvement costs that we believe add value to our ships, such as those discussed above, are capitalised to the ships and depreciated over the shorter of their or the ships' estimated remaining useful life, while costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred and included in other ship operating expenses.

Dry-dock costs primarily represent planned major maintenance activities that are incurred when a ship is taken out-of-service for scheduled maintenance. We capitalise interest as part of the cost of acquiring ships and other capital projects during their construction period. The specifically identified or estimated cost and accumulated depreciation of previously capitalised ship components are written-off upon retirement, which may result in a loss on disposal that is also included in other ship operating expenses.

We review our long-lived assets, principally our ships, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on our ability to recover the carrying value of our asset based on our estimate of its recoverable amount, which is the higher of the fair value less cost to sell and its value in use. This is determined by using the asset's estimated discounted future cash flows. If these estimated discounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess. As it relates to our ships, the lowest level for which we maintain identifiable cash flows that are independent of the cash flows of other assets and liabilities is at the individual ship level.

A significant amount of judgment is required in estimating the future cash flows and fair values of our cruise ships.

Intangibles

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business acquisition. We review our goodwill for impairment at least annually and, when events or circumstances dictate, more frequently. All of our goodwill has been allocated to our business units, also referred to as "cruise brands", on the basis of expected benefit resulting from the acquisition and is stated at cost less accumulated goodwill impairment charges. The recoverability of goodwill is determined by comparing the carrying amount of the net assets allocated to each cash-generating unit ("CGU") with its recoverable amount. The estimated recoverable amount is the higher of the cruise brand fair value less cost to sell and its value in use, and if the recoverable amount is greater than the cruise brand net asset carrying value, then the goodwill amount is deemed recoverable.

Trademarks, which are stated at cost less impairments, are estimated to have an indefinite useful life and, therefore, are not amortisable, but are reviewed for impairment at least annually and, when events or circumstances dictate, more frequently. Our trademarks would be considered impaired if their carrying value exceeds their estimated recoverable amount. The costs of developing and maintaining our trademarks are expensed as incurred.

A significant amount of judgment is required in estimating the recoverable amounts of our cruise brands' goodwill and trademarks.

Revenue and Expense Recognition

Revenue comprises sales to third-parties and excludes VAT and other similar sales taxes. Guest cruise deposits represent unearned revenues and are initially included in customer deposit liabilities generally when received (see Business Review section on page 53 within the Strategic Report for additional discussion of customer deposits). Customer deposits are subsequently recognised as cruise revenues, together with revenues from onboard and other activities, and all associated direct costs and expenses of a voyage are recognised as cruise costs and expenses, upon completion of voyages with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. The impact of recognising these shorter duration cruise revenues and costs and expenses on a completed voyage basis versus on a pro rata basis is not significant. Future travel discount vouchers issued to guests are included as a reduction of cruise passenger ticket revenues when such vouchers are utilised. Guest cancellation fees are recognised in cruise passenger ticket revenues at the time of the cancellation.

Our sale to guests of air and other transportation to and from airports near the home ports of our ships and the related cost of purchasing these services are included in cruise passenger ticket revenues and cruise transportation costs, respectively. The proceeds that we collect from the sales of third-party shore excursions and on behalf of our onboard concessionaires, net of the amounts remitted to them, are included in onboard and other cruise revenues as concession revenues. All of these amounts are recognised on a completed voyage or pro rata basis as discussed above.

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. A portion of these fees, taxes and charges vary with guest head counts and are directly imposed on a revenue-producing arrangement. This portion of the fees, taxes and charges is expensed in commissions, transportation and other costs when the corresponding revenues are recognised. The remaining portion of fees, taxes and charges are also included in cruise passenger ticket revenues but are expensed in other ship operating expenses when the corresponding revenues are recognised.

Revenues and expenses from our hotel and transportation operations, which are included in our Tour and Other segment, are recognised at the time the services are performed or expenses are incurred. Revenues from the long-term leasing of ships, which are also included in our Tour and Other segment, are recognised ratably over the term of the charter agreement using the straight-line method (see Note 2).

Insurance

We maintain insurance, including under Carnival Corporation & plc's group risk sharing programs, to cover a number of risks including illness and injury to crew, guest injuries, pollution, other third-party claims in connection with our cruise activities, damages to hull and machinery for each of our ships, war risks, workers' compensation, employee health, directors' and officers' liability, property damages and general liabilities for third-party claims. We recognise insurance recoverables from third-party insurers for incurred expenses at the time the recovery is virtually certain and upon realisation for amounts in excess of incurred expenses. All of our insurance policies are subject to coverage limits, exclusions and deductible levels. The liabilities associated with crew illnesses and crew and guest injury claims, including all legal costs, are estimated based on the specific merits of the individual claims or actuarially estimated based on historical claims experience, loss development factors and other assumptions. While we believe our estimated accrued claims reserves are adequate, the ultimate losses will differ.

At November 30, 2014 and 2013, substantially all of our aggregated short-term and long-term insurance recoverables are for crew, guest and other third-party claims related to our January 2012 ship incident. At November 30, 2014 and 2013, the majority of our aggregated short-term and long-term claims reserves also relate to this January 2012 ship incident. At November 30, 2014 and 2013, our long-term insurance recoverables and long-term claims reserve are included in other assets and other long-term liabilities, respectively, and are not material.

Selling and Administrative Expenses

Selling expenses include a broad range of advertising, such as marketing and promotional expenses. Advertising is charged to expense as incurred. Administrative expenses represent the costs of our shoreside ship support, reservations and other administrative functions, and includes salaries and related benefits, professional fees and occupancy costs, which are typically expensed as incurred.

Foreign Currency Translations and Transactions

Each business determines its functional currency by reference to its primary economic environment. We translate the assets and liabilities of our foreign operations that have functional currencies other than the U.S. dollar at exchange rates in effect at the balance sheet date. Revenues and expenses of these foreign operations are translated at weighted-average exchange rates for the period. Their equity is translated at historical rates and the resulting foreign currency translation adjustments are included in the translation reserve, which is a separate component of other reserves within shareholders' equity. Therefore, the U.S. dollar value of these non-equity translated items in our Group and Company financial statements will fluctuate from period to period, depending on the changing value of the U.S. dollar versus these currencies.

We execute transactions in a number of different currencies, principally the U.S. dollar, euro, sterling and Australian dollar. Exchange rate gains and losses arising from changes in foreign currency exchange rates between the time an expense is recorded and when it is settled as well as the remeasurement of monetary assets and liabilities, all denominated in a currency other than the functional currency of the entity involved, are recognised currently in nonoperating earnings, unless such monetary liabilities have been designated to act as hedges of net investments in our foreign operations. These net gains or losses resulting from these "nonoperating foreign currency transactions" were insignificant in 2014 and 2013. In addition, the unrealised gains or losses on our long-term intercompany receivables and payables denominated in a non-functional currency, which are not expected to be repaid in the foreseeable future and are therefore considered to form part of our net investments, are recorded as foreign currency translation adjustments, which are included in the translation reserve.

Share-Based Compensation

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

Pensions

The Group operates both defined benefit and defined contribution plans. The net deficit or surplus for each defined benefit pension plan is calculated in accordance with IAS 19(R), based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. The discount rate is the yield at the balance sheet date on AA credit rated bonds or local equivalents that have maturity dates approximating the terms of the pension plans' obligations.

Actuarial gains and losses that arise in calculating the defined benefit pension plans' obligations are recognised in the period in which they arise directly in the Group and Company's comprehensive income.

The operating and financing costs of defined benefit pension plans are recognised in the Group and Company's income; current service costs are spread systematically over the expected average remaining service lives of employees and financing costs are recognised in the periods within which they arise. To the extent that the benefits vest immediately, the expense is recognised immediately in the Group and Company's income.

Defined contribution plan expenses are recognised in the period to which they relate. We contribute to these plans based on employee contributions, salary levels and length of service.

Derivatives and Other Financial Instruments

We utilise derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates, and interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. Our policy is not to use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. The changes in fair value are recognised currently in earnings if the derivatives do not qualify as effective hedges. Subject to specific criteria, derivatives, financial assets and financial liabilities may be designated as forming hedge relationships, as a result of which changes in their fair value are offset in the Group and Company's income or recognised directly in the Group and Company's comprehensive income, depending on the nature of the hedge relationship. Hedging derivatives fall into three classifications: fair value hedges, cash flow hedges and hedges of a net investment. Changes in the fair value of fair value hedge derivatives are offset against the changes in the fair value of the underlying hedged items in the Group and Company's income. The effective portion of the changes in fair value of cash flow hedge derivatives are recognised in the Group and Company's comprehensive income until the underlying hedged item is recognised in earnings or the forecasted transaction is no longer probable. Changes in the fair value of hedges of a net investment are recognised in the Group and Company's comprehensive income to offset a portion of the change in the translated value of the net investment being hedged. In the event that a previously hedged investment is sold or liquidated, the accumulated amount previously recognised from hedging is required to be removed from the hedging reserve within shareholders' equity and reflected in net income. We formally document hedging relationships for all derivative and nonderivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all derivative contracts as either current or long-term, depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. The cash flows from derivatives treated as hedges are classified in the Statements of Cash Flows in the same category as the item being hedged.

Interest-bearing debt and bank overdrafts are recorded at their initial fair value, which normally reflects the proceeds received by us, net of debt issuance costs, and subsequently stated at amortised cost, including accrued interest. Any difference between the proceeds after debt issuance costs and the premium and redemption values are amortised to interest expense over the term of the debt, typically on a straight-line basis which approximates the effective interest method.

Income Taxes

Deferred income taxes are provided using the balance sheet liability method. Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. Deferred income taxes are measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Current income taxes are the taxes payable on the taxable income for the year, applying current rates and any adjustments in respect of previous years.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of ordinary shares and common stock equivalents outstanding during each period.

Dividends

Dividend distributions are recognised in the period in which the dividends are declared, since under the DLC arrangement the declaration of a dividend by the boards of directors of Carnival Corporation and Carnival plc establishes a liability for Carnival plc.

Changes in Accounting Policy and Disclosures

New and Amended Standards That Have Been Adopted By Us

- Amendments to IAS 19, "Employee Benefits," effective for annual periods beginning on or after January 1, 2013;
- IAS 36, "Impairment of Assets," effective for annual periods beginning on or after January 1, 2014;
- IFRS 7, "Offsetting Financial Assets and Financial Liabilities," effective for annual periods beginning on or after January 1, 2013 and
- IFRS 13, "Fair Value Measurement," effective for annual periods beginning on or after January 1, 2013.

The adoption of these new standards and amendments did not have a material impact on the Group or Company results and financial position. However, the impact of adopting Amendments to IAS 19 was an increase to the November 30, 2012 previously reported retained earnings of $4 million. A November 30, 2012 balance sheet was not prepared due to the insignificant impact of adopting the amendments to IAS 19.

NOTE 2 - Segment Information

IFRS 8 "Operating Segments" requires that an entity's operating segments are reported on the same basis as the internally reported information that is provided to the chief operating decision maker ("CODM"), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc.

As previously discussed, within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is by reference to the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements. Accordingly, decisions to allocate resources and assess performance for Carnival plc are made by the CODM upon review of the U.S. GAAP segment results across all of Carnival Corporation & plc's cruise brands and other segments. Carnival Corporation & plc has three reportable cruise segments that are comprised of its (1) North America cruise brands, (2) Europe, Australia & Asia ("EAA") cruise brands and (3) Cruise Support. In addition, Carnival Corporation & plc has a Tour and Other segment.

The Carnival Corporation & plc North America cruise segment includes Carnival Cruise Line, Holland America Line, Princess and Seabourn. The Carnival Corporation & plc EAA cruise segment includes AIDA, Costa, Cunard, P&O Cruises (Australia), P&O Cruises (UK) and prior to November 2014, Ibero Cruises ("Ibero"). These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, ship maintenance requirements, supporting systems and processes and products and services they provide. The Carnival Corporation & plc Cruise Support segment represents certain of its port and related facilities and other services that are provided for the benefit of its cruise brands. The Carnival Corporation & plc Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours. In 2012, this Tour and Other segment also included two ships that it chartered to an unaffiliated entity. In April 2013, Carnival Corporation sold one of these two ships and recognised a $15 million gain as a reduction of Tour and Other operating expenses. Accordingly, subsequent to this 2013 sale and through November 30, 2014, our Tour and Other segment included only one ship. The significant accounting policies of these segments are the same as those described in Note 2 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

Selected information for the Carnival Corporation & plc segments and the reconciliation to the corresponding Carnival plc amounts as of and for the years ended November 30 was as follows (in millions):

	Revenues	Operating expenses	Selling and administrative	Depreciation and amortisation	Operating income (loss)	Capital expenditures	Total assets
2014							
North America Cruise Brands (a)	$ 9,559	$ 6,418	$ 1,121	$ 959	$ 1,061	$ 1,315	$ 22,765
EAA Cruise Brands (b)	6,148	3,914	725	616	893(c)	1,054	15,228
Cruise Support	90	39	200	25	(174)	156	1,023
Tour and Other (a)	215	160	8	35	12	58	516(f)
Intersegment elimination (a)	(128)	(128)	-	-	-	-	-
Carnival Corporation & plc – U.S. GAAP	15,884	10,403	2,054	1,635	1,792	2,583	39,532
Carnival Corporation, U.S. GAAP vs. IFRS differences and eliminations (d)	(8,676)	(5,523)	(1,241)	(970)	(958)	(1,508)	(24,204)
Carnival plc – IFRS	$ 7,208	$ 4,880	$ 813	$ 665	$ 834	$ 1,075	$ 15,328
2013 (restated)							
North America Cruise Brands (a)	$ 9,370	$ 6,439	$ 1,048	$ 927	$ 956	$ 1,350	$ 22,448
EAA Cruise Brands (b)	5,906	4,137	686	599	471(e)	642	16,126
Cruise Support	96	31	136	26	(97)	108	1,016
Tour and Other (a)	210	143	9	36	22	49	514(f)
Intersegment elimination (a)	(126)	(126)	-	-	-	-	-
Carnival Corporation & plc – U.S. GAAP	15,456	10,624	1,879	1,588	1,352	2,149	40,104
Carnival Corporation, U.S. GAAP vs. IFRS differences and eliminations (d)	(8,649)	(5,857)	(1,108)	(939)	(921)	(1,420)	(23,838)
Carnival plc – IFRS	$ 6,807	$ 4,767	$ 771	$ 649	$ 431	$ 729	$ 16,266

(a) A portion of the North America cruise brands' segment revenues includes revenues for the tour portion of a cruise when a land tour package is sold along with a cruise by either Holland America Line or Princess. These intersegment tour revenues, which are included in the Tour and Other segment, are eliminated directly against the North America cruise brands' segment revenues and operating expenses in the line "Intersegment elimination."

(b) Carnival plc consists principally of the EAA cruise brands.

(c) Includes impairment charges of $31 million and $22 million related to *Grand Holiday* and *Grand Celebration*, respectively, partially offset by a $37 million gain on the sale of *Costa Voyager*.

(d) Carnival Corporation consists primarily of cruise brands that do not form part of the Group; however, these brands are included in Carnival Corporation & plc and thus represent substantially all of the reconciling items. These North American Carnival Corporation cruise brands are Carnival Cruise Line, Princess, Holland America Line and Seabourn. The U.S. GAAP vs. IFRS accounting differences principally relate to differences in the carrying value of ships and related depreciation expenses.

(e) Includes $13 million in 2013 of impairment losses related to Ibero's trademarks.

(f) Tour and Other segment assets primarily include hotels and lodges in the state of Alaska and the Canadian Yukon, motorcoaches used for sightseeing and charters, glass-domed railcars, which run on the Alaska Railroad and Carnival Corporation & plc owned ships that it leased out under long-term charters to an unaffiliated entity.

IFRS 8 also requires disclosure of certain geographical information that is in addition to the requirement to disclose information reviewed by the CODM. The Group's revenues by geographical areas, which are based on where our guests are sourced and not the cruise brands on which they sailed, were as follows (in millions):

	Years Ended November 30,	
	2014	2013
North America	$ 1,049	$ 880
Europe	4,925	4,675
Australia and Asia	1,014	878
Others	220	374
	$ 7,208	$ 6,807

Substantially all of our cruise assets are ships and our cruise capital expenditures are substantially all incurred for ships and ships under construction. Our ships move between geographic regions and, therefore, it is not meaningful to allocate these ship assets and ship capital expenditures to particular regions. In addition, segment information relating to liabilities is not reported to or used by the CODM in order to assess performance and allocate resources to a segment. Our Tour operations' guests are primarily sourced from North America, which is where all our Tour operations' assets and capital spending are located.

NOTE 3 - Income, Expense and Auditors' Remuneration

Operating lease expenses were as follows (in millions):

	Years Ended November 30,	
	2014	2013
Ships	$ 444	$ 337
Property	27	25
Other	6	6
	$ 477	$ 368

Auditors' remuneration was as follows (in millions):

Fees payable to the Company's auditor for the audit of the Group and Company financial statements	$ 1	$ 1
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries pursuant to legislation	1	1
	$ 2	$ 2

In addition, during 2014, there were non-audit service fees that were payable to the auditor of $0.3 million.

During 2014, the Group recognised:

- a $31 million and $22 million ship impairment charge related to Ibero's *Grand Holiday* and *Grand Celebration,* respectively, and
- a $37 million gain from the sale of *Costa Voyager.*

During 2013, the Group recognised:

- a $73 million and $103 million ship impairment charge related to *Costa Voyager* and *Costa Classica,* respectively, and
- impairment charges of $13 million for Ibero's remaining trademarks' carrying value and $14 million related to an investment.

Refer to Note 10 for ship impairments and sales discussion.

Selling and administrative expenses include advertising and promotion expenses of $292 million and $278 million and payroll and related expenses of $388 million and $355 million in 2014 and 2013, respectively.

NOTE 4 - Income and Other Taxes

Income tax (expense) benefit, comprised entirely of overseas taxes incurred outside the UK, was as follows (in millions):

	Years Ended November 30,	
	2014	2013
Current taxes	$(31)	$(24)
Deferred taxes	11	23
Income tax expense, net	$(20)	$ (1)

The total income tax (expense) benefit is reconciled to income taxes calculated at the UK standard tax rate as follows (in millions):

	Years Ended November 30,	
	2014	2013 (restated)
Income before income taxes	$ 763	$297
Notional tax expense at UK standard tax rate (2014-21.7% and 2013-23.3%)	(165)	(69)
Effect of Italian and UK tonnage tax and other overseas taxes at different rates	145	68
	$ (20)	$ (1)

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

UK and Australian Income Tax

Cunard, P&O Cruises (UK) and P&O Cruises (Australia) are divisions of Carnival plc and have elected to enter the UK tonnage tax on a rolling 10-year term and, accordingly, reapply every year. Companies to which the tonnage tax regime applies pay corporation taxes on profits calculated by reference to the net tonnage of qualifying ships. UK corporation tax is not chargeable under the normal UK tax rules on these brands' relevant shipping income. Relevant shipping income includes income from the operation of qualifying ships and from shipping related activities.

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

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

P&O Cruises (Australia) and all of the other cruise ships operated internationally by Carnival plc for the cruise segment of the Australian vacation market are exempt from Australian corporation tax by virtue of the UK/ Australian income tax treaty.

Italian and German Income Tax

In early 2015, Costa and AIDA will reelect to enter the Italian tonnage tax regime through 2024 and can reapply for an additional ten-year period beginning in early 2025. Companies to which the tonnage tax regime applies pay corporation taxes on shipping profits calculated by reference to the net tonnage of qualifying ships.

Most of Costa's and AIDA's earnings not considered to be shipping profits for Italian tonnage tax purposes will be taxed at an effective tax rate of 5.5% under the Italian international shipping tax regime since all of their ships are Italian registered.

Substantially all of AIDA's earnings are exempt from Italian and German corporation tax by virtue of Italy/Germany income tax treaties.

Income and Other Taxes in Asian Countries

Substantially all of our brands' income from their international operation in Asian countries is exempt from local corporation tax by virtue of relevant income tax treaties.

U.S. and State Income Taxes

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

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

NOTE 5 - Dividends

The board of directors declared regular quarterly dividends for the first, second, third and fourth quarters at $0.25 per share in 2014 and 2013, respectively. Our quarterly dividend declarations amounted to $54 million per quarter or an aggregate of $216 million in 2014 and $54 million, $54 million, $53 million and $54 million in the first, second, third and fourth quarters, respectively, or an aggregate of $215 million in 2013.

NOTE 6 - Earnings per Share

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

	Years Ended November 30,	
	2014	**2013**
		(restated)
Net income for basic and diluted earnings per share	$ 743	$ 296
Weighted-average ordinary shares outstanding	215	215
Dilutive effect of equity plans	1	1
Diluted weighted-average shares outstanding	216	216
Basic earnings per share	$3.45	$1.37
Diluted earnings per share	$3.44	$1.37

As described in Note 1, Carnival Corporation and Carnival plc operate as a DLC. Under the contracts governing the DLC arrangement, the Carnival Corporation & plc consolidated earnings accrue equally to each share of Carnival Corporation common stock and each Carnival plc ordinary share. For this reason, the U.S. GAAP earnings per share for Carnival Corporation & plc are provided for information on page 66.

The weighted-average number of ordinary shares has been reduced for shares in the Company held by the Company's Employee Benefit Trust for the satisfaction of equity awards that have not vested unconditionally. These Employee Benefit Trust held shares do not receive any dividends.

The dilutive shares relate to ordinary shares to be issued on vesting of restricted stock units and performance-based share awards and the exercise of employee share options. Details of employee share-based compensation are discussed in Note 20.

NOTE 7 - Cash and Cash Equivalents

Cash and cash equivalents were as follows (in millions):

	Group		Company	
	November 30,			
	2014	2013	2014	2013
Cash on ships	$ 50	$ 55	$ 16	$ 16
Cash used for current operations	79	95	27	43
Money market funds and time deposits	88	113	64	85
	$ 217	$ 263	$ 107	$ 144

NOTE 8 - Trade and Other Receivables, Net

Trade and other receivables, net, were as follows (in millions):

	Group		Company	
	November 30,			
	2014	2013	2014	2013
Trade, net	$ 111	$ 162	$ 55	$ 63
VAT, income taxes and other	34	22	17	8
	$ 145	$ 184	$ 72	$ 71

The aging of trade receivables was as follows (in millions):

	Group		Company	
	November 30,			
	2014	2013	2014	2013
Current	$ 99	$ 147	$ 52	$ 62
1 to 30 days	7	7	2	2
31 to 90 days	4	7	1	1
91 to 180 days	3	3	1	-
Over 180 days	7	8		-
	$ 120	$ 172	$ 56	$ 65

The allowance account movements were as follows (in millions):

	Group		Company	
	November 30,			
	2014	2013	2014	2013
Allowance for bad debts at December 1,	$ 10	$ 11	$ 2	$ 3
Recoveries	(1)	-	-	(1)
Write-offs	-	(1)	(1)	-
Allowance for bad debts at November 30,	$ 9	$ 10	$ 1	$ 2

NOTE 9 - Inventories, Net

Inventories, net were as follows (in millions):

	Group		Company	
	November 30,			
	2014	2013	2014	2013
Food and beverage provisions and hotel and restaurant products and supplies, net	$ 73	$ 81	$ 24	$ 25
Fuel	39	45	14	17
Merchandise held for resale, net	15	16	0	1
	$ 127	$ 142	$ 38	$ 43

NOTE 10 - Property and Equipment

Property and equipment movements were as follows (in millions):

	Group			Company		
	Ships and ship improvements	Other property and equipment	Total	Ships and ship improvements	Other property and equipment	Total
Cost at November 30, 2012	$16,928	$ 1,193	$18,121	$ 5,747	$ 89	$ 5,836
Exchange movements	557	52	609	-	7	7
Additions	615	114	729	145	8	153
Disposals	(52)	(18)	(70)	(32)	(1)	(33)
Cost at November 30, 2013	18,048	1,341	19,389	5,860	103	5,963
Exchange movements	(1,293)	(85)	(1,378)	(272)	(21)	(293)
Additions	926	152	1,078	747	33	780
Disposals	(141)	(7)	(148)	(671)	(2)	(673)
Cost at November 30, 2014	$17,540	$ 1,401	$18,941	$ 5,664	$ 113	$ 5,777
Accumulated depreciation at November 30, 2012	$ (3,654)	$ (569)	$ (4,223)	$ (1,405)	$ (43)	$ (1,448)
Exchange movements	(53)	(56)	(109)	28	(2)	26
Depreciation and amortisation	(569)	(73)	(642)	(199)	(10)	(209)
Impairments	(176)	-	(176)	-	-	-
Disposals	46	18	64	27	2	29
Accumulated depreciation at November 30, 2013	(4,406)	(680)	(5,086)	(1,549)	(53)	(1,602)
Exchange movements	305	77	382	80	7	87
Depreciation and amortisation	(580)	(85)	(665)	(206)	(14)	(220)
Impairments (a)	(53)	-	(53)	-	-	-
Disposals	135	5	140	20	2	22
Accumulated depreciation at November 30, 2014	$ (4,599)	$ (683)	$ (5,282)	$ (1,655)	$ (58)	$ (1,713)
Net book value						
At November 30, 2014	$12,941	$ 718	$13,659	$ 4,009	$ 55	$ 4,064
At November 30, 2013	$13,642	$ 661	$14,303	$ 4,311	$ 50	$ 4,361

(a) In November 2014, we entered into a bareboat charter/sale agreement under which the 1,440-passenger capacity *Grand Holiday* was chartered to an unrelated entity in January 2015 through March 2025. Under this agreement, ownership of *Grand Holiday* will be transferred to the buyer in March 2025. This transaction did not meet the criteria to qualify as a finance lease and, accordingly, it will be accounted for as an operating lease whereby we will recognize the charter revenue over the term of the agreement. As a result of this transaction, we performed a ship impairment review and recognised a $31 million impairment charge during the fourth quarter of 2014. The estimated fair value of the ship was substantially all determined based on the expected collectability of the bareboat charter payments, which is considered a Level 3 input. See Note 3 for ship gain and impairment charges.

Due to the expected absorption of Ibero's operations into Costa in November 2014, and certain ship-specific facts and circumstances, such as size, age, condition, viable alternative itineraries and historical operating cash flows, we performed discounted future cash flow analysis of Ibero's *Grand Celebration* as of May 31, 2014 to determine if the ship was impaired. The principal assumptions used in our discounted cash flow analysis consisted of forecasted future operating results, including net revenue yields and net cruise costs including fuel prices, and the estimated residual value, which are all considered Level 3 inputs, and the then expected transfer of *Grand Celebration* into Costa in November 2014. Based on its discounted cash flow analysis, we determined that the net carrying value for *Grand Celebration* exceeded its estimated discounted future cash flows. As a result, we recognised a $22 million ship impairment charge during the second quarter of 2014.

Also, during the 2014 second quarter, *Costa Voyager* was sold and we recognised a $37 million gain as a reduction of impairment charges.

The determination of fair value includes numerous assumptions that are subject to various risks and uncertainties, unless a comparable, viable actively-traded market exists, which is usually not the case for cruise ships. Our ships' fair values are typically estimated based either on ship sales price negotiations and the associated probability of the ship selling or discounted future cash flows.

We believe that we have made reasonable estimates and judgments in determining whether ships have been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognise an impairment loss.

Ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items. Capitalised interest, substantially all on our ships under construction, amounted to $10 million and $7 million in 2014 and 2013, respectively. The interest capitalisation rate is based on the weighted-average interest rates applicable to borrowings within the DLC during each period. During 2014 and 2013, the average capitalisation rate was 3.2% and 3.4%, respectively.

During 2014, the Group took delivery of the 3,692-passenger *Costa Diadema* and during 2013, the Group took delivery of the 2,194-passenger *AIDAstella*. In addition, during 2014 and 2013, the Group made stage payments for ships under construction.

In December 2014, we entered into a bareboat charter/sale agreement under which the 1,492-passenger capacity *Costa Celebration* (formerly *Grand Celebration*) was chartered to an unrelated entity in December 2014 through December 2024. Under this agreement, ownership of *Costa Celebration* will be transferred to the buyer in December 2024. This transaction did not meet the criteria to qualify as a finance lease and, accordingly, it will be accounted for as an operating lease whereby we will recognise the charter revenue over the term of the agreement.

At November 30, 2014 and 2013, the cost of ships under construction included above totalled $315 million and $271 million, respectively. At November 30, 2014 and 2013, the net book value of ship assets is shown after deducting government construction grants of $129 million and $149 million, respectively. At November 30, 2014 and 2013, the book value of our land was $39 million and $23 million, respectively.

See Note 3 for additional ship-related discussions.

NOTE 11 - Intangibles

Intangible movements were as follows (in millions):

	Group			Company
	Goodwill	Trademarks	Total	Goodwill
At November 30, 2012	$ 693	$ 13	$ 706	$ 176
Ibero impairment charges (a)	-	(13)	(13)	-
Exchange movements	30	-	30	3
At November 30, 2013	723	-	723	179
Exchange movements	(54)	-	(54)	(7)
At November 30, 2014	$ 669	$ -	$ 669	$ 172

(a) During 2013, we recognised a $13 million impairment loss to fully write-off Ibero's trademarks' carrying value.

At November 30, 2014 and 2013, all of our cruise brands carried goodwill, except for P&O Cruises (UK) and P&O Cruises (Australia), and the net book value of each of our CGUs' or cruise brands' goodwill balance was as follows: AIDA, $143 million (2013 $157 million), Costa, $354 million (2013 $387 million) and Cunard $172 million (2013 $179 million). As of July 31, 2014, we performed our annual goodwill impairment reviews to assess the recoverable amount of each cruise brand's goodwill. For the impairment reviews, the estimated recoverable amounts were based on the higher of the cruise brands' fair value less costs to sell and its value in use. Recoverable amounts for our brands that carried goodwill were determined using the 10-year discounted future cash flow analysis. Our annual impairment reviews resulted in no goodwill impairments.

The principal assumptions, all of which are considered Level 3 inputs, used in our cash flow analyses relate to forecasting future operating results and are as follows:

- net revenue yields and net cruise costs including fuel prices;
- capacity changes, including the expected deployment of vessels into, or out of, the cruise brands, including, but not limited to, the new ships discussed in Note 22;
- weighted-average cost of capital pre-tax discount rates, which ranged from 9.0% to 11.1% of market participants, adjusted for the risk attributable to the geographic region in which the brands operate and
- capital expenditures, terminal values and a range of 2.0% to 3.0% for long-term perpetuity growth rates.

The cash flows were estimated based on those a market participant would expect to derive from the businesses. For all the cruise brands, we used relevant past experience in determining an estimate of future cash flows.

For AIDA we have significant headroom and based on the sensitivity analysis performed no reasonably possible changes in the assumptions would cause the carrying amount of the brands' goodwill to exceed its recoverable amount.

The determination of our cruise brands' goodwill recoverable amounts includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments in determining whether our goodwill has been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognise an impairment charge.

The fair value of the Cunard goodwill currently exceeds the carrying value by more than $480 million. Changes in assumptions would cause the recoverable amount to fall below the carrying amount as follows:

- a reduction in the perpetuity growth rate after 10 years from an assumed increase of 2.5% compared to an assumed negative growth rate of 3.3% or
- an increase in the discount rate from the 9.0% assumption applied to a revised assumption of 11.4% or more or

- a reduction in the projected operating cash flows across future years by 25.1% or more or
- if there is one less ship in Cunard's fleet or
- an increase in fuel price to $954 per metric ton (or 43%) through 2019 and then a 2% annual increase thereafter or
- no increase in net revenue yields for the next three years and the inability to achieve net revenue yield growth of 2.5% thereafter.

The fair value of the Costa goodwill currently exceeds the carrying value by more than $750 million. Changes in assumptions would cause the recoverable amount to fall below the carrying amount as follows:

- a reduction in the perpetuity growth rate after 10 years from the 3.0% assumption applied to a revised assumption of a 1.0% growth rate or less or
- an increase in the discount rate from the 11.1% assumption applied to a revised assumption of 12.1% or more or
- a reduction in the projected operating cash flows across future years by 12.5% or more or
- an increase in fuel price to $759 per metric ton (or 17%) through 2017 and then a 2% annual increase thereafter or
- the inability to achieve a net revenue yield growth of 4.2% for the next four years and 1.7% thereafter.

Our brands' estimated recoverable amount significantly exceeded their carrying amount and there have not been any events or circumstances subsequent to July 31, 2014, which we believe require us to perform interim goodwill or trademark impairment tests.

NOTE 12 - Other Assets

Other assets were as follows (in millions):

	Group		Company	
	November 30,			
	2014	2013	2014	2013
Other receivables, including VAT	$ 68	$ 80	$ -	$ -
Insurance recoverables	89	22	-	-
Prepaid expenses and other	42	35	25	19
Deferred taxes	11	19	-	-
Derivative contract receivables	6	13	6	13
	$ 216	$ 169	$ 31	$ 32

Substantially all deferred tax assets relate to net operating losses expected to be recovered against future taxable income. At November 30, 2014 and 2013, the Group had gross deferred tax assets of $132 million and $118 million and the Company had gross deferred tax assets of $104 million and $98 million, respectively, which were not recognised.

NOTE 13 - Investments in Subsidiaries

The Company's investments in subsidiaries' movements were as follows (in millions):

At November 30, 2012	$ 4,982
Additions	1
Exchange movements	123
At November 30, 2013	5,106
Capital contributions to a subsidiary (a)	1,243
Exchange movements	(220)
At November 30, 2014	$ 6,129

(a) The capital contributions enabled a subsidiary to fund a ship addition and repay intercompany debt.

We have taken advantage of section 410(2) of the Companies Act 2006 to provide information only in relation to our principal subsidiary undertakings, which are the subsidiary undertakings whose results or financial position, in the opinion of our directors, principally affect the amounts shown in these Group consolidated IFRS financial statements. At November 30, 2014, the Company's principal operating subsidiary was Costa Crociere S.p.A., which is incorporated in Italy and is 99.97% directly owned by the Company, and principally affects the figures shown in the Group financial statements. This subsidiary owns and operates the Costa and AIDA cruise brands and through November 2014, the Ibero cruise brand. P&O Cruises (UK), P&O Cruises (Australia), Cunard and the leased ships of Princess and Carnival Cruise Line brands are divisions of the Company, whereas AIDA is a branch of Costa. The full information for all our subsidiary undertakings will be annexed to our next annual return made to the UK Registrar of Companies.

The following wholly owned UK subsidiaries are exempt from the requirement to prepare individual audited accounts or individual accounts (as further specified below) for the year ended November 30, 2014:

Company	Companies House Registration Number
P&O Princess Cruises International Limited (a)	03902746
SeaVacations Limited (a)	03681272
SeaVacations UK Limited (a)	03633566
Carnival (UK) Limited (b)	03141044
Costa Cruise Lines UK Limited (b)	02482631
P&O Princess American Holdings (b)	01453164
P&O Princess Cruises Pension Trustee Limited (b)	04069014
P&O Travel Limited (b)	00773151

(a) Exempt from preparing individual audited accounts by virtue of Section 479A of the Companies Act 2006.
(b) Exempt from preparing individual accounts by virtue of Section 394A of the Companies Act 2006 and from filing individual accounts by virtue of section 448 of the Companies Act 2006.

In order to obtain the above exemptions, the Company has guaranteed the outstanding liabilities to which each of the above companies is subject at November 30, 2014.

NOTE 14 - Unsecured Debt

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

	Group		Company	
	November 30,			
	2014	2013	2014	2013
Long-Term Debt				
Export Credit Facilities				
Fixed rate	$ 198	$ 260	$ 198	$ 260
Euro fixed rate	306	372	-	-
Euro floating rate (a)	1,136	863	1,000	701
Bank Loans				
Fixed rate	187	388	187	388
Floating rate (b)	150	-	150	-
Private Placement Notes				
Euro fixed rate	153	166	152	166
Long-Term Debt	2,130	2,049	1,687	1,515
Current Portion of Long-Term Debt				
Export Credit Facilities				
Fixed rate	65	65	65	65
Euro fixed rate	35	40	-	-
Euro floating rate (a)	134	102	121	87
Bank Loans				
Fixed rate	34	37	34	37
Floating rate (b)	-	100	-	100
Euro Floating rate	249	-	249	-
Private Placement Notes				
Euro fixed rate	1	29	1	29
Current Portion of Long-Term Debt	518	373	470	318
Floating Rate Short-Term Borrowings				
Euro bank loans	14	60	-	-
Short-Term Borrowings	14	60	-	-
Total Debt	$ 2,662	$ 2,482	$ 2,157	$ 1,833

(a) In 2014, we borrowed $498 million under a euro-denominated export credit facility, the proceeds of which were used to pay for a portion of *Costa Diadema's* purchase price and is due in semi-annual instalments through October 2026.

(b) In 2014, we borrowed $275 million under a euro-denominated floating rate revolving bank loan facility, the proceeds of which were used for general corporate purposes. This facility is due in November 2015.

In June 2014, Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries amended and replaced their existing five-year multi-currency revolving credit facility of $2.5 billion (comprised of $1.6 billion, €450 million and £150 million) with a new five-year multi-currency revolving credit facility (the "Facility"). This Facility of $2.6 billion (comprised of $1.7 billion, €500 million and £150 million) at November 30, 2014 expires in June 2019, and Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries have options to extend this Facility through June 2021 subject to the approval of each bank. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 40 basis points ("bps"). The margin varies based on changes to Carnival Corporation's and Carnival plc's long-term senior unsecured credit ratings. Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries are required to pay a commitment fee of 35% of the margin per annum on any undrawn portion. Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries will also incur an additional utilisation fee of 10 bps, 20 bps or 40 bps if equal to or less than one-third, more than one-third or more than two-thirds of the Facility, respectively, is drawn on the total amount outstanding.

At November 30, 2014, we have two other undrawn revolving credit facilities for $300 million and $75 million that expire in 2020 and 2015, respectively, and provide us with additional liquidity. At November 30, 2014 $2.9 billion was available under all of our revolving facilities.

The debt table above does not include the impact of our foreign currency and interest rate swaps. Amounts falling due within one year include accrued interest. The floating rate is based on LIBOR or EURIBOR. Substantially all of our fixed rate debt can only be called or prepaid by incurring costs. Further detail relating to the Group's policies on managing currency and interest rate risks and additional information on debt and committed financings are provided in Notes 1 and 24 herein, within the Business Review section of the Strategic Report and in Notes 5 and 10 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

Scheduled annual maturities of our debt were as follows (in millions):

	Group		Company	
	November 30,			
Fiscal	**2014**	**2013**	**2014**	**2013**
2014		$ 433		$ 318
2015	$ 532	231	$ 470	182
2016	500	483	454	433
2017	257	232	211	182
2018	290	270	244	220
2019	218	192	172	142
Thereafter	865	641	606	356
	$ 2,662	$ 2,482	$ 2,157	$ 1,833

Our debt is denominated in different currencies, including the effect of foreign currency swaps, as follows (in millions):

	Group		Company	
	November 30,			
	2014	**2013**	**2014**	**2013**
Euro	$ 2,251	$ 1,906	$ 1,746	$ 1,257
U.S. dollar	411	576	411	576
	$ 2,662	$ 2,482	$ 2,157	$ 1,833

NOTE 15 - Other Long-Term Liabilities

Other long-term liabilities were as follows (in millions):

	Group		Company	
	November 30,			
	2014	**2013 (restated)**	**2014**	**2013 (restated)**
Post-employment benefits (Note 18)	$ 37	$ 60	$ 8	$ 27
Claims reserve	120	51	13	11
Deferred income taxes	32	35	-	-
Customer deposits	41	32	29	18
Income taxes	9	23	1	-
Derivative payables	21	-	21	-
Other	23	22	6	6
	$ 283	$ 223	$ 78	$ 62

The Group and Company claims reserve includes estimated liabilities for illness and injury to crew, guest injuries and other third party claims and the Group's claims reserve primarily all related to the January 2012 ship incident.

Deferred income tax liabilities are principally related to differences between the (1) book and tax methods of calculating depreciation expense in our Holland America Princess Alaska Tours business and other North America operations and (2) the timing of recognising our Cozumel, Mexico port hurricane insurance settlement.

We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At November 30, 2014, these interest rate swap agreements effectively changed $546 million of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025.

Other liabilities of the Group and Company primarily include liabilities for contractual disputes and property lease obligations. These lease obligations are expected to be settled over their term.

NOTE 16 - Share Capital

The issued and fully paid Carnival plc ordinary share capital was as follows (dollars in millions):

	Number of Shares	Share Capital
At November 30, 2012	214,407,415	$357
Shares issued	67,494	1
At November 30, 2013	214,474,909	358
Shares issued	21,691	-
At November 30, 2014	214,496,600	$358

During 2014 and 2013, the Company issued 17,889 and 63,030 ordinary shares, respectively, following the exercise of share options, for total consideration of $1 million and $2 million, respectively, and for the issuance of Restricted Share Awards ("RSAs"), Restricted Stock Units ("RSUs"), Performance-Based Shares ("PBSs") and Market-Based Shares ("MBS") and issued 3,802 and 4,464 ordinary shares in connection with the Carnival plc Employee Stock Purchase Plan, respectively. In addition, 301,000 and 183,400 ordinary shares were issued in 2014 and 2013, respectively, to the Carnival plc Employee Benefit Trust, which are not included above as they were recorded as treasury stock. At November 30, 2014, there were 1,520,000 cumulative outstanding ordinary shares issued to the Carnival plc Employee Benefit Trust.

The Company has 50,000 allotted but unissued redeemable preference shares of £1 each. These redeemable preference shares are entitled to a cumulative fixed dividend of 8% per annum. The preference shares, which carry no voting rights, rank behind other classes of shares in relation to the payment of capital on certain types of distributions from the Company. The Company also has two allotted and issued subscriber shares of £1 each, that carry no voting rights and no right to receive any dividend or any amount paid on return of capital. Finally, the Company has one special voting share of £1 issued to Carnival Corporation in connection with the DLC transaction to enable Carnival Corporation's shareholders to vote as a group on Company shareholder matters.

NOTE 17 - Reserves and Other Equity Activity

The Group merger reserve relates to the difference between the book value and the fair value of certain businesses sold to Carnival Corporation during 2004 as part of a DLC corporate restructuring, which was accounted for as a group reconstruction.

At November 30, 2014 and 2013, the Carnival plc Employee Benefit Trust held 363,793 and 250,486 ordinary shares of Carnival plc, respectively, with an aggregate par value of $0.6 million and $0.4 million at November 30, 2014 and 2013, respectively. At November 30, 2014 and 2013, the market value of these shares was $16 million and $9 million, respectively. If they had been sold at this market value there would have been no tax liability in either 2014 or 2013 on the capital gain arising from the sale.

The income attributable to shareholders of the Company was $0.2 billion and $0.7 billion in 2014 and 2013, respectively. The 2013 income included $0.5 billion of dividends from subsidiary. Retained earnings consisted of $4.1 billion of distributable reserves and $1.7 billion of nondistributable reserves at both November 30, 2014 and 2013.

Our board of directors have authorised, subject to certain restrictions, the repurchase of up to an aggregate of $1.0 billion of Carnival plc ordinary shares and/or Carnival Corporation common stock (the "Repurchase Program"). The Repurchase Program does not have an expiration date and may be discontinued by the boards of directors at any time. During 2014 and 2013, there were no repurchases of Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program has been $975 million.

In addition to the Repurchase Program, the board of directors authorised, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million of Carnival Corporation common stock under the Stock Swap Programs described below. Depending on market conditions and other factors, we may repurchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and Stock Swap Programs concurrently. Carnival Corporation & plc use the Stock Swap Programs in situations where it can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap Programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program. During 2014, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap Programs. During 2013, Carnival Investments Limited, a subsidiary of Carnival Corporation, sold 0.9 million of Carnival plc ordinary shares for net proceeds of $35 million. Substantially all of the net proceeds from these sales were used to repurchase 0.9 million shares of Carnival Corporation common stock. Pursuant to our Stock Swap Programs, Carnival Corporation sold these Carnival plc ordinary shares owned by Carnival Investments Limited only to the extent it was able to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. At February 20, 2015, the remaining availability under the Stock Swap Programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

Finally, the Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap Programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2015 annual general meeting or October 16, 2015.

See the Statements of Changes in Shareholders' Equity for movements in capital and other reserves.

NOTE 18 - Post-Employment Benefits

Employee Benefit Plans

Carnival plc is a contributing employer to three defined benefit pension plans: the P&O Princess Cruises (UK) Pension Scheme ("Company's UK Plan"), the multiemployer Merchant Navy Officers Pension Fund ("MNOPF") and the multiemployer Merchant Navy Ratings Pension Fund ("MNRPF"). The defined benefit plans are formally valued triennially by independent qualified actuaries. The valuations for these plans have been carried out at regular intervals, as required by the applicable UK regulations.

The Company's UK Plan's assets are managed on behalf of the trustee by independent fund managers. The Company's UK Plan is closed to new membership.

The MNOPF is a funded defined benefit multiemployer plan in which British officers employed by companies within the Group have participated and continue to participate. The MNOPF is divided into two sections, the "New Section" and the "Old Section", each of which covers a different group of participants, with the Old Section closed to further benefit accrual and to new membership and the New Section is only closed to new membership. The MNOPF is accounted for as a defined benefit plan. Based on the most recent actuarial review of the New Section at March 31, 2014, it was determined that this plan was 87% funded and the deficits are to be recovered through funding contributions from participating employers.

The Old Section covers predecessor employers' officers employed prior to 1978 and is fully funded. In December 2012, the fund's trustee completed a buy-in of the Old Section liabilities with a third-party insurer, whereby the insurer will pay the officers' pension liabilities as they become due. Therefore, we believe our obligation to share in any future funding is remote.

The MNRPF is also a defined benefit multiemployer pension plan available to certain of P&O Cruises (UK)'s shipboard British personnel. Based on the most recent actuarial review of the MNRPF at March 31, 2013, it was determined that this plan was 74% funded and, accordingly, has a funding deficit.

IAS 19 "Employee Benefits" was amended and was effective for the Group and Company beginning on December 1, 2013. The impact of adopting amendments to IAS 19 was an increase to the November 30, 2012 previously reported retained earnings of $4 million.

The recorded assets and liabilities on the Group's balance sheets for the Company's UK Plan, the Group's share of the MNOPF New Section and the MNRPF and other post-employment benefit liabilities were as follows (in millions):

	November 30, 2014	November 30, 2013 (restated)
Long-term assets		
Employee benefit plan surplus	$ 10	$ 3
Long-term liabilities		
Employee benefit plan deficits	$ 8	$ 26
Other post-employment benefits	29	34
	$ 37	$ 60

The employee benefit plan information provided below relates to the Company's UK Plan, the Group's share of the MNOPF New Section and the MNRPF.

The pension liabilities for accounting purposes were calculated at November 30, 2014 and 2013 by the Group's qualified actuary. The principal assumptions used were as follows:

	Company's UK Plan (%)		MNOPF New Section (%)		MNRPF (%)	
	2014	2013	2014	2013	2014	2013
Discount rates	3.9	4.5	3.8	4.3	3.8	4.3
Expected rates of salary increases	3.7	3.9	3.7	3.9	3.7	3.9
Pension increases						
Deferment	2.2	2.4	2.2	2.4	2.2	2.4
Payment	3.0	3.2	3.0	3.2	3.0	3.2
Inflation	3.2	3.4	3.2	3.4	3.2	3.4

Assumptions regarding future mortality experience are set based on the Self Administered Pension Schemes tables for the "base" mortality tables. The weighted-average life expectancy in years of a 65-year old pensioner on the balance sheet dates was as follows:

	November 30, 2014	November 30, 2013
Male	22.5	22.4
Female	25.1	25.0

The weighted-average life expectancy in years of a 45-year old future pensioner retiring at age 65 was as follows:

	November 30, 2014	November 30, 2013
Male	25.1	25.0
Female	27.8	27.6

With regard to the Company's UK plan, management considers the types of investment classes in which pension plan assets are invested and the expected compound return that the portfolio can reasonably be expected to earn over time, based on long-term real rates of return experienced in the respective markets.

The amounts recognised in the balance sheets for these plans were determined as follows (in millions):

	November 30, 2014	November 30, 2013 (restated)
Present value of obligations	$ (572)	$ (543)
Fair value of plans' assets	583	537
Net assets (liabilities) before restriction on assets	11	(6)
Restriction on assets	(9)	(17)
Net assets (liabilities) recognized in balance sheet	$ 2	$ (23)

Actuarial gains and losses for these plans were as follows (in millions):

	Years Ended November 30, 2014	2013 (restated)	2012	2011	2010
(Losses) gains on plans' liabilities	$(37)	$(37)	$(20)	$(13)	$ 19
Gains (losses) on plans' assets, including restriction on assets..	41	34	15	7	(3)
	$ 4	$ (3)	$ (5)	$ (6)	$ 16

The cumulative actuarial losses recognised in the Group or Company Statements of Shareholders' Equity at November 30, 2014 and 2013 for these plans were $34 million and $38 million, respectively.

The amounts recognised in the Group Statements of Income for these plans were as follows (in millions):

	Years Ended November 30, 2014	2013 (restated)
Current service cost	$ 7	$ 7
Past service cost and losses on settlements	2	-
Service cost	9	7
Interest cost on defined benefit obligation	24	20
Interest income on scheme assets	(23)	(19)
Net interest on defined benefit liability	1	1
Administrative expenses	2	1
Cost recognised in Group Statements of Income	$ 12	$ 9

Our estimated contributions expected to be paid into these plans during 2015 are $6 million for the Company's UK Plan and $1 million for the MNOPF New Section.

Analysis of the movements in the balance sheet assets (liabilities) for these plans was as follows (in millions):

	2014	2013 (restated)
Net liabilities at December 1	$ (23)	$(24)
Expenses (see above)	(12)	(9)
Amounts recognised in the Group Statements of Comprehensive Income	4	(3)
Employer contributions	32	17
Exchange movements	1	(4)
Net assets/(liabilities) at November 30	$ 2	$(23)

Changes in the present value of defined benefit obligations for these plans were as follows (in millions):

	2014	2013 (restated)
Present value of obligations at December 1	$ 543	$ 486
Current service cost	7	7
Interest cost	24	20
Contributions from employees	1	1
Benefits paid	(17)	(14)
Past service cost	2	-
Actuarial losses on plan liabilities	37	10
Gain due to change in share of MNOPF	-	27
Exchange movements	(25)	6
Present value of obligations at November 30	$ 572	$ 543

The sensitivity of plan liabilities to changes in certain key assumptions were as follows:

- 0.5% reduction in the discount rate results in an increase of $55 million;
- 0.5% increase in inflation rate results in an increase of $39 million and
- 1 year increase in life expectancy would result in an increase of $16 million.

Changes in the fair value of these plans' assets were as follows (in millions):

	2014	2013 (restated)
Fair value of plans' assets at December 1	$ 537	$ 453
Interest income on scheme assets	23	19
Return on scheme assets greater than discount rate	35	20
Employer contributions	32	17
Contributions from employees	1	1
Benefits paid	(17)	(14)
Loss due to change in share of MNOPF	-	29
Administrative expenses	(2)	(1)
Exchange movements	(26)	13
Fair value of plans' assets at November 30	$ 583	$ 537

The actual gains on these plans' assets in 2014 and 2013 were $58 million and $39 million, respectively.

These plans' assets were comprised as follows (in millions, except percentages):

	November 30,			
	2014		2013	
		%		%
Equities	$ 238	40.8	$ 256	47.6
Property	14	2.4	14	2.6
Corporate bonds	96	16.5	93	17.3
Fixed interest gilts	116	19.8	90	16.7
Liability matching investments	119	20.5	84	15.8
	583	100.0	537	100.0
Restriction on assets (a)	(9)		(17)	
	$ 574		$ 520	

(a) These assets are restricted because they related to a multiemployer plan.

The Company's net pension balance represents substantially all of the Group's funded employee benefit plans.

Other Post-Employment Benefits

At November 30, 2014 and 2013, other post-employment benefit liabilities included $8 million and $9 million, respectively, for a deferred bonus agreement to make annual payments to a former executive director through 2019. In addition, under Italian employment legislation Costa is required to maintain a staff leaving indemnity. Under the indemnity employees are entitled to receive a payment, calculated by reference to their length of service and salary up to December 31, 2006, if they cease employment with Costa. These payments are not conditional on employees reaching normal retirement age and following amendments to the legislation generate no further benefit accrual after December 31, 2006. At November 30, 2014 and 2013, Costa had accrued a liability of $11 million and $12 million, respectively.

Defined Contribution Plans

The Group has several defined contribution plans available to most of its shore staff employees. During 2014 and 2013, the Group expensed $8 million each year for these plans.

NOTE 19 - Key Management

The aggregate compensation of the Group's key management was as follows (in millions):

	Years Ended November 30,	
	2014	2013
Fees	$ 1	$ 1
Salaries and benefits	2	4
Performance related bonuses	4	6
Total short-term employment benefits	7	11
Share-based compensation	8	13
	$ 15	$ 24

The key management, which consists of the board of directors, has responsibility and authority for controlling, directing and planning Carnival plc's activities. Their aggregate compensation includes amounts paid by both Carnival Corporation and Carnival plc.

During 2014 and 2013, there were no exercises of share options by executive directors of Carnival plc ordinary shares. Further details on Directors' remuneration, including RSA, RSU, PBS and MBS awards, share options and pension entitlements, are set out in Parts I and II of the Carnival plc Directors' Remuneration Report.

NOTE 20 - Employees

The average number of our employees was as follows:

	Years Ended November 30,	
	2014	2013
Shore staff	6,493	6,337
Sea staff	29,112	29,429
	35,605	35,766

The aggregate payroll and related expenses included in both cruise operating expenses and selling and administrative expenses were as follows (in millions):

	Years Ended November 30,	
	2014	2013
Salaries, wages and benefits	$ 838	$ 883
Social security and payroll taxes	55	60
Pensions	27	22
Share-based compensation	10	7
	$ 930	$ 972

Share-based compensation included $0.2 million in both 2014 and 2013 that were recharged by Carnival Corporation in respect of RSU, PBS and MBS awards, and options granted over Carnival Corporation common stock to certain U.S.-based Carnival plc Group employees.

Equity Plans

We issue our share-based compensation awards under the Carnival plc stock plan, which has 8.4 million shares available for future grant at November 30, 2014. This plan allows us to issue Time-Based Share ("TBS") awards, which include RSA, RSU, PBS and MBS awards and stock options (collectively "equity awards"). Equity awards are principally granted to management level employees and members of our boards of directors. The plans are administered by a committee of our independent directors (the "Committee") that determines which employees are eligible to participate, the monetary value or number of shares for which equity awards are to be granted and the amounts that may be exercised or sold within a specified term. These plans allow us to fulfill our equity award obligations using shares purchased in the open market or with unissued or treasury shares. Certain equity awards provide for accelerated vesting if we have a change in control, as defined.

Our total share-based compensation expense was $10 million and $7 million in 2014 and 2013, respectively, the vast majority of which is included in selling and administrative and the remainder in cruise payroll and related expenses.

TBS, PBS and MBS Awards

Carnival plc grants RSUs, which substantially all vest at the end of three years and accrue forfeitable dividend equivalents on each outstanding RSU, in the form of additional RSUs, based on dividends declared and have no voting rights. The share-based compensation expense for TBS awards is based on the quoted market price of the Carnival plc shares on the date of grant.

In 2014 and 2013, the Committee approved PBS awards to be granted to certain key Carnival plc executives. The share-based compensation expense for these PBS awards is based on the quoted market price of the Carnival plc shares and expected total shareholder return rank relative to certain peer companies on the date of grant and the probability of Carnival Corporation & plc annual earnings target for each year over a three-year period being achieved. Our 2014 PBS awards also have a return on invested capital target. The PBS awards granted in 2014 and 2013 provide an opportunity to earn from zero to 200% and zero to 187.5%, respectively, of the number of target shares underlying the award achieved for each year over a three-year period.

In 2012, the Committee approved PBS awards to be granted to certain key Carnival plc executives. The share-based compensation expense for these PBS awards is based on the quoted market price of the Carnival plc shares on the date of grant and the probability of Carnival Corporation & plc earnings per share growth over a three-year period being achieved. These PBS awards provide an opportunity to earn from zero to 200% of the number of target shares underlying the award achieved at the end of the third year. All PBS awards will accrue forfeitable dividend equivalents based on dividends declared and have no voting rights.

In 2014, the Committee approved MBS awards to be granted to certain of our senior executives. The MBS awards were valued at $3 million as of the date of the grant. The share based compensation expense for MBS awards were based on the quoted market price of the Carnival plc ordinary shares on the date of grant and the probability of certain market conditions being achieved. One-half of the MBS awards are expensed evenly over a three-year period and the remaining half are expensed evenly over a four-year period.

The Group awarded 252,042 RSUs, 50,778 PBSs and 41,479 MBSs at a weighted-average price of £27.72 in 2014 and 316,271 RSUs and 398,748 PBSs at a weighted-average price of £24.82 in 2013, respectively, principally to certain officers and management level employees.

Prior to granting RSUs, PBSs and MBSs, the Committee granted options over ordinary shares, under the Carnival plc 2005 Employee Share Plan and the Carnival plc Executive Share Option Plan, which have maximum terms of up to seven years for options granted after October 2006. Options granted prior to October 2006 have maximum terms of up to ten years. The number and weighted-average exercise price of Carnival plc options were as follows:

	2014		2013	
	Number of options	**Weighted-average exercise price**	**Number of options**	**Weighted-average exercise price**
Outstanding at December 1	739,707	$ 45.82	1,371,196	$ 45.88
Exercised	(17,889)	$ 39.87	(63,231)	$ 25.57
Forfeited or expired	(463,894)	$ 42.54	(568,258)	$ 50.47
Outstanding and exercisable at November 30	257,924	$ 46.55	739,707	$ 45.82

At November 30, 2014, our outstanding options had an exercise price ranging from $40.00 to $49.99 and a weighted-average remaining life of 0.3 years.

The obligations underlying the Company's stock options, RSUs, PBS and MBS awards are settled through the issuance of Carnival plc ordinary shares.

NOTE 21 - Related Party Transactions

Group

During 2014 and 2013, Holland America Line and Princess purchased land tours from us totalling $128 million and $126 million, respectively, and packaged these land tours for sale with their cruises. In addition, during 2014 and 2013, we sold $3 million each year of pre- and post-cruise vacations, shore excursions and transportation services to the Carnival Corporation group.

At November 30, 2014 and 2013, we owed $1.5 billion and $2.3 billion, respectively, to the Carnival Corporation group, which was unsecured and repayable on demand. Of our total liability to the Carnival Corporation group at November 30, 2014, $152 million is euro-denominated and bears interest, and the remaining balance of $1.3 billion is non-interest bearing.

Within the DLC arrangement, there are instances where we provide services to Carnival Corporation group companies, and also where Carnival Corporation group companies provide services to us. For example, we participate in Carnival Corporation & plc's group risk-sharing programs related to hull and machinery for ships and crew and guest claims. Additional disclosures of related party transactions are discussed in Note 3 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

Within our operational and organisational structure, the key management personnel, as defined under IAS 24 "Related Party Disclosures," consists of the Directors of the Company. Details of the Directors' remuneration are provided in the Carnival plc Directors' Remuneration Report and any relevant transactions are given in the "Certain Relationships and Related Party Transactions" section, both of which are included within the Proxy Statement. The aggregate emoluments of our key management are shown in Note 19.

Company

At November 30, 2014 and 2013, Carnival Corporation owned 1,115,450, or 0.5% of the Company's ordinary shares, which are non-voting. During 2014 and 2013, Carnival Investment Limited did not purchase any ordinary shares of Carnival plc. At November 30, 2014 and 2013, Carnival Investments Limited owned 30,848,634 or 14.3% of the Company's ordinary shares, which are also non-voting.

During 2013, Carnival Investments Limited sold 0.9 million of Carnival plc ordinary shares for net proceeds of $35 million. Substantially all of the net proceeds from these sales were used to repurchase 0.9 million shares of Carnival Corporation common stock. Pursuant to our Stock Swap Programs, Carnival Corporation sold these Carnival plc ordinary shares owned by Carnival Investments Limited only to the extent it was able to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis.

In 2014 and 2013, Carnival Corporation and Carnival Investments Limited received dividends on their Carnival plc ordinary shares in the aggregate amount of $32 million and $49 million, respectively.

During 2014, the Company had multi-year ship charter agreements with Princess for three ships (2013 three ships) and Carnival Cruise Line for one ship operating year-round in Australia and/or Asia. In addition, Princess time chartered another two ships during 2014 seasonally in Australia or Asia to the Company and since September 2014, Carnival Cruise Line began time chartering another ship to us that operated seasonally from Australia. Both the year-round and seasonal charters are accounted for as operating leases. Princess and Carnival Cruise Line are subsidiaries of Carnival Corporation. The total charter payments in 2014 and 2013 were $444 million and $337 million, respectively, which were included in other ship operating expenses.

During 2014, the Company continued to provide a guarantee to the MNOPF for certain employees who have transferred between subsidiaries of the Company.

The key management personnel of the Company comprise members of the boards of directors. Except for some share-based compensation and some fees for UK-based services, the Directors did not receive any remuneration from the Company in 2014 and 2013, as their emoluments were borne by other companies within the DLC. Details of the Company's share-based compensation to Directors are disclosed in the Carnival plc Directors' Remuneration Report, which is included in the Proxy Statement. The Company did not have any transactions with the Directors during 2014 and 2013, other than those discussed in our Directors' Remunerations Report.

Transactions with Subsidiaries

The Company enters into loans with its subsidiaries at floating rates of interest, generally at rates agreed to between the parties from time to time. At November 30, 2014, the Company had a receivable from its subsidiary totalling $62 million of a floating rate euro-denominated loan. In addition at November 30, 2014, the Company had net receivables of $15 million from its subsidiaries, which are callable on demand. At November 30, 2013, the Company had net payables of $104 million due to its subsidiaries, which were payable on demand.

NOTE 22 - Commitments

Group

At November 30, 2014, we had three ships under contract for construction with an aggregate passenger capacity of more than 10,200 lower berths with two for AIDA and one for P&O Cruises (UK). The estimated total cost of these ships is $2.0 billion, which includes the contract prices with the shipyards, design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items. We have paid $0.3 billion through November 30, 2014 and our remaining cruise ship commitments, aggregated based on each ship's delivery date, are expected to be $1.1 billion and $0.6 billion in 2015 and 2016, respectively.

Future minimum lease and port facility commitments, aggregated based on the lease and port facility expiration dates, for noncancellable operating leases and port facility agreements were as follows (in millions):

	November 30,	
Fiscal	**2014**	**2013**
2014		$ 77
2015	$ 567	344
2016	9	12
2017	6	8
2018	15	14
2019	11	-
Thereafter	465	450
Total	$1,073	$ 905

Company

At November 30, 2014 and 2013, the Company had $751 million and $768 million, respectively, of contracted capital commitments relating to ship construction contracts. Ship capital commitments included contract payments to the shipyards, design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items.

NOTE 23 - Contingent Liabilities

The cross guarantees provided to and from Carnival Corporation as a result of the DLC arrangement, as further discussed within Notes 3, 5 and 10 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements and within the Business Review section of the Strategic Report, provide that Carnival plc has guaranteed all Carnival Corporation's indebtedness and certain other of their monetary obligations and Carnival Corporation has provided similar guarantees to Carnival plc.

Some of the debt contracts that we enter into include indemnification provisions that obligate the Group to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes and changes in laws that increase lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business. There are no stated or notional amounts included in the indemnification clauses, and the Group is not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. The Group has 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.

As a result of the January 2012 ship incident, litigation claims, enforcement actions, regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The existing assertions are ongoing and there are significant jurisdictional uncertainties. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims.

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

NOTE 24 - Financial Instruments

Fair Value Measurements

IFRS establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

There were no transfers between Level 1, Level 2 and Level 3 during 2014 and 2013. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable market participants at the measurement date. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that we believe market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at November 30, 2014 and 2013. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair value presented herein are not necessarily indicative of the amounts that could be realised in a current or future market exchange.

The fair value of cross guarantees within the DLC arrangement (see Note 23) are not significant at November 30, 2014 or 2013, and are not expected to result in any material loss.

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

Financial assets were as follows (in millions):

Group

	November 30, 2014				November 30, 2013			
		Fair Value				Fair Value		
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Cash and cash equivalents (a)	$ 129	$ 129	$ -	$ -	$ 149	$ 149	$ -	$ -
Long-term other assets (b)	14	-	-	13	15	-	-	15
	$ 143	$ 129	$ -	$ 13	$ 164	$ 149	$ -	$ 15

Company

	November 30, 2014				November 30, 2013			
		Fair Value				Fair Value		
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Cash and cash equivalents (a)	$ 43	$ 43	$ -	$ -	$ 59	$ 59	$ -	$ -
	$ 43	$ 43	$ -	$ -	$ 59	$ 59	$ -	$ -

(a) Cash and cash equivalents are comprised of cash on hand, and at November 30, 2013 also include time deposits. Due to their short maturities the carrying values approximate their fair values.
(b) At November 30, 2014 and 2013, long term other assets were substantially all comprised of notes and other receivables. The fair values of our notes receivable were estimated using risk-adjusted discount rates.

The carrying and estimated fair values of debt at November 30, 2014 and 2013 were as follows (in millions) (a):

Group

	November 30, 2014				November 30, 2013			
		Fair Value				Fair Value		
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Floating rate								
Euro export credit facilities	$1,270	$ -	$1,236	$ -	$ 965	$ -	$ 958	$ -
Bank loans	150	-	149	-	100	-	100	-
Euro bank loan	249	-	248	-	-	-	-	-
Short-term euro bank loans	14	-	14	-	60	-	60	-
	$1,683	$ -	$1,647	$ -	$1,125	$ -	$1,118	$ -
Fixed rate								
Bearing interest at 2.0% to 2.9%	$ -	$ -	$ -	$ -	$ 150	$ -	$ 159	$ -
Bearing interest at 3.0% to 3.9%	396	-	428	-	486	-	520	-
Bearing interest at 4.0% to 4.9%	430	-	466	-	527	-	577	-
Bearing interest at 6.0% to 6.9%	-	-	-	-	26	-	29	-
Bearing interest at 7.0% to 7.9%	153	-	178	-	168	-	202	-
	$ 979	$ -	$1,072	$ -	$1,357	$ -	$1,487	$ -

Company

	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Floating rate								
Euro export credit facilities	$1,121	$ -	$1,090	$ -	$ 788	$ -	$ 779	$ -
Euro bank loan	249	-	248	-	-	-	-	-
Bank loans	150	-	149	-	100	-	100	-
	$1,520	$ -	$1,487	$ -	$ 888	$ -	$ 879	$ -
Fixed rate								
Bearing interest at 2.0% to 2.9%	$ -	$ -	$ -	$ -	$ 150	$ -	$ 159	$ -
Bearing interest at 3.0% to 3.9%	221	-	239	-	275	-	298	-
Bearing interest at 4.0% to 4.9%	263	-	279	-	326	-	354	-
Bearing interest at 6.0% to 6.9%	-	-	-	-	26	-	29	-
Bearing interest at 7.0% to 7.9%	153	-	178	-	168	-	202	-
	$ 637	$ -	$ 696	$ -	$ 945	$ -	$1,042	$ -

(a) Debt does not include the impact of interest rate swaps. The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at November 30, 2014 and 2013 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At November 30, 2014 and 2013, the net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at November 30, 2014 and 2013 being slightly higher and slightly lower, respectively, than the floating interest rates on these debt obligations, including the impact of any changes in our credit ratings. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1 and, accordingly, are considered Level 2. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

The summary of the maturity profiles of the financial liabilities at November 30, 2014 and 2013 was as follows (in millions):

Group

2014	2015	2016	2017	2018	2019	There-after	Total
Floating rate debt	$ 406	$ 292	$ 142	$ 143	$ 131	$ 689	$1,803
Fixed rate debt	174	261	156	183	114	261	1,149
Undiscounted cash flow obligations of debt, including future interest	580	553	298	326	245	950	2,952
Amounts owed to Carnival Corporation group	1,513	-	-	-	-	-	1,513
Claims reserve (a)	178	-	-	-	-	-	178
Trade payables, accrued liabilities and other	730	-	-	-	-	-	730
Other liabilities	-	93	26	23	22	38	202
At November 30, 2014	$3,001	$ 646	$ 324	$ 349	$ 267	$ 988	$5,575

2013	2014	2015	2016	2017	2018	There-after	Total
Floating rate debt	$ 268	$ 109	$ 112	$ 115	$ 115	$ 537	$1,256
Fixed rate debt	222	187	431	163	196	407	1,606
Undiscounted cash flow obligations of debt, including future interest	490	296	543	278	311	944	2,862
Amounts owed to Carnival Corporation group	2,265	-	-	-	-	-	2,265
Claims reserve (a)	378	-	-	-	-	-	378
Trade payables, accrued liabilities and other	732	-	-	-	-	-	732
Other liabilities (restated)	9	45	14	13	14	34	129
At November 30, 2013	$3,874	$ 341	$ 557	$ 291	$ 325	$ 978	$6,366

(a) Primarily all of our claims reserve relate to crew, guest and other third-party claims from the January 2012 ship incident.

Company

2014	2015	2016	2017	2018	2019	There-after	Total
Floating rate debt	$ 378	$ 278	$ 128	$ 128	$ 116	$ 595	$1,623
Fixed rate debt	127	215	111	140	73	66	732
Undiscounted cash flow obligations of debt, including future interest	505	493	239	268	189	661	2,355
Amounts owed to Carnival Corporation group	1,328	-	-	-	-	-	1,328
Amounts owed to subsidiaries	-	-	-	-	-	-	-
Trade payables, accrued liabilities and other	291	-	-	-	-	-	291
Other liabilities	-	22	7	6	4	11	50
At November 30, 2014	$2,124	$ 515	$ 246	$ 274	$ 193	$ 672	$4,024

2013	2014	2015	2016	2017	2018	There-after	Total
Floating rate debt	$ 192	$ 93	$ 95	$ 97	$ 98	$ 409	$ 984
Fixed rate debt	169	135	381	115	149	148	1,097
Undiscounted cash flow obligations of debt, including future interest	361	228	476	212	247	557	2,081
Amounts owed to Carnival Corporation group	1,943	-	-	-	-	-	1,943
Amounts owed to subsidiaries	104	-	-	-	-	-	104
Trade payables, accrued liabilities and other	265	-	-	-	-	-	265
Other liabilities (restated)	3	28	1	1	2	8	43
At November 30, 2013	$ 2,676	$ 256	$ 477	$ 213	$ 249	$ 565	$ 4,436

Substantially all financial liabilities are held at amortised cost. The fair values of our financial liabilities not included in the table above approximate their book values.

As noted below the Group's liquidity is considered on a consolidated Carnival Corporation & plc basis. Included in the "Future Commitments and Funding Sources" section within the Business Review section of the Strategic Report is a schedule of the maturity profiles of the recorded and unrecorded contractual cash obligations of Carnival Corporation & plc at November 30, 2014.

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

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

Group

	November 30, 2014		November 30, 2013	
	Level 1	Level 2	Level 1	Level 2
Assets				
Cash equivalents (a)	$ 88	$ -	$ 114	$ -
Marketable securities held in rabbi trust (b).	$ 1	$ -	$ 2	$ -
Derivatives				
Net investment hedges (c)	$ -	$ 12	$ -	$ 2
Interest rate swaps (d)	$ -	$ -	$ -	$ 3
Foreign currency zero cost collars (e)	$ -	$ -	$ -	$ 8
Liabilities				
Derivatives				
Net investment hedges (c)	$ -	$ -	$ -	$ (4)
Interest rate swaps (d)	$ -	$ (28)	$ -	$ (7)
Foreign currency zero cost collars (e)	$ -	$ (1)	$ -	$ -

Company

Assets				
Cash equivalents (a)	$ 64	$ -	$ 85	$ -
Derivatives				
Net investment hedges (c)	$ -	$ 12	$ -	$ 2
Interest rate swaps (d)	$ -	$ -	$ -	$ 3
Foreign currency zero cost collars (e)	$ -	$ -	$ -	$ 8
Liabilities				
Derivatives				
Net investment hedges (c)	$ -	$ -	$ -	$ (4)
Interest rate swaps (d)	$ -	$ (28)	$ -	$ (7)
Foreign currency zero cost collars (e)	$ -	$ (1)	$ -	$ -

(a) Cash equivalents are comprised of money market funds.
(b) At November 30, 2014 and 2013, marketable securities held in rabbi trusts were comprised of Level 1 bonds, frequently-priced mutual funds invested in common stocks and money market funds.
(c) At November 30, 2014 and 2013, we had foreign currency forwards totalling $403 million and $578 million, respectively, that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At November 30, 2014, these foreign currency forwards settle through July 2017.
(d) At November 30, 2014 and 2013, we had euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At November 30, 2014 and 2013, these interest rate swap agreements effectively changed $546 million and $657 million, respectively, of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025.
(e) At November 30, 2014 and 2013, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated ship building payments totalling $550 million and $301 million, respectively.

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

Our derivative contracts include rights of offset with our counterparties. We have elected to net certain of our derivative assets and liabilities within counterparties. The amounts recognised within assets and liabilities were as follows (in millions):

	November 30, 2014				
	Gross Amounts	**Gross Amounts Offset in the Balance Sheet**	**Total Net Amounts Presented in the Balance Sheet**	**Gross Amounts not Offset in the Balance Sheet**	**Net Amounts**
Assets	$14	$(2)	$12	$ -	$ 12
Liabilities	$31	$(2)	$29	$ -	$ 29

	November 30, 2013				
	Gross Amounts	**Gross Amounts Offset in the Balance Sheet**	**Total Net Amounts Presented in the Balance Sheet**	**Gross Amounts not Offset in the Balance Sheet**	**Net Amounts**
Assets	$16	$(3)	$13	$(4)	$ 9
Liabilities	$14	$(3)	$11	$(4)	$ 7

Capital Management

Within the DLC arrangement, the consolidated Carnival Corporation & plc group's primary financial goals are to profitably grow its cruise business and increase its return on invested capital, reaching double digit returns in the next three to four years while maintaining a strong balance sheet. Their ability to generate significant operating cash flows allows Carnival Corporation & plc to internally fund its capital investments. Carnival Corporation & plc's goal is to return excess free cash flows to its shareholders in the form of additional dividends and/or share buybacks. In addition, Carnival Corporation & plc is committed to maintaining its strong investment grade credit ratings, which are among the highest in the leisure travel industry. Other objectives of its capital structure policy are to maintain a sufficient level of liquidity with its available cash and cash equivalents and committed financings for immediate and future liquidity needs and a reasonable debt maturity profile that is spread out over a number of years. The Group manages its capital on a consolidated Carnival Corporation & plc basis, applying U.S. GAAP. For additional information see the "Liquidity, Financial Condition and Capital Resources" section within the Business Review section of the Strategic Report. The net debt to capital ratio of the Group at November 30, 2014 and 2013 was calculated as follows (in millions):

	2014	2013 (restated)
Total debt	$ 2,662	$ 2,482
Less cash and cash equivalents	(217)	(263)
Net debt	2,445	2,219
Shareholders' equity	8,754	8,933
Total capital	$ 11,199	$ 11,152
Net debt to capital ratio	21.8%	19.9%

At November 30, 2014 and 2013, the net debt to capital ratio for the consolidated Carnival Corporation & plc group, applying U.S. GAAP and prepared on the same basis as above, was 26.5% and 27.0%, respectively. Substantially all of our Group and Company debt agreements, including our Facility, contain one or more financial covenants that require us, among other things, to maintain minimum debt service coverage and minimum shareholders' equity and to limit our debt to capital and debt to equity ratios and the amounts of our secured assets and secured and other indebtedness. Generally, if an event of default under any debt agreement occurs, including those held by Carnival Corporation, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated. At November 30, 2014, we believe we were in compliance with all of our debt covenants.

Liquidity Risk

Within the DLC arrangement, liquidity and liquidity risk is assessed on a consolidated Carnival Corporation & plc basis and there are cross guarantees between the two parent companies that result in there being little substantive difference in the availability of debt financing for either Carnival Corporation or Carnival plc. Typically, the Carnival Corporation & plc debt financing agreements allow for either Carnival Corporation or Carnival plc to draw under the facilities, with the non-borrowing parent as guarantor. For additional information see the "Liquidity, Financial Condition and Capital Resources" section within the Business Review section of the Strategic Report.

As noted in the "Future Commitments and Funding Sources" section within the Business Review section of the Strategic Report, at November 30, 2014 the consolidated Carnival Corporation & plc group had $2.3 billion available for borrowing under its revolving credit facilities, net of its commercial paper borrowings and $2.5 billion under committed future financings, in addition to $92 million of cash and cash equivalents, which excludes $239 million of cash on hand used for current operations.

Interest Rate Risk

We manage our exposure to fluctuations in interest rates through our debt portfolio management and investment strategies. We evaluate our debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt. The interest rate profiles of the book value of financial assets and (liabilities) at November 30, 2014 were as follows (in millions):

Group

	2015	2016	2017	2018	2019	There-after	Total
Floating rate							
Cash and cash equivalents	$ 217	$ -	$ -	$ -	$ -	$ -	$ 217
Euro export credit facilities	(132)	(130)	(130)	(130)	(118)	(630)	(1,270)
Euro bank loan	(249)	-	-	-	-	-	(249)
Bank loans	-	(150)	-	-	-	-	(150)
Short-term euro bank loans	(14)	-	-	-	-	-	(14)
	$ (178)	$ (280)	$ (130)	$ (130)	$ (118)	$ (630)	$ (1,466)
Fixed rate							
Bearing interest at 3.0% to 3.9%	$ (52)	$ (48)	$ (48)	$ (48)	$ (48)	$ (152)	$ (396)
Bearing interest at 4.0% to 4.9%	(83)	(80)	(80)	(52)	(52)	(83)	(430)
Bearing interest at 6.0% to 7.9%	(2)	(92)	-	(59)	-	-	(153)
	$ (137)	$ (220)	$ (128)	$ (159)	$ (100)	$ (235)	$ (979)

Company

	2015	2016	2017	2018	2019	There-after	Total
Floating rate							
Cash and cash equivalents	$ 107	$ -	$ -	$ -	$ -	$ -	$ 107
Euro export credit facilities	(119)	(117)	(117)	(117)	(106)	(545)	(1,121)
Euro bank loan	(249)	-	-	-	-	-	(249)
Bank loans	-	(150)	-	-	-	-	(150)
	$ (261)	$ (267)	$ (117)	$ (117)	$ (106)	$ (545)	$ (1,413)
Fixed rate							
Bearing interest at 3.0% to 3.9%	$ (34)	$ (31)	$ (31)	$ (31)	$ (31)	$ (63)	$ (221)
Bearing interest at 4.0% to 4.9%	(66)	(63)	(63)	(36)	(35)	-	(263)
Bearing interest at 6.0% to 7.9%	(2)	(92)	-	(59)	-	-	(153)
	$ (102)	$ (186)	$ (94)	$ (126)	$ (66)	$ (63)	$ (637)

The interest rate profiles of financial assets and (liabilities) at November 30, 2013 were as follows (in millions):

Group

	2014	2015	2016	2017	2018	There-after	Total
Floating rate							
Cash and cash equivalents	$ 263	$ -	$ -	$ -	$ -	$ -	$ 263
Euro export credit facilities	(102)	(98)	(98)	(98)	(98)	(471)	(965)
Bank loans	(100)	-	-	-	-	-	(100)
Short-term euro bank loans	(60)	-	-	-	-	-	(60)
	$ 1	$ (98)	$ (98)	$ (98)	$ (98)	$ (471)	$ (862)
Fixed rate							
Bearing interest at 2.0% to 2.9%	$ -	$ -	$ (150)	$ -	$ -	$ -	$ (150)
Bearing interest at 3.0% to 3.9%	(59)	(51)	(51)	(51)	(52)	(222)	(486)
Bearing interest at 4.0% to 4.9%	(85)	(80)	(81)	(81)	(54)	(146)	(527)
Bearing interest at 6.0% to 6.9%	(26)	-	-	-	-	-	(26)
Bearing interest at 7.0% to 7.9%	(1)	-	(102)	-	(65)	-	(168)
	$ (171)	$ (131)	$ (384)	$ (132)	$ (171)	$ (368)	$ (1,357)

Company

	2014	2015	2016	2017	2018	There-after	Total
Floating rate							
Cash and cash equivalents	$ 144	$ -	$ -	$ -	$ -	$ -	$ 144
Euro export credit facilities	(86)	(85)	(85)	(85)	(85)	(362)	(788)
Bank loans	(100)	-	-	-	-	-	(100)
	$ (42)	$ (85)	$ (85)	$ (85)	$ (85)	$ (362)	$ (744)
Fixed rate							
Bearing interest at 2.0% to 2.9%	$ -	$ -	$ (150)	$ -	$ -	$ -	$ (150)
Bearing interest at 3.0% to 3.9%	(38)	(33)	(33)	(34)	(34)	(103)	(275)
Bearing interest at 4.0% to 4.9%	(67)	(62)	(62)	(63)	(36)	(36)	(326)
Bearing interest at 6.0% to 6.9%	(26)	-	-	-	-	-	(26)
Bearing interest at 7.0% to 7.9%	(1)	-	(102)	-	(65)	-	(168)
	$ (132)	$ (95)	$ (347)	$ (97)	$ (135)	$ (139)	$ (945)

The Group and Company have fixed and floating rate debt and use interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. Based upon a 10% hypothetical change in the November 30, 2014 market interest rates, our annual interest expense on floating rate debt would change by an insignificant amount. Substantially all of our fixed rate debt can only be called or prepaid by incurring costs, therefore, it is unlikely we will be able to take significant steps in the short-term to mitigate our fixed rate debt exposure in the event of a significant decrease in market interest rates. Within the DLC arrangement, interest rate risks are considered on a combined Carnival Corporation & plc basis. For additional information see the Business Review section of the Strategic Report and Note 10 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

Foreign Currency Exchange Rate Risks

We manage our exposure to fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances. Our primary focus is to manage the economic foreign currency exchange risks faced by our operations, which are the ultimate foreign currency exchange risks that would be realized by us if we exchanged one currency for another, and not accounting risks. While we will continue to monitor our exposure to these economic risks, we do not currently hedge our foreign currency exchange risks with derivative or nonderivative financial instruments, with the exception of certain of our ship commitments and net investments in foreign operations. The financial impacts of the hedging instruments we do employ generally offset the changes in the underlying exposures being hedged.

Operational Currency Risk

Our European and Australian cruise brands generate significant revenues and incur significant expenses in their euro, sterling or Australian dollar functional currency, which subjects us to "foreign currency translational" risk related to these currencies. Accordingly, exchange rate fluctuations of the euro, sterling and Australian dollar against the U.S. dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for these cruise brands' revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Most of our brands also have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and principally includes the euro, sterling and Australian and U.S. dollars. In addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, we also have "foreign currency transactional" risks related to changes in the exchange rates for our brands' revenues and expenses that are in a currency other than their functional currency. However, these brands' revenues and expenses in non-functional currencies create some degree of natural offset from these currency exchange movements. In addition, we monitor this foreign currency transactional risk in order to measure its impact on our results of operations. Based on a 10% hypothetical change in all currency exchange rates that were used in Carnival Corporation & plc's December 19, 2014 guidance, Carnival Corporation & plc's estimated full year non-GAAP guidance would change by $0.30 per share, including both foreign currency translational and transactional impacts. For additional information see the Business Review section of the Strategic Report and Note 10 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

Investment Currency Risk

At November 30, 2014, substantially all of the Group net operating assets were denominated in euros, sterling and Australian dollars. As a result of this currency composition, the Group's U.S. dollar consolidated balance sheet can be affected by currency movements. The Group partially mitigates the effect of such movements by entering into foreign currency forwards and having some borrowings in the same currencies as those in which the assets are denominated.

The exchange rates for each of our major currencies as of and for the year ended November 30, 2014 and 2013 were as follows:

	2014			2013		
	£:U.S.$	euro:U.S.$	Aus:U.S.$	£:U.S.$	euro:U.S.$	Aus:U.S.$
November 30 exchange rates	1.56	1.25	0.85	1.63	1.36	0.91
Average yearly exchange rates	1.65	1.34	0.91	1.56	1.32	0.98

At November 30, the fair value of derivatives included in the Group and Company balance sheets at November 30, 2014 and 2013 were as follows (in millions):

	2014			2013		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Foreign currency forwards-net investment hedges	$ 403	$ 12	$ -	$ 578	$ -	$ 2
Debt related interest rate swaps-cash flow hedge	$ 546	-	28	$ 657	-	4
Foreign currency zero cost collars-ships	$ 550	-	1	$ 301	8	-
		$ 12	$ 29		$ 8	$ 6

At November 30, 2014, the Group and Company have $403 million of foreign currency forwards that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting this foreign currency exchange rate risk. Based on a 10% hypothetical change in the U.S. dollar to euro exchange rate as of November 30, 2014, we estimate that these foreign currency forwards' fair values would change by $40 million, which would be offset by a corresponding change of $40 million in the U.S. dollar value of our net investments. In addition, based on a 10% hypothetical change in the

U.S. dollar to euro, sterling and Australian dollar exchange rates at November 30, 2014, which are the functional currencies we translate into our U.S. dollar reporting currency, we estimate our 2014 cumulative translation adjustment would have changed by $511 million.

There are no amounts excluded from the assessment of hedge effectiveness, and there are no credit risk related contingent features in our derivative agreements. The amount of estimated cash flow hedges' unrealised gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. Ineffectiveness arising on cash flow hedges was not material during 2014 and 2013 and, accordingly, all cash flow hedges were considered effective.

Newbuild Currency Risk

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

In 2012, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of P&O Cruises (UK) *Britannia's* euro-denominated shipyard payments. These collars mature in late February 2015 at a weighted-average ceiling of $287 million and a weighted-average floor of $266 million. In 2014, we entered into additional foreign currency zero cost collars that are also designated as cash flow hedges for the remaining portion of *Britannia's* euro-denominated shipyard payments. These collars also mature in late February 2015 at a weighted-average ceiling of $281 million, and a weighted-average floor of $274 million. If the spot rate is between the weighted-average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars. At November 30, 2014, the estimated fair value of these outstanding foreign currency zero cost collars was a nominal liability. Based on a 10% hypothetical increase or decrease in the November 30, 2014 sterling rates to euro exchange rates, we estimate the fair value of these collars would increase $26 million or decrease $27 million, respectively. Additional detail relating to the Group's and Company's financial risk management objectives and policies is included in Note 1, the Business Review section of the Strategic Report and Note 10 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Our maximum exposure under foreign currency contracts and interest rate swap agreements that are in-the-money, which were not material at November 30, 2014, is the replacement cost, net of any collateral received or contractually allowed offset, in the event of nonperformance by the counterparties to the contracts, all of which are currently our lending banks. We seek to minimise credit risk exposure, including counterparty nonperformance primarily associated with our cash equivalents, investments, committed financing facilities, derivative instruments, insurance contracts and new ship progress payment guarantees, by normally conducting business with large, well-established financial institutions, insurance companies and export credit agencies, and by diversifying our counterparties. In addition, we have guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimise risk. We normally do require collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards. We currently believe the risk of nonperformance by any of our significant counterparties is remote.

We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe and credit and debit card providers to which we extend credit in the normal course of our business, which includes charter-hire agreements in Asia prior to sailing. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honour our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. Concentrations of credit risk associated with these receivables, charter-hire agreements and contingent obligations are not considered to be material, primarily due to the large number of unrelated accounts within our customer base, the amount of these contingent obligations and their short maturities. We have experienced only minimal credit losses on our trade receivables and related contingent obligations. We do not normally require collateral or other security to support normal credit sales.

Independent auditors' report to the members of Carnival plc

Report on the financial statements

Our opinion

In our opinion:

- Carnival plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of:

    - the state of the Group's and of the Company's affairs as at November 30, 2014; and
    - the Group's profit and the Group's and the Company's cash flows for the year then ended;

- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;

- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Carnival plc's financial statements comprise:
- the Group and Company balance sheets as at November 30, 2014;
- the Group statement of income and statement of comprehensive income for the year then ended;
- the Group and Company statements of cash flows for the year then ended;
- the Group and Company statements of changes in shareholders' equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

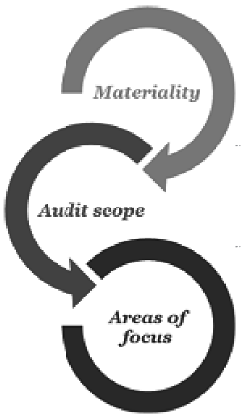
Certain required disclosures have been presented elsewhere in the Carnival plc Annual Report Documents (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

The Carnival Corporation consolidated financial statements for 2014, prepared under U.S. Generally Accepted Accounting Principles (referred to as either "The Carnival Corporation & plc Annual Report" or the "DLC Financial Statements"), which are included in Annex 1 of the Carnival plc Strategic Report and IFRS financial statements, as other information, do not form part of the Carnival plc IFRS Financial Statements and as such are not within the scope of this opinion.

Our audit approach

Overview



- Overall group materiality: $38 million, which represents 5% of average income before taxes from continuing operations for the past four years, adjusted for the goodwill, trademarks and ship impairment charges to avoid the volatility that such items would create.

- Carnival plc has six operating units which fall into three reporting segments. Three operating units were subject to an audit of their complete financial information due to their size.

The areas of audit focus were:
- Impairment reviews of Costa Cruises (“Costa”) and Cunard goodwill and the carrying value of certain Costa, Ibero Cruises (“Ibero”) and P&O Cruises (UK) (“P&O (UK)”) ships.
- Costa Concordia incident (the “January 2012 ship incident”).
- Risk of fraud in relation to revenue recognition.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Impairment reviews of Costa and Cunard Goodwill and of certain Costa, Ibero and P&O (UK) ships The Group holds significant amounts of goodwill and property, plant and equipment in the form of ships on the balance sheet related to its cruise brands ("brands"), as detailed in Notes 10 and 11 to the financial statements. The risk is that these balances are overstated and need to be impaired. In determining whether the carrying value of goodwill and certain ships are impaired or not, the directors are required to make judgements about the future performance of these brands and ships, including whether the ships will remain in use or be sold. The economic conditions in the Italian, Spanish and UK markets led the directors to evaluate the carrying value of certain Costa, Ibero and P&O (UK) ships. We continued to focus on the valuation of Costa, which had a goodwill carrying value of $354 million because the performance of this brand over the past 3 years has been impacted by the January 2012 ship incident. We focussed on the valuation of Cunard, which had a goodwill carrying value of $172 million as the UK cruise market has continued to experience economic pressures, which could erode the headroom previously assessed. Costa's and Cunard's goodwill valuations are dependent on continuing net revenue yield growth and operational improvements. As such we focussed on the assumptions the directors made about the growth rates in these areas. No goodwill impairment charge was taken as a result of the directors' review. The ship valuations are either dependent on continuing net revenue yield growth and operational improvements, where the ship is expected to remain in use, or for those that are expected to be disposed; then the valuation is dependent on expected sale proceeds. As such we focussed on the assumptions the directors made about the growth rates in these areas or the expected sale proceeds considering recent ship sales in assessing the carrying value of vessels. As a result of these reviews an impairment charge of $53 million was taken on two Ibero ships.	We evaluated the directors' future cash flow forecasts, and the process by which they were prepared, for Costa and Cunard and for those ships that experienced an event that would potentially trigger an impairment review in the current year, including comparing the forecasts to the latest Board approved plans. We evaluated the reasonableness of the directors' forecasts, through considering their historical forecasting accuracy. In addition, we challenged: • the directors' key assumptions for changes to net revenue yield, net cruise costs (including fuel prices), new ship additions and remaining useful life of the ships, by comparing them to current revenue booking and cost trends, as well as historical results and economic and external industry data; • the long-term growth rates in the forecasts, by comparing them to external industry forecasts; • the discount rate applied to the goodwill assessments by assessing the cost of capital for the Group; and • the discount rate applied to the ship assessments by assessing the cost of capital of the brand and country. We found the assumptions to be consistent with our expectations as a result of performing a sensitivity analysis on each of the key assumptions, particularly considering the expected growth in net revenue yields across their key markets, changes to cruise costs, including the impact of fuel consumption and price changes, new ship additions, long-term growth rate, the discount rate and the remaining life of the ships and how the actual results compared to previous forecasts. For Costa and Cunard we consider that lower than expected growth in the net revenue yields, adverse economic conditions or an inability to achieve the planned results could reasonably be expected to give rise to an impairment charge in the future. This is consistent with management's assessment as detailed in Note 11. We also considered recent ship sales compared to the carrying value of the vessels and the likelihood of management being able to redeploy ships into other markets, should the need arise, where carrying values could be recovered and took into account instances where this had occurred in the past. Our testing provided us with evidence to support management's assessment of the impairment charge for the two Ibero ships.

Area of focus	How our audit addressed the area of focus
The 2012 ship incident The Group holds a significant provision of $255 million and largely an offsetting insurance recoverable on the balance sheet in relation to this January 2012 ship incident (Notes 12 & 15). The risk is that these balances are not correctly stated. During the course of the year the ship was re-floated and transported to a ship yard in Genoa, Italy for recycling. The directors have had to continue to make judgements about the exposure to wreck removal costs, environmental site restoration and legal claims as well as the amounts recoverable under insurance. We continued to focus on the completeness and accuracy of the provision recognised at year end as well as the valuation of the carrying value of the insurance recoverable and the associated presentation in the financial statements.	We examined the terms of the wreckage removal contract and held independent discussions with the Group's insurance providers regarding the status of the insurance claim under the contract. In evaluating the wreck removal costs and incident related legal claims from guests and crew, we evaluated the views of both internal and external legal counsel of the Group. We also examined the evidence available from the costs incurred to date. We evaluated the Group's accounting for the insurance claim; the cash received to date and considered the collectability of the insurance recoverable. We also challenged the directors' assumptions relating to the remaining costs to be incurred, taking into account the expected future costs and reports of the engineers contracted by the Group and the insurance providers. Based on this we did not identify any material omissions from the provision and we found that there was evidence to support the directors' conclusion that it was appropriate to recognise the insurance recoverable on the balance sheet on a gross basis.
Risks of fraud in relation to revenue recognition We focused on the timing of revenue recognition in the final months of the accounting period to check that revenue was recorded in the correct period relating to cruises that straddle the year end and for revenue that has been received in advance of the cruise departure, which is deferred until the voyage has taken place.	We examined the appropriateness of the Group's accounting policy surrounding revenue recognition and its compliance with IFRSs as adopted by the EU, and tested the application of this policy, with particular emphasis on the risks identified opposite. Where appropriate we evaluated the relevant Information Technology systems and tested the operating effectiveness of the internal controls over the recording of revenue against a specific voyage in the period and we evaluated the Group's cut off straddle adjustment for voyages where the duration spanned the year end by comparing management's estimate to data such as voyage departure dates, duration, and voyage revenue and cost records. At the year end we tested the revenue received in advance of the cruise taking place with reference to cruise voyage schedules and a sample of bookings to determine the appropriateness of related customer deposits which have been deferred. We also tested journal entries posted to revenue accounts to identify any unusual or irregular items, and the reconciliations between the revenue systems used by the Group and its financial ledgers. Based on our testing we did not identify any material misstatements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Carnival plc has six operating units which fall into three reporting segments. Three operating units, Costa, AIDA Cruises and Carnival UK (Cunard and P&O (UK)), were subject to an audit of their complete financial information, due to their size, by local component audit teams. We visited the Costa and Carnival UK operating units to review the component teams' work and to meet local management. As it related to the AIDA component team we met and reviewed their work via the use of video conferences and Webex's. Additionally, specific audit procedures were performed on certain balances and transactions in respect of other operating units, including the carrying value of certain ships. This together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	$38 million (2013: $38 million).
How we determined it	5% of average income before taxes from continuing operations of the past four years, adjusted for the goodwill, trademarks and ship impairment charges.
Rationale for benchmark applied	We believe that the average income before taxes from continuing operations of the past four years, adjusted for the goodwill, trademarks and ship impairment charges ("items") provides us with a consistent year on year basis for determining materiality by considering the impact of the January 2012 ship incident on overall continuing operations during this period and eliminating the disproportionate impact of these items. We also looked at other benchmarks, such as using the current year net income before tax, rather than an average, and noted that materiality would be unchanged.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.9 million (2013: $1.9 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page C-11 in Annex C to the Proxy Statement, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion the information given in the Strategic Report, included within the Annual Report, and the Carnival plc Directors' Report, set out in Annex A to the Proxy Statement, for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• Information in the Annual Report is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or - otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page A-8 in Annex A to the Proxy Statement, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on pages C-4 to C-5 and C-6 to C-9 in Annex C to the Proxy Statement, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report in Annex B to the Proxy Statement, dated February 20, 2015, to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page A-8 in Annex A to the Proxy Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicholas Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
February 20, 2015

(a) The maintenance and integrity of the Carnival plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CARNIVAL
CORPORATION & PLC

2014 ANNUAL REPORT

Annex 1
DLC Annual Report

CARNIVAL CORPORATION & PLC
2014 ANNUAL REPORT

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COMPANY

Carnival Corporation & plc is among the most profitable and financially strong leisure travel companies in the world. We are the largest cruise company with a global market share of 48% based on the number of guests carried and a leading provider of vacations to all major cruise destinations throughout the world. We operate our cruise ships within a portfolio of nine leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences in all the world's most important vacation markets. We believe having global and regional brands that are predominately serving multiple source markets and national brands that are predominately serving major source markets provides us with a unique advantage to compete within the entire leisure market for consumers' discretionary vacation spending. Our vision is to deliver unmatched joyful vacation experiences and breakthrough total shareholder returns by exceeding guest expectations and achieving the full benefits inherent in our scale.

Our portfolio of cruise brands in North America, Europe, Australia and Asia are comprised of Carnival Cruise Line, Holland America Line, Princess Cruises, Seabourn, AIDA Cruises, Costa Cruises, Cunard, P&O Cruises (Australia) and P&O Cruises (UK). Together, these brands operate 100 ships totaling 212,000 lower berths with ten new ships scheduled to enter service between late February 2015 and November 2018. Carnival Corporation & plc also operates Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon, which complements our Alaska cruise operations. 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.

HIGHLIGHTS

	2014	2013	2012	2011	2010
	(in millions, except per share amounts and statistical data)				
Revenues	**$ 15,884**	$ 15,456	$ 15,382	$ 15,793	$ 14,469
Net Income	**$ 1,236**	$ 1,078	$ 1,298	$ 1,912	$ 1,978
Non-GAAP Net Income [(a)]	**$ 1,524**	$ 1,232	$ 1,514	$ 1,939	$ 1,934
Earnings Per Share - Diluted	**$ 1.59**	$ 1.39	$ 1.67	$ 2.42	$ 2.47
Non-GAAP Earnings Per Share - Diluted [(a)]	**$ 1.96**	$ 1.58	$ 1.94	$ 2.46	$ 2.42
Statistical Data					
Passengers Carried (in thousands)	**10,600**	10,100	9,800	9,600	9,100
Passenger Capacity [(b)] [(c)]	**212,000**	208,000	203,000	196,000	191,000
Number of Ships [(c)]	**100**	101	100	99	98

(a) For a reconciliation to U.S. GAAP, see "Selected Financial Data."

(b) Passenger capacity is calculated based on two passengers per cabin.

(c) As of November 30, except for 2011 which are as of January 23, 2012.

Annex 1
DLC Annual Report

CHIEF EXECUTIVE OFFICER'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Achieving positive revenue yields and earnings growth of nearly 25 percent over 2013, we reached a significant inflection point for our company. Looking ahead, we are working hard to enable growth to accelerate in the years to come as we aggressively work toward delivering double-digit return on invested capital ("ROIC").

In 2014, we achieved non-GAAP net income exceeding $1.5 billion and cash from operations of nearly $3.5 billion, while containing costs and overcoming our share of obstacles, including the loss of higher yielding itineraries due to geopolitical concerns and historically high industry capacity increases in the Caribbean. These strong results were well above our 2014 guidance and a credit to the outstanding efforts of our 120,000 shipboard and shoreside team members who create exceptional vacation experiences each and every day for our more than 10.5 million guests across the globe.

Our earnings growth in 2014 was driven by improved performance at our Costa Cruises and Carnival Cruise Line brands. Costa experienced a further improvement in perception with an almost doubling of trust and confidence in Italy. Significantly, the brand experienced continued yield growth as well as improved profitability through collaboration across our Continental European brands.

Carnival Cruise Line was recognized as the most improved in consumer perception of any brand in any category in the United States in 2014 by YouGov. A number of initiatives introduced by Carnival Cruise Line such as the Carnival LIVE concert series, children's programs Camp Ocean and Seuss at Sea, as well as the Great Vacation Guarantee, are clearly resonating with guests.

New product initiatives and innovative marketing campaigns implemented across our brands over the past year are driving increased demand. We experienced a sustained improvement in booking trends throughout 2014 and are gaining momentum in our efforts to drive ticket prices and onboard revenues higher.

THE PATH TO DOUBLE DIGIT ROIC

Measured Capacity Growth

In 2014, we continued progress toward enhancing our fleet while maintaining our commitment to measured capacity growth. We delivered two spectacular ships, *Regal Princess* and *Costa Diadema*. These new ship introductions generated substantial media coverage and positive buzz, including the star studded North American debut of *Regal Princess* which featured a reunion of the "Love Boat" cast and 25 guest stars who appeared on the hit TV show. The delivery of *Costa Diadema* was equally stunning and included a festive inaugural in Genoa, Italy.

As we continue to advance our fleet, we have a number of ships that we expect to replace with newer, larger and more fuel efficient vessels over time. These new ships will be more than double the size of those they are replacing, offer higher yielding balcony cabins, more than 20 percent lower unit costs and greater than 35 percent improved fuel efficiency.

We recently signed orders for three new ships for delivery in 2018 bringing the total order book to 10 vessels over a four-year period. We also sold four of our smaller, less-efficient ships resulting in only a 3 percent net capacity increase over this period and reinforcing our commitment to measured capacity growth.

Accelerating Demand

At the same time we are striving to drive additional demand. Cruising captures just a small percentage of the overall vacation market. Consequently, our biggest opportunity is to increase cruise consideration among consumers. We have a number of initiatives underway to attract first-time cruisers through increased demand in established markets, as well as expansion into new markets.

We are continually implementing product enhancements across all our brands, and striving to deliver an even better guest experience to increase retention and life-long advocacy. "Word of mouth" remains the most powerful tool in attracting first-time cruise guests.

We are unwaveringly focused on increasing demand on all fronts. That includes a significant public relations effort across all brands to deliver our message to consumers that cruising is a great experience, at a great value. In fact, we enjoyed a significant increase in our collective share of voice globally in 2014 with our number of positive mentions more than doubling.

We have increased our investment in advertising, having spent over $600 million in 2014. We launched new marketing campaigns in multiple regions. In North America, Carnival Cruise Line was the National Cruise Line advertiser of the Winter Olympics telecast while Princess Cruises launched its first television campaign in 10 years. In addition, both Costa Cruises in Europe and P&O Cruises in the UK launched new advertising campaigns.

As we began 2015, we aired a new commercial on Super Bowl Sunday – the world's biggest marketing stage. Our company's first major multi-brand marketing initiative extended well beyond the Super Bowl itself garnering nearly 5 billion media impressions even before the game aired and more than 10 billion total impressions to date.

These efforts collectively help to drive demand for our brands that outpaces capacity, ultimately leading to higher yields.

New Market Opportunities

Asia, and in particular, China continues to be a focus for emerging market development, where we expect double-digit growth over the next few years. We expect China to be the largest cruise market in the world over time. We were the first to enter the market through our Costa Cruises brand in 2006 and are currently the largest cruise operator in mainland China. This year we will lead the industry with four ships which will homeport out of Mainland China and more than 12 marketing offices in the region. To coordinate our growth strategy, our Chief Operations Officer, Alan Buckelew, has relocated to China and we have entered into several strategic agreements focused on expanding the cruise industry in China.

We signed a memorandum of understanding ("MOU") with China State Shipbuilding Corporation, China's largest shipyard, and Italian shipbuilder, Fincantieri, to explore the possibility of shipbuilding and other strategic partnerships to foster growth. We also signed a MOU with China Merchants Group, China's oldest state enterprise, to explore joint ventures in port and destination development, as well as other areas to successfully develop our industry.

We have clearly established a solid foothold as the largest cruise operator home-porting in China, and our development strategy is accelerating.

Working Together to Unlock Our Potential

I feel strongly that our brands must remain independent, especially concerning the guest interface, yet work together to unlock the potential of leveraging our scale and collective expertise. We began 2014 with the first-ever global leadership team meeting that brought together our top 65 leaders from around the world and achieved remarkable alignment on our vision and top priorities. By strengthening our communication and coordination, we enjoyed some early wins on our revenue and cost cross-brand collaboration efforts.

We furthered our never-ending pursuit of capturing insights from our guests beginning with our segmentation study in North America, the first we have done across brands and the largest ever done in our industry. We conducted extensive interviews with over 40,000 respondents and mined our 30 million past-guest database for insight to help grow demand and onboard revenue.

We elevated our level of cross-brand global deployment planning to drive greater penetration and more effective capacity management. Additionally, we conducted our first deep dive examination of our revenue management systems to share best practices and identify gaps, new opportunities and tools.

Some early wins on our cost containment efforts already contributed $20 million of savings in 2014. We anticipate another $70 to $80 million in cost reductions to benefit 2015 and have further opportunity to help offset inflation in the broader base of non-fuel purchases over time.

Sustainable Operations

We recognize our reputation and success depend on sustainable and transparent operations. We are committed to ensuring cruising is the most enjoyable vacation experience possible for our guests. We maintain this commitment by keeping our guests and crewmembers safe, by protecting the environment, by developing our workforce, by strengthening our stakeholder relations, enhancing the port communities that our ships visit and maintaining our fiscal strength.

Increasing our fuel efficiency remains at the cornerstone of our sustainability efforts. It is gratifying to say we have reduced our unit fuel consumption by 25 percent since 2007, meeting our stated goal of delivering a 20 percent reduction (per unit) in carbon emissions ahead of schedule. Over that time, our effort has saved over 1 billion gallons of fuel and $2.5 billion in fuel costs. This efficiency improvement is a testament to the breadth of efforts undertaken to reduce consumption.

Moreover, we have taken the lead on developing technology to mitigate the impact of new low-sulfur fuel usage requirements which came into effect in January while maintaining our commitment to the pristine environments in which we have the great pleasure to sail. We are aggressively installing new air emissions technology on approximately 70 percent of our fleet by 2017 while at the same time rolling out other energy efficient technology. These advancements are an important investment in the environment and lay a solid foundation for sustainable earnings improvement.

EXECUTING ALONG THE PATH

We believe we are executing along a clear path toward double-digit ROIC. We improved ROIC by nearly one percentage point in 2014 and expect another percentage point of improvement in 2015. We continue to manage the total capital plan with a keen eye toward exceeding guest expectations, while at the same time maintaining fiscal discipline.

Our collective efforts created significant value for shareholders in fiscal 2014, with our share price advancing over 22 percent as well as returning nearly $800 million in dividends.

Importantly, the ground work for continued progress is laid and we are firmly on a path to deliver double-digit ROIC in the next three to four years.

In closing, I thank our Board for their counsel and support throughout the past year and I thank our management for their strong leadership in moving our company forward. For his contribution, I especially thank Gerry Cahill, an invaluable leader who retired after more than 20 years, and most recently served as President and CEO of the Carnival Cruise Line brand. We welcome Christine Duffy, the new head of Carnival Cruise Line, Orlando Ashford, the new head of Holland America Line and Neil Palombo, the new head of Costa Cruises — three strong additions to our very capable leadership team.

Our business, or any business, is all about the people. One out of every two guests who cruise anywhere in the world cruise on one of our nine brands and 100 ships. That is only possible because of the extraordinary efforts of our employees worldwide who passionately and consistently deliver joyful and memorable vacation experiences for our guests, as well as our travel agent partners around the globe who support our brands. I thank them all. My sincerest appreciation to our shareholders and, of course, our more than 10.5 million valued guests for choosing to spend their vacation with us. I look forward to welcoming you aboard again soon.

Arnold W. Donald
President and Chief Executive Officer
February 20, 2015

CARNIVAL
CORPORATION & PLC

SHAREHOLDER BENEFIT

Carnival Corporation & plc is pleased to extend the following benefit to our shareholders:

	North America Brands	Continental Europe Brands	United Kingdom Brands	Australia Brands
Onboard credit per stateroom on sailings of 14 days or longer	US $250	€200	£150	A$250
Onboard credit per stateroom on sailings of 7 to 13 days	US $100	€ 75	£ 60	A$100
Onboard credit per stateroom on sailings of 6 days or less	US $ 50	€ 40	£ 30	A$ 50

The benefit is applicable on sailings through July 31, 2016 aboard the brands listed below. Certain restrictions apply. Applications to receive these benefits should be made at least two weeks prior to cruise departure date.

This benefit is available to shareholders holding a minimum of 100 shares of Carnival Corporation or Carnival plc. Employees, travel agents cruising at travel agent rates, tour conductors or anyone cruising on a reduced-rate or complimentary basis are excluded from this offer. This benefit is not transferable, cannot be exchanged for cash and, cannot be used for casino credits/charges and gratuities charged to your onboard account. Only one onboard credit per shareholder-occupied stateroom. Reservations must be made by February 29, 2016.

Please provide by fax or by mail your name, reservation number, ship and sailing date, along with proof of ownership of Carnival Corporation or Carnival plc shares (for example, photocopy of shareholder proxy card, shares certificate, a dividend tax voucher or a current brokerage or nominee statement with your brokerage account number **blacked out**) to your travel agent or to the cruise line you have selected below.

North America Brands

Carnival Cruise Line*

Guest Administration
3655 N.W. 87th Avenue
Miami, FL 33178
Tel 800 438 6744 ext. 70450
Fax 305 406 6102

Princess Cruises*

Booking Support
24303 Town Center Drive, Suite 200
Santa Clarita, CA 91355
Tel 800 872 6779 ext. 30317
Fax 661 753 0180

Holland America Line

World Cruise Reservations
300 Elliott Avenue West
Seattle, WA 98119
Tel 800 522 3399
Fax 206 281 0627

Seabourn

Seabourn Reservations
300 Elliott Avenue West
Seattle, WA 98119
Tel 800 929 9391
Fax 206 501 2900

Cunard*

Booking Support
24303 Town Center Drive, Suite 200
Santa Clarita, CA 91355
Tel 800 872 6779 ext. 30317
Fax 661 753 0180

Costa Cruises*

Guest Services Administration
200 S. Park Road, Suite 200
Hollywood, FL 33021
Tel 800 462 6782
Fax 954 266 5868

Continental Europe Brands

Costa Cruises*

Manager of Reservation
Piazza Piccapietra, 48
16121 Genoa, Italy
Tel 39 0 10 548 3800
Fax 39 0 10 999 7019

Aida Cruises

Manager of Reservations
Am Strande 3d
18055 Rostock, Germany
Tel 49 0 381 2027 0805
Fax 49 0 381 2027 0804

United Kingdom Brands

P & O Cruises (UK),
Cunard*
Princess Cruises (UK)*

Carnival UK
Carnival House
100 Harbour Parade
Southampton SO15 1ST
United Kingdom

P & O CRUISES (UK)
Tel 44 0 843 374 0111
Fax 44 0 238 065 7360

CUNARD
Tel 44 0 843 374 0000
Fax 44 0 238 065 7360

PRINCESS CRUISES (UK)
Tel 44 0 843 373 0333
Fax 44 0 238 065 7509

Australia Brands

P & O Cruises (Australia),
Princess Cruises*
Carnival Cruise Line*

Customer Service Manager
PO Box 2006
North Sydney NSW 2059
Tel 61 2 8 424 8800
Fax 61 2 8 424 9161

* The onboard credit for Carnival Cruise Line, Costa Cruises, Cunard and Princess Cruises is determined based on the operational currency onboard the vessel.

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

	Years Ended November 30,		
	2014	2013	2012
Revenues			
Cruise			
Passenger tickets	$11,889	$11,648	$11,658
Onboard and other	3,780	3,598	3,513
Tour and other	215	210	211
	15,884	15,456	15,382
Operating Costs and Expenses			
Cruise			
Commissions, transportation and other	2,299	2,303	2,292
Onboard and other	519	539	558
Fuel	2,033	2,208	2,381
Payroll and related	1,942	1,859	1,742
Food	1,005	983	960
Other ship operating	2,445	2,589	2,233
Tour and other	160	143	154
	10,403	10,624	10,320
Selling and administrative	2,054	1,879	1,720
Depreciation and amortization	1,635	1,588	1,527
Ibero goodwill and trademark impairment charges	-	13	173
	14,092	14,104	13,740
Operating Income	1,792	1,352	1,642
Nonoperating (Expense) Income			
Interest income	8	11	10
Interest expense, net of capitalized interest	(288)	(319)	(336)
(Losses) gains on fuel derivatives, net	(271)	36	(7)
Other income (expense), net	4	(8)	(7)
	(547)	(280)	(340)
Income Before Income Taxes	1,245	1,072	1,302
Income Tax (Expense) Benefit, Net	(9)	6	(4)
Net Income	$ 1,236	$ 1,078	$ 1,298
Earnings Per Share			
Basic	$ 1.59	$ 1.39	$ 1.67
Diluted	$ 1.59	$ 1.39	$ 1.67
Dividends Declared Per Share	$ 1.00	$ 1.00	$ 1.50

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Years Ended November 30,		
	2014	2013	2012
Net Income	$1,236	$1,078	$1,298
Items Included in Other Comprehensive (Loss) Income			
Change in foreign currency translation adjustment	(746)	332	25
Other	(31)	36	(23)
Other Comprehensive (Loss) Income	(777)	368	2
Total Comprehensive Income	$ 459	$1,446	$1,300

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

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

	November 30, 2014	November 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 331	$ 462
Trade and other receivables, net	332	405
Insurance recoverables	154	381
Inventories	364	374
Prepaid expenses and other	322	315
Total current assets	1,503	1,937
Property and Equipment, Net	32,773	32,905
Goodwill	3,127	3,210
Other Intangibles	1,270	1,292
Other Assets	859	760
	$39,532	$40,104
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	$ 666	$ 60
Current portion of long-term debt	1,059	1,408
Accounts payable	626	639
Claims reserve	262	456
Accrued liabilities and other	1,276	1,126
Customer deposits	3,032	3,031
Total current liabilities	6,921	6,720
Long-Term Debt	7,363	8,092
Other Long-Term Liabilities	960	736
Commitments and Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, $0.01 par value; 1,960 shares authorized; 652 shares at 2014 and 651 shares at 2013 issued	7	7
Ordinary shares of Carnival plc, $1.66 par value; 216 shares at 2014 and 2013 issued	358	358
Additional paid-in capital	8,384	8,325
Retained earnings	19,242	18,782
Accumulated other comprehensive (loss) income	(616)	161
Treasury stock, 59 shares at 2014 and 2013 of Carnival Corporation and 32 shares at 2014 and 2013 of Carnival plc, at cost	(3,087)	(3,077)
Total shareholders' equity	24,288	24,556
	$39,532	$40,104

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

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

	Years Ended November 30,		
	2014	**2013**	**2012**
OPERATING ACTIVITIES			
Net income	$ 1,236	$ 1,078	$ 1,298
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,635	1,588	1,527
Losses on ship sales and ship impairments, net	2	163	49
Goodwill, trademark and other impairment charges	-	27	173
Share-based compensation	52	42	39
Losses (gains) on fuel derivatives, net	271	(36)	7
Other, net	35	35	12
Changes in operating assets and liabilities			
Receivables	75	(128)	(15)
Inventories	1	19	(16)
Insurance recoverables, prepaid expenses and other	401	402	148
Accounts payable	9	79	(24)
Claims reserves and accrued and other liabilities	(379)	(330)	(192)
Customer deposits	92	(105)	(7)
Net cash provided by operating activities	3,430	2,834	2,999
INVESTING ACTIVITIES			
Additions to property and equipment	(2,583)	(2,149)	(2,332)
Proceeds from sale of ships	42	70	46
Insurance proceeds for a ship	-	-	508
Other, net	34	23	6
Net cash used in investing activities	(2,507)	(2,056)	(1,772)
FINANCING ACTIVITIES			
Proceeds from (repayments of) short-term borrowings, net	617	4	(224)
Principal repayments of long-term debt	(2,466)	(2,212)	(1,052)
Proceeds from issuance of long-term debt	1,626	2,687	946
Dividends paid	(776)	(1,164)	(779)
Purchases of treasury stock	-	(138)	(90)
Sales of treasury stock	-	35	-
Other, net	(29)	8	9
Net cash used in financing activities	(1,028)	(780)	(1,190)
Effect of exchange rate changes on cash and cash equivalents	(26)	(1)	(22)
Net (decrease) increase in cash and cash equivalents	(131)	(3)	15
Cash and cash equivalents at beginning of year	462	465	450
Cash and cash equivalents at end of year	$ 331	$ 462	$ 465

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

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

	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock	Total share-holders' equity
Balances at November 30, 2011	$6	$357	$8,180	$18,349	$(209)	$(2,851)	$23,832
Net income	-	-	-	1,298	-	-	1,298
Other comprehensive income	-	-	-	-	2	-	2
Cash dividends declared	-	-	-	(1,168)	-	-	(1,168)
Purchases of treasury stock under the Repurchase Program and other	-	-	72	-	-	(107)	(35)
Balances at November 30, 2012	6	357	8,252	18,479	(207)	(2,958)	23,929
Net income	-	-	-	1,078	-	-	1,078
Other comprehensive income	-	-	-	-	368	-	368
Cash dividends declared	-	-	-	(775)	-	-	(775)
Purchases and sales under the Stock Swap program	-	-	10	-	-	(9)	1
Purchases of treasury stock under the Repurchase Program and other	1	1	63	-	-	(110)	(45)
Balances at November 30, 2013	7	358	8,325	18,782	161	(3,077)	24,556
Net income	-	-	-	1,236	-	-	1,236
Other comprehensive loss	-	-	-	-	(777)	-	(777)
Cash dividends declared	-	-	-	(777)	-	-	(777)
Other	-	-	59	1	-	(10)	50
Balances at November 30, 2014	$7	$358	$8,384	$19,242	$(616)	$(3,087)	$24,288

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

NOTE 1 – General

Description of Business

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

The 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 2014 Annual Report as "Carnival Corporation & plc," "our," "us" and "we."

We are the largest cruise company and among the largest leisure travel companies in the world. Each of our nine leading global, regional and national brands is an operating segment that we aggregate into either the (1) North America or (2) Europe, Australia & Asia ("EAA") reportable cruise segments (see Note 11). As of January 22, 2015, our cruise brands' summary information is as follows:

Cruise Brands	Passenger Capacity (a)	Percentage of Total Capacity	Number of Cruise Ships
North America			
Carnival Cruise Line	62,366	29%	24
Princess Cruises ("Princess")	44,090	21	18
Holland America Line	23,540	11	15
Seabourn	1,782	1	5
North America Cruise Brands	131,778	62	62
EAA			
Costa Cruises ("Costa")	35,828	17	15
AIDA Cruises ("AIDA")	18,656	9	10
P&O Cruises (UK)	14,736	7	7
Cunard	6,694	3	3
P&O Cruises (Australia)	4,804	2	3
EAA Cruise Brands	80,718	38	38
	212,496	100%	100

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

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Preparation of Financial Statements

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported and disclosed in our financial statements. Actual results may differ from the estimates used in preparing our consolidated financial statements. All significant intercompany balances and transactions are eliminated in consolidation. Certain prior period amounts have been reclassified in the Consolidated Balance Sheets and the Consolidated Statements of Cash Flows to conform to the current period presentation. The reclassifications in the Consolidated Statements of Cash Flows had no impact on net cash provided by operating activities and net cash used in investing and financing activities.

Cash and Cash Equivalents

Cash and cash equivalents include investments with maturities of three months or less at acquisition, which are stated at cost. At November 30, 2014 and 2013, cash and cash equivalents are comprised of cash on hand, money market funds and time deposits.

Inventories

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

Property and Equipment

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

	Years	Residual Values
Ships	30	15%
Ship improvements	Shorter of remaining ship life or useful life (3-28)	0%
Buildings and improvements	10-35	0% or 10%
Computer hardware and software	3-10	0% or 10%
Transportation equipment and other	3-20	0% or 10%
Leasehold improvements, including port facilities	Shorter of lease term or related asset life (3-30)	-

The cruise industry is very capital intensive, and at January 22, 2015, we operated 100 cruise ships. Therefore, we have a capital program that we develop for the improvement of our ships and for asset replacements in order to enhance the effectiveness and efficiency of our operations; comply with, or exceed all relevant legal and statutory requirements related to health, environment, safety, security and sustainability; and gain strategic benefits or provide newer improved product innovations to our guests.

Ship improvement costs that we believe add value to our ships, such as those discussed above, are capitalized to the ships and depreciated over the shorter of their or the ships' estimated remaining useful life, while costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred and included in other ship operating expenses. Dry-dock costs primarily represent planned major maintenance activities that are incurred when a ship is taken out-of-service for scheduled maintenance. We capitalize interest as part of the cost of acquiring ships and other capital projects during their construction period. The specifically identified or estimated cost and accumulated depreciation of previously capitalized ship components are written-off upon retirement, which may result in a loss on disposal that is also included in other ship operating expenses.

We review our long-lived assets, principally our ships, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on our ability to recover the carrying value of our asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value. As it relates to our ships, the lowest level for which we maintain identifiable cash flows that are independent of the cash flows of other assets and liabilities is at the individual ship level.

A significant amount of judgment is required in estimating the future cash flows and fair values of our cruise ships.

Intangibles

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business acquisition. We review our goodwill for impairment at least annually and, when events or circumstances dictate, more frequently. All of our goodwill has been allocated to our reporting units, also referred to as "cruise brands." The impairment review for goodwill allows us to first assess qualitative factors to determine whether it is necessary to perform the more detailed two-step quantitative goodwill impairment test. We would perform the quantitative test if our qualitative assessment determined it is more-likely-than-not that a cruise brand's estimated fair value is less than its carrying amount. We may also elect to bypass the qualitative assessment and proceed directly to the quantitative test for any cruise brand. When performing the quantitative test, if the estimated fair value of the cruise brand exceeds its carrying value, no further analysis or write-down of goodwill is required. However, if the estimated fair value of the cruise brand is less than the carrying value of its net assets, the estimated fair value of the cruise brand is assigned to all its underlying assets and liabilities, including both recognized and unrecognized tangible and intangible assets, based on their fair values. If necessary, goodwill is then written down to its implied fair value.

Trademarks represent substantially all of our other intangibles. For certain acquisitions, we have allocated a portion of the purchase prices to the acquiree's identified trademarks. Trademarks are estimated to have an indefinite useful life and, therefore, are not amortizable, but are reviewed for impairment at least annually and, when events or circumstances dictate, more frequently. The impairment review for trademarks also allows us to first assess qualitative factors to determine whether it is necessary to perform a more detailed quantitative trademark impairment test. We would perform the quantitative test if our qualitative assessment determined it was more-likely-than-not that the trademarks are impaired. We may also elect to bypass the qualitative assessment and proceed directly to the quantitative test. Our trademarks would be considered impaired if their carrying value exceeds their estimated fair value. The costs of developing and maintaining our trademarks are expensed as incurred.

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

Revenue and Expense Recognition

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

Our sale to guests of air and other transportation to and from airports near the home ports of our ships and the related cost of purchasing these services are included in cruise passenger ticket revenues and cruise transportation costs, respectively. The proceeds that we collect from the sales of third-party shore excursions and on behalf of our onboard concessionaires, net of the amounts remitted to them, are included in onboard and other cruise revenues as concession revenues. All of these amounts are recognized on a completed voyage or pro rata basis as discussed above.

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. A portion of these fees, taxes and charges vary with guest head counts and are directly imposed on a revenue-producing arrangement. This portion of the fees, taxes and charges is expensed in commissions, transportation and other costs when the corresponding revenues are recognized. These fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were $532 million, $517 million and $477 million in 2014, 2013 and 2012, respectively. The remaining portion of fees, taxes and charges are also included in cruise passenger ticket revenues but are expensed in other ship operating expenses when the corresponding revenues are recognized.

Revenues and expenses from our hotel and transportation operations, which are included in our Tour and Other segment, are recognized at the time the services are performed or expenses are incurred. Revenues from the long-term leasing of ships, which are also included in our Tour and Other segment, are recognized ratably over the term of the charter agreement using the straight-line method (see Note 11).

Insurance

We maintain insurance to cover a number of risks including illness and injury to crew, guest injuries, pollution, other third-party claims in connection with our cruise activities, damages to hull and machinery for each of our ships, war risks, workers' compensation, employee health, directors and officers liability, property damages and general liabilities for third-party claims. We recognize insurance recoverables from third-party insurers for incurred expenses at the time the recovery is probable and upon realization for amounts in excess of incurred expenses. All of our insurance policies are subject to coverage limits, exclusions and deductible levels. The liabilities associated with crew illnesses and crew and guest injury claims, including all legal costs, are estimated based on the specific merits of the individual claims or actuarially estimated based on historical claims experience, loss development factors and other assumptions. While we believe our estimated accrued claims reserves are adequate, the ultimate losses will differ.

At November 30, 2014 and 2013, substantially all of our aggregated short-term and long-term insurance recoverables are for crew, guest and other third-party claims related to the January 2012 ship incident. At November 30, 2014 and 2013, the majority of our aggregated short-term and long-term claims reserves also relate to this January 2012 ship incident. At November 30, 2014 and 2013, our long-term insurance recoverables and long-term claims reserve are included in other assets and other long-term liabilities, respectively, and are not material.

Selling and Administrative Expenses

Selling expenses include a broad range of advertising, such as marketing and promotional expenses. Advertising is charged to expense as incurred, except for media production costs. Brochures and media production costs are recorded as prepaid expenses and charged to expense as consumed or upon the first airing of the advertisement, respectively. Advertising expenses totaled $623 million, $588 million and $527 million in 2014, 2013 and 2012, respectively. Administrative expenses represent the costs of our shoreside ship support, reservations and other administrative functions, and includes salaries and related benefits, professional fees and occupancy costs, which are typically expensed as incurred.

Foreign Currency Translations and Transactions

Each business determines its functional currency by reference to its primary economic environment. We translate the assets and liabilities of our foreign operations that have functional currencies other than the U.S. dollar at exchange rates in effect at the balance sheet date. Revenues and expenses of these foreign operations are translated at weighted-average exchange rates for the period. Their equity is translated at historical rates and the resulting foreign currency translation adjustments are included as a component of accumulated other comprehensive income ("AOCI"), which is a separate component of shareholders' equity. Therefore, the U.S. dollar value of the non-equity translated items in our consolidated financial statements will fluctuate from period to period, depending on the changing value of the U.S. dollar versus these currencies.

We execute transactions in a number of different currencies, principally the U.S. dollar, euro, sterling and Australian dollar. Exchange rate gains and losses arising from changes in foreign currency exchange rates between the time an expense is recorded and when it is settled as well as the remeasurement of monetary assets and liabilities, all denominated in a currency other than the functional currency of the entity involved, are recognized currently in nonoperating earnings, unless such monetary liabilities have been designated to act as hedges of net investments in our foreign operations. The net gains or losses resulting from these "nonoperating foreign currency transactions" were insignificant in 2014, 2013 and 2012. In addition, the unrealized gains or losses on our long-term intercompany receivables denominated in a non-functional currency, which are not expected to be repaid in the foreseeable future and are therefore considered to form part of our net investments, are recorded as foreign currency translation adjustments, which are included as a component of AOCI.

Share-Based Compensation

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

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares and common stock equivalents outstanding during each period. For earnings per share purposes, Carnival Corporation common stock and Carnival plc ordinary shares are considered a single class of shares since they have equivalent rights (see Note 3).

NOTE 3 – DLC Arrangement

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

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

At the closing of the DLC transaction, Carnival Corporation and Carnival plc also executed deeds of guarantee. Under the terms of Carnival Corporation's deed of guarantee, Carnival Corporation has agreed to guarantee all indebtedness and certain other monetary obligations of Carnival plc that are incurred under agreements entered into on or after the closing date of the DLC transaction. The terms of Carnival plc's deed of guarantee mirror those of Carnival Corporation's. In addition, Carnival Corporation and Carnival plc have each extended their respective deeds of guarantee to the other's pre-DLC indebtedness and certain other monetary obligations, or alternatively have provided standalone guarantees in lieu of utilization of these deeds of guarantee, thus effectively cross guaranteeing all Carnival Corporation and Carnival plc indebtedness and certain other monetary obligations. Each deed of guarantee provides that the creditors to whom the obligations are owed are intended third-party beneficiaries of such deed of guarantee.

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

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

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

NOTE 4 – Property and Equipment

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

	November 30,	
	2014	2013
Ships, including ship improvements	$ 42,886	$ 42,367
Ships under construction	533	535
	43,419	42,902
Land, buildings and improvements, including leasehold improvements and port facilities	1,088	971
Computer hardware and software, transportation equipment and other	1,322	1,251
Total property and equipment	45,829	45,124
Less accumulated depreciation and amortization	(13,056)	(12,219)
	$ 32,773 (a)	$ 32,905 (a)

(a) At November 30, 2014 and 2013, the net carrying values of ships and ships under construction for our North America, EAA, Cruise Support and Tour and Other segments were $18.6 billion, $12.6 billion, $0.3 billion and $0.1 billion and $18.3 billion, $13.2 billion, $0.3 billion and $0.1 billion, respectively.

Ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. Capitalized interest, substantially all included in our ships under construction, amounted to $21 million, $15 million and $17 million in 2014, 2013 and 2012, respectively.

Repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were $918 million, $954 million and $832 million in 2014, 2013 and 2012, respectively, and are substantially all included in other ship operating expenses.

During 2012, we wrote-off the net carrying value of a ship related to the January 2012 ship incident and received €395 million (or $508 million) of hull and machinery insurance proceeds for the total loss of the ship. As a result, in 2012 we recognized €14 million (or $17 million) of proceeds in excess of the net carrying value of the ship as a reduction of other ship operating expenses. In addition, during 2012 we incurred $28 million of January 2012 ship incident-related expenses, that were not covered by insurance and are principally included in other ship operating expenses. See Note 7 for a discussion of loss contingencies related to the January 2012 ship incident.

See Note 10 for a discussion regarding ship sales and impairments.

NOTE 5 – Unsecured Debt

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

	November 30, 2014		November 30,	
	Interest Rates	Maturities Through	2014 (a)	2013 (a)
Long-Term Debt				
Export Credit Facilities				
Fixed rate (b)	4.2% to 5.5%	2020	$ 1,358	$ 1,684
Euro fixed rate (b)	3.8% to 4.5%	2025	340	408
Floating rate (c)	1.4% to 1.6%	2026	1,031	1,196
Euro floating rate (b)(d)	0.3% to 1.2%	2026	1,909	1,742
Bank Loans				
Fixed rate (b)(e)	-	-	-	650
Euro fixed rate (b)	3.9%	2021	221	276
Floating rate (b)(e)(f)	0.7% to 1.2%	2019	800	850
Euro floating rate (b)(g)	0.7%	2015	249	138
Private Placement Notes				
Fixed rate	5.9% to 6.0%	2016	116	116
Euro fixed rate (b)	6.9% to 7.3%	2018	153	194
Publicly-Traded Notes				
Fixed rate	1.2% to 7.1%	2028	2,219	2,219
Other	3.8% to 7.3%	2030	26	27
Short-Term Borrowings				
Euro bank loans (h)	1.3%	2015	13	60
U.S. dollar-denominated commercial paper (h)	0.4%	2015	653	-
Total Debt			9,088	9,560
Less short-term borrowings			(666)	(60)
Less current portion of long-term debt			(1,059)	(1,408)
Total Long-term Debt			$ 7,363	$ 8,092

(a) The debt table does not include the impact of our foreign currency and interest rate swaps. At November 30, 2014, 67% and 33% (69% and 31% at November 30, 2013) of our debt was U.S. dollar and euro-denominated, respectively, including the effect of foreign currency swaps. At November 30, 2014, 52% and 48% (59% and 41% at November 30, 2013) of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps. Substantially all of our fixed rate debt can only be called or prepaid by incurring additional costs. In addition, substantially all of our debt agreements, including our main revolving credit facility, contain one or more financial covenants that require us, among other things, to maintain minimum debt service coverage and minimum shareholders' equity and to limit our debt to capital and debt to equity ratios and the amounts of our secured assets and secured and other indebtedness. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables (see Note 10) could become due, and all debt and derivative contracts could be terminated. At November 30, 2014, we believe we were in compliance with all of our debt covenants.

(b) Includes $2.4 billion of debt whose interest rates, and in the case of our main revolver its commitment fees, would increase upon a downgrade in the long-term senior unsecured credit ratings of Carnival Corporation or Carnival plc.

(c) In 2014, we repaid an aggregate of $590 million outstanding under two export credit facilities prior to their maturities through May 2024. In addition, in 2014 we borrowed $554 million under an export credit facility, the proceeds of which were used to pay for a portion of *Regal Princess*' purchase price and is due in semi-annual installments through May 2026.

(d) In 2014, we borrowed $498 million under a euro-denominated export credit facility, the proceeds of which were used to pay for a portion of *Costa Diadema's* purchase price and is due in semi-annual installments through October 2026.

(e) In 2014, we restructured two floating rate bank loan facilities that had an aggregate outstanding balance of $250 million and were previously due through 2016. The restructuring converted the terms into perpetual one-year maturities and added a $150 million tranche, which was used to repay a portion of a $500 million fixed rate bank loan in 2014 prior to its 2015 maturity date. We can terminate this facility at any time upon three days notice, and the bank can terminate the facility at any time upon one-year's notice.

(f) In 2014, we borrowed $150 million under a floating rate bank loan, which is due in September 2019. We used the net proceeds of this loan for general corporate purposes.

(g) In 2014, we borrowed $275 million under a euro-denominated floating rate revolving bank loan facility, the proceeds of which were used for general corporate purposes. This facility has a perpetual term although we can terminate it at any time, and the bank can terminate the facility at any time upon nine months notice.

(h) The interest rate associated with our short-term borrowings represents an aggregate-weighted average interest rate.

At November 30, 2014, the scheduled annual maturities of our debt were as follows (in millions):

	Fiscal						
	2015	2016	2017	2018	2019	Thereafter	Total
Short-term borrowings	$ 666	$ -	$ -	$ -	$ -	$ -	$ 666
Long-term debt	1,059	1,785	634	1,302	685	2,957	8,422
	$1,725	$1,785	$634	$1,302	$685	$2,957	$9,088

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

Committed Ship Financings

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

At January 22, 2015, our committed ship financings are as follows:

Cruise Brands and Ships	Fiscal Year Scheduled for Funding	Amount
		(in millions)
North America		
Carnival Cruise Line		
Carnival Vista	2016	$ 483
Holland America Line		
Koningsdam	2016	379
Seabourn		
Newbuild (a)	2016	204
North America Cruise Brands		1,066
EAA		
AIDA		
AIDAprima (a)	2015	393
Newbuild (a)	2016	393
P&O Cruises (UK)		
Britannia (a)	2015	480
EAA Cruise Brands		1,266
		$2,332

(a) Commitments are euro-denominated.

Revolving Credit Facilities

In June 2014, Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries amended and replaced their existing five-year multi-currency revolving credit facility of $2.5 billion (comprised of $1.6 billion, €450 million and £150 million) with a new five-year multi-currency revolving credit facility (the "Facility"). This Facility of $2.6 billion (comprised of $1.7 billion, €500 million and £150 million) at November 30, 2014 expires in June 2019, and we have options to extend this Facility through June 2021 subject to the approval of each bank. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 40 basis points ("bps"). The margin varies based on changes to Carnival Corporation's and Carnival plc's long-term senior unsecured credit ratings. We are required to pay a commitment fee of 35% of the margin per annum on any undrawn portion. We will also incur an additional utilization fee of 10 bps, 20 bps or 40 bps if equal to or less than one-third, more than one-third or more than two-thirds of the Facility, respectively, is drawn on the total amount outstanding.

At November 30, 2014, we have two other undrawn revolving credit facilities for $300 million and $75 million that expire in 2020 and 2015, respectively, and provide us with additional liquidity. At November 30, 2014, $2.9 billion was available under all of our revolving credit facilities.

NOTE 6 – Commitments

Ship Commitments

At November 30, 2014, as adjusted for our new ship orders through January 22, 2015, we had ten ships under contract for construction with an aggregate passenger capacity of more than 28,200 lower berths. The estimated total cost of these ships is $6.2 billion, which includes the contract prices with the shipyards, design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. We have paid $0.5 billion through November 30, 2014 and anticipate paying $1.6 billion, $1.9 billion, $0.8 billion and $1.4 billion of the remaining estimated total costs in 2015, 2016, 2017 and 2018, respectively.

Operating Leases, Port Facilities and Other Commitments

Rent expense under our operating leases, principally for office and warehouse space, was $63 million, $61 million and $57 million in 2014, 2013 and 2012, respectively.

At November 30, 2014, minimum amounts payable for our operating leases, with initial or remaining terms in excess of one year, and for the annual usage of port facilities and other contractual commitments with remaining terms in excess of one year, were as follows (in millions):

	Fiscal						
	2015	2016	2017	2018	2019	Thereafter	Total
Operating leases	$ 56	$ 45	$ 30	$ 25	$24	$147	$ 327
Port facilities and other	231	188	141	110	70	600	1,340
	$287	$233	$171	$135	$94	$747	$1,667

NOTE 7 – Contingencies

Litigation

As a result of the January 2012 ship incident, litigation claims, enforcement actions, regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The existing assertions are ongoing and there are significant jurisdictional uncertainties. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims.

The UK Maritime & Coastguard Agency and the U.S. Department of Justice are investigating allegations that *Caribbean Princess* breached international pollution laws. We are cooperating with the investigations, including conducting our own internal investigation into the matter. The ultimate outcome of this matter cannot be determined at this time. However, we do not expect it to have a significant impact on our results of operations.

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

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

At November 30, 2014, Carnival Corporation had estimated contingent obligations totaling $397 million, excluding termination payments as discussed below, to participants in LILO transactions for two of its ships. At the inception of these leases, the aggregate of the net present value of these obligations was paid by Carnival Corporation to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished and neither the funds nor the contingent obligations have been included in our Consolidated Balance Sheets.

In the event that Carnival Corporation were to default on its contingent obligations and assuming performance by all other participants, we estimate that it would, as of November 30, 2014, be responsible for a termination payment of $31 million. In 2017, Carnival Corporation has the right to exercise options that would terminate these LILO transactions at no cost to it.

If the credit rating of one of the financial institutions who is directly paying the contingent obligations falls below AA-, or below A- for the other financial institution, then Carnival Corporation will be required to replace the applicable financial institution with another financial institution whose credit rating is at least AA or meets other specified credit requirements. In such circumstances, it would incur additional costs, although we estimate that they would not be material to our consolidated financial statements. The financial institution payment undertaker subject to the AA- credit rating threshold has a credit rating of AA, and the financial institution subject to the A-credit rating threshold has a credit rating of A+. If Carnival Corporation's credit rating, which is BBB+, falls below BBB, it will be required to provide a standby letter of credit for $36 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

Contingent Obligations – Indemnifications

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

NOTE 8 – Taxation

A summary of our principal taxes and exemptions in the jurisdictions where our significant operations are located is as follows:

U.S. Income Tax

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

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

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

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

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

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

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

UK and Australian Income Tax

Cunard, P&O Cruises (UK) and P&O Cruises (Australia) are divisions of Carnival plc and have elected to enter the UK tonnage tax on a rolling 10-year term and, accordingly, reapply every year. Companies to which the tonnage tax regime applies pay corporation taxes on profits calculated by reference to the net tonnage of qualifying ships. UK corporation tax is not chargeable under the normal UK tax rules on these brands' relevant shipping income. Relevant shipping income includes income from the operation of qualifying ships and from shipping related activities.

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

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

P&O Cruises (Australia) and all of the other cruise ships operated internationally by Carnival plc for the cruise segment of the Australian vacation market are exempt from Australian corporation tax by virtue of the UK/ Australian income tax treaty.

Italian and German Income Tax

In early 2015, Costa and AIDA will reelect to enter the Italian tonnage tax regime through 2024 and can reapply for an additional ten-year period beginning in early 2025. Companies to which the tonnage tax regime applies pay corporation taxes on shipping profits calculated by reference to the net tonnage of qualifying ships.

Most of Costa's and AIDA's earnings not considered to be shipping profits for Italian tonnage tax purposes will be taxed at an effective tax rate of 5.5% under the Italian International shipping tax regime since all of their ships are Italian registered.

Substantially all of AIDA's earnings are exempt from Italian and German corporation tax by virtue of the Italy/ Germany income tax treaty.

Income and Other Taxes in Asian Countries

Substantially all of our brands' income from their international operation in Asian countries is exempt from local corporation tax by virtue of relevant income tax treaties.

Other

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

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

NOTE 9 – Shareholders' Equity

Carnival Corporation's Articles of Incorporation authorize its Board of Directors, at its discretion, to issue up to 40 million shares of preferred stock. At November 30, 2014 and 2013, no Carnival Corporation preferred stock had been issued and only a nominal amount of Carnival plc preference shares had been issued. Our Boards of Directors have authorized, subject to certain restrictions, the repurchase of up to an aggregate of $1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the "Repurchase Program"). The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

During 2014, there were no repurchases of Carnival Corporation common stock under the Repurchase Program. In 2013 and 2012, we repurchased 2.8 million and 2.6 million shares of Carnival Corporation common stock for $103 million and $90 million, respectively, under the Repurchase Program. During 2014, 2013 and 2012, there were no repurchases of Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program has been $975 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs described below. Depending on market conditions and other factors, we may repurchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently. We use the Stock Swap programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program. Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2015 annual general meeting or October 16, 2015. At January 22, 2015, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

During 2014 and 2012, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap programs. During 2013, Carnival Investments Limited, a wholly owned subsidiary of Carnival Corporation, sold 0.9 million of Carnival plc ordinary shares for net proceeds of $35 million. Substantially all of the net proceeds from these sales were used to repurchase 0.9 million shares of Carnival Corporation common stock. Pursuant to our Stock Swap programs, Carnival Corporation sold these Carnival plc ordinary shares owned by Carnival Investments Limited only to the extent it was able to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. During 2013, no Carnival Corporation common stock was sold or Carnival plc ordinary shares were repurchased under the Stock Swap programs.

At November 30, 2014, there were 15.9 million shares of Carnival Corporation common stock reserved for issuance under its employee benefit and dividend reinvestment plans. At November 30, 2014, there were 8.4 million ordinary shares of Carnival plc authorized for future issuance under its employee benefit plans.

On November 15, 2012, our Boards of Directors declared a special dividend to holders of Carnival Corporation common stock and Carnival plc ordinary shares of $0.50 per share, or $0.4 billion, which was paid in December 2012. The special dividend was in addition to our $0.25 per share regular 2012 quarterly dividend.

Accumulated other comprehensive (loss) income was as follows (in millions):

	November 30,	
	2014	**2013**
Cumulative foreign currency translation adjustments, net	$(512)	$234
Unrecognized pension expenses	(90)	(97)
Unrealized losses on marketable securities	(5)	(7)
Net (losses) gains on cash flow derivative hedges	(9)	31
	$(616)	$161

During 2014, $18 million of unrecognized pension expenses were reclassified out of accumulated other comprehensive (loss) income, of which $12 million and $6 million were included in payroll and related expenses and selling and administrative expenses, respectively.

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

Fair Value Measurements

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

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

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

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at November 30, 2014 and 2013. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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

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

	November 30, 2014				November 30, 2013			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents (a)	$ 240	$240	$ -	$ -	$ 349	$349	$ -	$ -
Restricted cash (b)	11	11	-	-	-	-	-	-
Long-term other assets (c)	156	1	103	49	110	1	58	50
Total	$ 407	$252	$ 103	$49	$ 459	$350	$ 58	$50
Liabilities								
Fixed rate debt (d)	$4,433	$ -	$4,743	$ -	$5,574	$ -	$5,941	$ -
Floating rate debt (d)	4,655	-	4,562	-	3,986	-	3,997	-
Total	$9,088	$ -	$9,305	$ -	$9,560	$ -	$9,938	$ -

(a) Cash and cash equivalents are comprised of cash on hand, and at November 30, 2013 also include time deposits. Due to their short maturities, the carrying values approximate their fair values.

(b) Restricted cash is comprised of a money market deposit account.

(c) At November 30, 2014 and 2013, long-term other assets were substantially all comprised of notes and other receivables. The fair values of our Level 1 and Level 2 notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.

(d) Debt does not include the impact of interest rate swaps. The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at November 30, 2014 and 2013 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At November 30, 2014 and 2013, the net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at November 30, 2014 and 2013 being slightly higher and slightly lower, respectively, than the floating interest rates on these debt obligations, including the impact of any changes in our credit ratings. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1 and, accordingly, are considered Level 2. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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

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

	November 30, 2014			November 30, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash equivalents (a)	$ 91	$ -	$ -	$113	$ -	$ -
Restricted cash (b)	19	-	-	28	-	-
Marketable securities held in rabbi trusts (c)	113	9	-	113	10	-
Derivative financial instruments (d)	-	14	-	-	60	-
Long-term other asset (e)	-	-	20	-	-	17
Total	$223	$ 23	$ 20	$254	$ 70	$ 17
Liabilities						
Derivative financial instruments (d)	$ -	$278	$ -	$ -	$ 31	$ -
Total	$ -	$278	$ -	$ -	$ 31	$ -

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

(b) The majority of restricted cash is comprised of money market funds.

(c) At November 30, 2014 and 2013, marketable securities held in rabbi trusts were comprised of Level 1 bonds, frequently-priced mutual funds invested in common stocks, money market funds and Level 2 other investments. Their use is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.

(d) See "Derivative Instruments and Hedging Activities" section below for detailed information regarding our derivative financial instruments.

(e) Long-term other asset is comprised of an auction-rate security. The fair value was based on a broker quote in an inactive market, which is considered a Level 3 input. During 2014, there were no purchases or sales pertaining to this auction-rate security and, accordingly, the change in its fair value was based solely on the strengthening of the underlying credit.

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

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

Sales and Impairments of Ships

In November 2014, we sold the 672-passenger capacity *Ocean Princess* for a total gain of $24 million, of which $14 million was recognized in the fourth quarter of 2014 as a reduction in other ship operating expenses. We provided $66 million of financing to the buyer, which is due in semi-annual installments through November 2019. Prior to the ship's delivery in March 2016, we will continue to operate it under a bareboat charter agreement. As a result of the sale-leaseback accounting for this transaction, the remaining gain of $10 million will be recognized as a reduction in other ship operating expenses over the term of the bareboat charter agreement through March 2016.

In November 2014, we entered into a bareboat charter/sale agreement under which the 1,440-passenger capacity *Grand Holiday* was chartered to an unrelated entity in January 2015 through March 2025. Under this agreement, ownership of *Grand Holiday* will be transferred to the buyer in March 2025. This transaction did not meet the criteria to qualify as a sales-type lease and, accordingly, it will be accounted for as an operating lease whereby we will recognize the charter revenue over the term of the agreement. As a result of this transaction, we performed a ship impairment review and recognized a $31 million impairment charge in other ship operating expenses during the fourth quarter of 2014. The estimated fair value of the ship was substantially all determined based on the expected collectability of the bareboat charter payments, which is considered a Level 3 input.

Due to the expected absorption of Ibero Cruises' ("Ibero") operations into Costa in November 2014, and certain ship specific facts and circumstances, such as size, age, condition, viable alternative itineraries and historical operating cash flows, we performed an undiscounted future cash flow analysis of Ibero's *Grand Celebration* as of May 31, 2014 to determine if the ship was impaired. The principal assumptions used in our undiscounted cash flow analysis consisted of forecasted future operating results, including net revenue yields and net cruise costs including fuel prices, and the estimated residual value, which are all considered Level 3 inputs, and the then expected transfer of *Grand Celebration* into Costa in November 2014. Based on its undiscounted cash flow analysis, we determined that the net carrying value for *Grand Celebration* exceeded its estimated undiscounted future cash flows. Accordingly, we then estimated the May 31, 2014 fair value of this ship based on its discounted future cash flows and compared the estimated fair value to its net carrying value. As a result, we recognized a $22 million ship impairment charge in other ship operating expenses during the second quarter of 2014.

In December 2014, we entered into a bareboat charter/sale agreement under which the 1,492-passenger capacity *Costa Celebration* (formerly *Grand Celebration*) was chartered to an unrelated entity in December 2014 through December 2024. Under this agreement, ownership of *Costa Celebration* will be transferred to the buyer in December 2024. This transaction did not meet the criteria to qualify as a sales-type lease and, accordingly, it will be accounted for as an operating lease whereby we will recognize the charter revenue over the term of the agreement.

During the third quarter of 2013, we recognized $73 million and $103 million of impairment charges related to *Costa Voyager* and *Costa Classica*, respectively. In November 2013, *Costa Voyager* was taken out-of-service, and during the second quarter of 2014 *Costa Voyager* was sold and we recognized a $37 million gain as a reduction in other ship operating expenses. The estimated fair values of these ships at the time of impairment were based on their undiscounted cash flow analyses, which included principal assumptions similar to most of those discussed above for *Grand Celebration*.

During 2012, *Costa Allegra* suffered damage and, accordingly, we decided to withdraw this ship from operations resulting in a $34 million impairment charge, which is included in other ship operating expenses. In addition, during 2012, we incurred $17 million for *Costa Allegra* incident-related expenses, which are principally included in other ship operating expenses. In October 2012, we sold *Costa Allegra*. Furthermore, during 2012, we recognized $23 million of ship impairment charges related to *Seabourn Legend* and *Seabourn Pride* in other ship operating expenses. The estimated fair value for all three of these ships was determined based on their sales value, which is considered a Level 3 input.

In 2014, 2013 and 2012, we recognized $53 million, $176 million and $57 million, respectively, of ship impairment charges in other ship operating expenses.

Valuation of Goodwill and Other Intangibles

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

	North America Cruise Brands	EAA Cruise Brands	Total
Balance at November 30, 2012	$1,898	$1,276	$3,174
Foreign currency translation adjustment	-	36	36
Balance at November 30, 2013	1,898	1,312	3,210
Foreign currency translation adjustment	-	(83)	(83)
Balance at November 30, 2014	$1,898	$1,229	$3,127

At July 31, 2014, all of our cruise brands carried goodwill, except for Ibero and Seabourn. As of that date, we performed our annual goodwill impairment reviews, which included performing a qualitative assessment for all cruise brands that carried goodwill, except for Carnival Cruise Line, Cunard and P&O Cruises (UK). Qualitative factors such as industry and market conditions, macroeconomic conditions, changes to the weighted-average cost of capital ("WACC"), overall financial performance, changes in fuel prices and capital expenditures were considered in the qualitative assessment to determine how changes in these factors would affect each of these cruise brands' estimated fair values. Based on our qualitative assessments, we determined it was more-likely-than-not that each of these cruise brands' estimated fair values exceeded their carrying values and, therefore, we did not proceed to the two-step quantitative goodwill impairment reviews.

As of July 31, 2014, we also performed our annual goodwill impairment reviews of Carnival Cruise Line's, Cunard's and P&O Cruises (UK)'s goodwill. We did not perform a qualitative assessment but instead proceeded directly to step one of the two-step quantitative goodwill impairment review and compared each of Carnival Cruise Line's, Cunard's and P&O Cruises (UK)'s estimated fair value to the carrying value of their allocated net assets. Their estimated cruise brand fair value was based on a discounted future cash flow analysis. The principal assumptions used in our cash flow analyses consisted of forecasted future operating results, including net revenue yields and net cruise costs including fuel prices; capacity changes, including the expected rotation of vessels into, or out of, Carnival Cruise Line, Cunard and P&O Cruises (UK); capital expenditures; WACC of market participants, adjusted for the risk attributable to the geographic regions in which Carnival Cruise Line, Cunard and P&O Cruises (UK) operate and terminal values, which are all considered Level 3 inputs. Based on the discounted cash flow analyses, we determined that each of Carnival Cruise Line's, Cunard's and P&O Cruises (UK)'s estimated fair value significantly exceeded their carrying value and, therefore, we did not proceed to step two of the impairment reviews.

At November 30, 2014, accumulated goodwill impairment charges were $153 million, which are all related to Ibero and were recognized in 2012.

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

	North America Cruise Brands	EAA Cruise Brands	Total
Balance at November 30, 2012	$927	$372	$1,299
Ibero trademarks impairment charge (a)	-	(13)	(13)
Balance at November 30, 2013	927	359	1,286
Foreign currency translation adjustment	-	(21)	(21)
Balance at November 30, 2014	$927	$338	$1,265

(a) In 2013, we recognized a $13 million impairment charge to fully write-off Ibero's trademarks' carrying value.

At July 31, 2014, our cruise brands that have significant trademarks recorded include AIDA, P&O Cruises (Australia), P&O Cruises (UK) and Princess. As of that date, we performed our annual trademark impairment reviews for these cruise brands, which included performing a qualitative assessment for AIDA, P&O Cruises (Australia) and Princess. Qualitative factors such as industry and market conditions, macroeconomic conditions, changes to the WACC, changes in royalty rates and overall financial performance were considered in the qualitative assessment to determine how changes in these factors would affect the estimated fair values for each of these cruise brands' recorded trademarks. Based on our qualitative assessments, we determined it was more likely-than-not that the estimated fair value for AIDA's, P&O Cruises (Australia)'s and Princess' recorded trademarks exceeded their carrying value and, therefore, none of these trademarks were impaired.

As of July 31, 2014, we also performed our annual trademark impairment review of P&O Cruises (UK). We did not perform a qualitative assessment but instead proceeded directly to the quantitative trademark impairment review. Our quantitative assessment included estimating P&O Cruises (UK)'s trademarks fair value based upon a discounted future cash flow analysis, which estimated the amount of royalties that we are relieved from having to pay for use of the associated trademarks, based upon forecasted cruise revenues and a market participant's royalty rate. The royalty rate was estimated primarily using comparable royalty agreements for similar industries. Based on our quantitative assessment, we determined that the estimated fair value for P&O Cruises (UK)'s trademarks significantly exceeded their carrying values and, therefore, none of these trademarks were impaired.

In 2013, we recognized a $14 million impairment charge related to an investment, leaving an insignificant carrying value at November 30, 2014 and 2013. In 2012, we recognized a $20 million impairment charge to write-off a portion of Ibero's trademarks' carrying value.

At November 30, 2014 and 2013, our intangible assets subject to amortization are not significant to our consolidated financial statements.

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

Derivative Instruments and Hedging Activities

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

All derivatives are recorded at fair value. The changes in fair value are recognized currently in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of AOCI until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a nonderivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or substantially liquidated. We formally document hedging relationships for all derivative and nonderivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all our derivative contracts as either current or long-term, depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. The cash flows from derivatives treated as hedges are classified in our Consolidated Statements of Cash Flows in the same category as the item being hedged. Our cash flows related to fuel derivatives are classified within investing activities.

The estimated fair values of our derivative financial instruments and their location in the Consolidated Balance Sheets were as follows (in millions):

		November 30,	
	Balance Sheet Location	**2014**	**2013**
Derivative assets			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Prepaid expenses and other	$ 6	$ -
	Other assets – long-term	6	2
Foreign currency zero cost collars (b)	Other assets – long-term	-	8
Interest rate swaps (c)	Prepaid expenses and other	1	1
	Other assets – long-term	1	5
		14	16
Derivatives not designated as hedging instruments			
Fuel (d)	Prepaid expenses and other	-	14
	Other assets – long-term	-	30
		-	44
Total derivative assets		$ 14	$60
Derivative liabilities			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Accrued liabilities and other	$ -	$ 4
Foreign currency zero cost collars (b)	Accrued liabilities and other	1	-
Interest rate swaps (c)	Accrued liabilities and other	13	13
	Other long-term liabilities	35	13
		49	30
Derivatives not designated as hedging instruments			
Fuel (d)	Accrued liabilities and other	90	-
	Other long-term liabilities	139	1
		229	1
Total derivative liabilities		$278	$31

(a) At November 30, 2014 and 2013, we had foreign currency forwards totaling $403 million and $578 million, respectively, that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At November 30, 2014, these foreign currency forwards settle through July 2017.

(b) At November 30, 2014 and 2013, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See "Newbuild Currency Risks" below for additional information regarding these derivatives.

(c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At November 30, 2014 and 2013, these interest rate swap agreements effectively changed $750 million and $909 million, respectively, of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025. In addition, at November 30, 2014 and 2013 we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. At November 30, 2014 and 2013, these interest rate swap agreements effectively changed $500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settle through February 2016.

(d) At November 30, 2014 and 2013, we had fuel derivatives consisting of zero cost collars on Brent crude oil ("Brent") to cover a portion of our estimated fuel consumption through 2018 and through 2017, respectively. See "Fuel Price Risks" below for additional information regarding these fuel derivatives.

Our derivative contracts include rights of offset with our counterparties. We have elected to net certain of our derivative assets and liabilities within counterparties. The amounts recognized within assets and liabilities were as follows (in millions):

	November 30, 2014				
	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	$ 78	$(64)	$ 14	$(14)	$ -
Liabilities	$342	$(64)	$278	$(14)	$264

	November 30, 2013				
	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	$137	$(77)	$ 60	$ (7)	$ 53
Liabilities	$108	$(77)	$ 31	$ (7)	$ 24

The effective portions of our derivatives qualifying and designated as hedging instruments recognized in other comprehensive (loss) income were as follows (in millions):

	November 30,		
	2014	2013	2012
Net investment hedges	$ 25	$(11)	$ 48
Foreign currency zero cost collars – cash flow hedges	$(10)	$ (1)	$ 16
Interest rate swaps – cash flow hedges	$(28)	$ 2	$(11)

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require interest-bearing, non-restricted cash to be posted or received as collateral to the extent the fuel derivative fair value payable to or receivable from an individual counterparty, respectively, exceeds $100 million. At November 30, 2014 and 2013, no collateral was required to be posted to or received from our fuel derivative counterparties.

The amount of estimated cash flow hedges' unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of November 30, 2014 and 2013 and for the years ended November 30, 2014, 2013 and 2012 where such impacts were not significant.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relates to the consumption of fuel on our ships. We use our fuel derivatives program to mitigate a portion of our economic risk attributable to potential fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity and our program currently consists of zero cost collars on Brent.

All of our derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices.

We will not realize any economic gain or loss upon the monthly maturities of our zero cost collars unless the average monthly price of Brent is above the ceiling price or below the floor price. We believe that these derivatives will act as economic hedges; however, hedge accounting is not applied. As part of our fuel derivatives program, we will continue to evaluate various derivative products and strategies. In 2014, 2013 and 2012, our unrealized (losses) gains, net on fuel derivatives were $(268) million, $36 million and $6 million, respectively, and in 2014 and 2012, our realized losses, net were $(3) million and $(13) million, respectively. There were no realized gains or losses in 2013.

At November 30, 2014, our outstanding fuel derivatives consisted of zero cost collars on Brent to cover a portion of our estimated fuel consumption as follows:

Maturities (a)	Transaction Dates	Barrels (in thousands)	Weighted-Average Floor Prices	Weighted-Average Ceiling Prices	Percent of Estimated Fuel Consumption Covered
Fiscal 2015					
	November 2011 . . .	2,160	$80	$114	
	February 2012	2,160	$80	$125	
	June 2012	1,236	$74	$110	
	April 2013	1,044	$80	$111	
	May 2013	1,884	$80	$110	
	October 2014	1,920	$79	$110	
		10,404			51%
Fiscal 2016					
	June 2012	3,564	$75	$108	
	February 2013	2,160	$80	$120	
	April 2013	3,000	$75	$115	
		8,724			42%
Fiscal 2017					
	February 2013	3,276	$80	$115	
	April 2013	2,028	$75	$110	
	January 2014	1,800	$75	$114	
	October 2014	1,020	$80	$113	
		8,124			39%
Fiscal 2018					
	January 2014	2,700	$75	$110	
	October 2014	3,000	$80	$114	
		5,700			28%

(a) Fuel derivatives mature evenly over each month within the above fiscal periods.

Foreign Currency Exchange Rate Risks

Overall Strategy

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

Operational Currency Risks

Our European and Australian cruise brands generate significant revenues and incur significant expenses in their euro, sterling or Australian dollar functional currency, which subjects us to “foreign currency translational” risk related to these currencies. Accordingly, exchange rate fluctuations of the euro, sterling and Australian dollar against the U.S. dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for these cruise brands' revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Most of our brands also have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and principally includes the euro, sterling and Australian and U.S. dollars. In addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, we also have "foreign currency transactional" risks related to changes in the exchange rates for our brands' revenues and expenses that are in a currency other than their functional currency. However, these brands' revenues and expenses in non-functional currencies create some degree of natural offset from these currency exchange movements. In addition, we monitor this foreign currency transactional risk in order to measure its impact on our results of operations.

Investment Currency Risks

We consider our investments in foreign operations to be denominated in relatively stable currencies and of a long-term nature. We partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations' functional currencies, substantially all sterling. As of November 30, 2014 and 2013, we have designated $2.4 billion and $2.2 billion, respectively, of our foreign currency intercompany payables as nonderivative hedges of our net investments in foreign operations. Accordingly, we have included $359 million and $234 million of cumulative foreign currency transaction nonderivative gains in the cumulative translation adjustment component of AOCI at November 30, 2014 and 2013, respectively, which offsets a portion of the losses recorded in AOCI upon translating our foreign operations' net assets into U.S. dollars. During 2014, 2013 and 2012, we recognized foreign currency nonderivative transaction gains (losses) of $125 million, $(9) million and $39 million, respectively, in the cumulative translation adjustment component of AOCI.

Newbuild Currency Risks

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

In July 2012, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of P&O Cruises (UK) *Britannia*'s euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling of $287 million and a weighted-average floor of $266 million. In June 2014, we entered into additional foreign currency zero cost collars that are also designated as cash flow hedges for the remaining portion of *Britannia's* euro-denominated shipyard payments. These collars also mature in February 2015 at a weighted-average ceiling of $281 million and a weighted-average floor of $274 million. If the spot rate is between the weighted-average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

On January 22, 2015, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of a Princess and Seabourn newbuilds' euro-denominated shipyard payments. The Princess newbuild's collars mature in March 2017 at a weighted-average ceiling of $590 million and a weighted-average floor of $504 million. The Seabourn newbuild's collars mature in November 2016 at a weighted-average ceiling of $221 million and a weighted-average floor of $185 million. If the spot rate is between the weighted-average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

At January 22, 2015, substantially all of our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild construction payments for a Carnival Cruise Line, Holland America Line and Seabourn newbuild, which represent a total unhedged commitment of $1.7 billion.

The cost of shipbuilding orders that we may place in the future that is denominated in a different currency than our cruise brands' or the shipyards' functional currency is expected to be affected by foreign currency exchange rate fluctuations. These foreign currency exchange rate fluctuations may affect our desire to order new cruise ships.

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our debt portfolio management and investment strategies. We evaluate our debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. At November 30, 2014, 52% and 48% (59% and 41% at November 30, 2013) of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps. In addition, to the extent that we have excess cash available for investment, we purchase high quality short-term investments with floating interest rates, which offset a portion of the impact of interest rate fluctuations arising from our floating interest rate debt portfolio.

Concentrations of Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Our maximum exposure under foreign currency and fuel derivative contracts and interest rate swap agreements that are in-the-money, which were not material at November 30, 2014, is the replacement cost, net of any collateral received or contractually allowed offset, in the event of nonperformance by the counterparties to the contracts, all of which are currently our lending banks. We seek to minimize credit risk exposure, including counterparty nonperformance primarily associated with our cash equivalents, investments, committed financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, by normally conducting business with large, well-established financial institutions, insurance companies and export credit agencies, and by diversifying our counterparties. In addition, we have guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimize risk. We normally do require collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards. We currently believe the risk of nonperformance by any of our significant counterparties is remote.

We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe and credit and debit card providers to which we extend credit in the normal course of our business, which includes charter-hire agreements in Asia prior to sailing. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. Concentrations of credit risk associated with these receivables, charter-hire agreements and contingent obligations are not considered to be material, primarily due to the large number of unrelated accounts within our customer base, the amount of these contingent obligations and their short maturities. We have experienced only minimal credit losses on our trade receivables and related contingent obligations. We do not normally require collateral or other security to support normal credit sales.

NOTE 11 – Segment Information

We have three reportable cruise segments that are comprised of our (1) North America cruise brands, (2) EAA cruise brands and (3) Cruise Support. In addition, we have a Tour and Other segment. Our segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker ("CODM"), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. Decisions to allocate resources and assess performance for Carnival Corporation & plc are made by the CODM upon review of the segment results across all of our cruise brands and other segments.

Our North America cruise segment includes Carnival Cruise Line, Holland America Line, Princess and Seabourn. Our EAA cruise segment includes AIDA, Costa, Cunard, P&O Cruises (Australia), P&O Cruises (UK) and prior to November 2014, Ibero. These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, ship maintenance requirements, supporting systems and processes and products and services they provide. Our Cruise Support segment represents certain of our port and related facilities and other services that are provided for the benefit of our cruise brands. Our Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours. In 2012, our Tour and Other segment also included two ships that we chartered to an unaffiliated entity. In April 2013, we sold one of these two ships and recognized a $15 million gain as a reduction of Tour and Other operating expenses. Accordingly, subsequent to this 2013 sale and through November 30, 2014, our Tour and Other segment included only one ship. The significant accounting policies of our segments are the same as those described in Note 2 – "Summary of Significant Accounting Policies."

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

	Revenues	Operating expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
2014							
North America Cruise Brands (a)	$ 9,559	$ 6,418	$1,121	$ 959	$1,061	$1,315	$22,765
EAA Cruise Brands	6,148	3,914	725	616	893	1,054	15,228
Cruise Support	90	39	200	25	(174)	156	1,023
Tour and Other (a)	215	160	8	35	12	58	516 (c)
Intersegment elimination (a)	(128)	(128)	-	-	-	-	-
	$15,884	$10,403	$2,054	$1,635	$1,792	$2,583	$39,532
2013							
North America Cruise Brands (a)	$ 9,370	$ 6,439	$1,048	$ 927	$ 956	$1,350	$22,448
EAA Cruise Brands	5,906	4,137	686	599	471(b)	642	16,126
Cruise Support	96	31	136	26	(97)	108	1,016
Tour and Other (a)	210	143	9	36	22	49	514 (c)
Intersegment elimination (a)	(126)	(126)	-	-	-	-	-
	$15,456	$10,624	$1,879	$1,588	$1,352	$2,149	$40,104
2012							
North America Cruise Brands (a)	$ 9,364	$ 6,240	$ 949	$ 898	$1,277	$ 990	$21,893
EAA Cruise Brands	5,827	4,010	650	561	433(b)	1,291	15,894
Cruise Support	86	22	114	28	(78)	33	888
Tour and Other (a)	211	154	7	40	10	18	486 (c)
Intersegment elimination (a)	(106)	(106)	-	-	-	-	-
	$15,382	$10,320	$1,720	$1,527	$1,642	$2,332	$39,161

(a) A portion of the North America cruise brands' segment revenues includes revenues for the tour portion of a cruise when a land tour package is sold along with a cruise by either Holland America Line or Princess. These intersegment tour revenues, which are included in our Tour and Other segment, are eliminated directly against the North America cruise brands' segment revenues and operating expenses in the line "Intersegment elimination."

(b) Includes $13 million in 2013 and $173 million in 2012 of impairment charges related to Ibero's goodwill and trademarks.

(c) Tour and Other segment assets primarily include hotels and lodges in the state of Alaska and the Canadian Yukon, motorcoaches used for sightseeing and charters, glass-domed railcars, which run on the Alaska Railroad, and our owned ships that we leased out under long-term charters to an unaffiliated entity.

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

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

	Years Ended November 30,		
	2014	2013	2012
North America	$ 7,762	$ 7,738	$ 7,952
Europe	5,676	5,426	5,367
Australia and Asia	2,097	1,772	1,506
Other	349	520	557
	$15,884	$15,456	$15,382

NOTE 12 – Compensation Plans

Equity Plans

We issue our share-based compensation awards under the Carnival Corporation and Carnival plc stock plans, which have an aggregate of 18.6 million shares available for future grant at November 30, 2014. These plans allow us to issue time-based share ("TBS") awards, which include restricted stock awards ("RSAs") and restricted stock units ("RSUs"), performance-based share ("PBS") awards, market-based share ("MBS") awards and stock options (collectively "equity awards"). Equity awards are principally granted to management level employees and members of our Boards of Directors. The plans are administered by a committee of our independent directors (the "Committee") that determines which employees are eligible to participate, the monetary value or number of shares for which equity awards are to be granted and the amounts that may be exercised or sold within a specified term. These plans allow us to fulfill our equity award obligations using shares purchased in the open market or with unissued or treasury shares. Certain equity awards provide for accelerated vesting if we have a change in control, as defined.

Our total share-based compensation expense was $52 million, $42 million and $39 million in 2014, 2013 and 2012, respectively, of which $48 million, $39 million and $36 million has been included in selling and administrative expenses in 2014, 2013 and 2012, respectively, and $4 million in 2014 and $3 million in both 2013 and 2012 in cruise payroll and related expenses.

TBS, PBS and MBS Awards

RSAs generally have the same rights as Carnival Corporation common stock, except for transfer restrictions and forfeiture provisions. RSAs have been granted to certain officers and non-executive board members and vest at the end of three years, except for shares released from restriction to satisfy retirement eligible tax obligations ("tax release shares"). In addition, Carnival Corporation and Carnival plc grant RSUs, which also vest at the end of three years, except for tax release shares, and accrue forfeitable dividend equivalents on each outstanding RSU, in the form of additional RSUs, based on dividends declared. The share-based compensation expense for TBS awards is based on the quoted market price of the Carnival Corporation or Carnival plc shares on the date of grant.

In 2014 and 2013, the Committee approved PBS awards to be granted to certain key Carnival Corporation & plc executives. The share-based compensation expense for these PBS awards is based on the quoted market price of the Carnival Corporation or Carnival plc shares and expected total shareholder return rank relative to certain peer companies on the date of grant and the probability of our annual earnings target for each year over a three-year period being achieved. Our 2014 PBS awards also have a return on invested capital ("ROIC") target. The PBS awards granted in 2014 and 2013 provide an opportunity to earn from zero to 200% and zero to 187.5%, respectively, of the number of target shares underlying the award achieved for each year over a three-year period.

In 2012, the Committee approved PBS awards to be granted to certain key Carnival Corporation & plc executives. The share-based compensation expense for these PBS awards is based on the quoted market price of the Carnival Corporation or Carnival plc shares on the date of grant and the probability of our earnings per share growth over a three-year period being achieved. These PBS awards provide an opportunity to earn from zero to 200% of the number of target shares underlying the award achieved at the end of the third year. All PBS awards will accrue forfeitable dividend equivalents based on dividends declared.

In 2014 and 2013, the Committee approved MBS awards to be granted to certain senior executives. The MBS awards granted in 2014 and 2013 were valued at $13 million and $4 million, respectively, as of the date of grant. The share-based compensation expense for all of the MBS awards were based on the quoted market prices of the Carnival Corporation common stock or the Carnival plc ordinary shares on the date of grant and the probability of certain market conditions being achieved. One-half of all of the MBS awards are expensed evenly over a three-year period and the remaining half are expensed evenly over a four-year period.

During the year ended November 30, 2014, TBS, PBS and MBS award activity was as follows:

	TBS Awards		PBS Awards		MBS Awards	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at November 30, 2013	3,026,701	$37.01	510,839	$35.91	93,457	$47.03
Granted	1,184,099	$41.89	228,506	$36.63	176,763	$73.14
Vested	(862,232)	$45.97	(31,698)	$33.29	-	$ -
Forfeited	(138,518)	$39.27	(134,860)	$42.40	-	$ -
Outstanding at November 30, 2014	3,210,050	$36.30	572,787	$34.82	270,220	$64.11

The total grant date fair value of TBS, PBS and MBS awards vested was $41 million, $42 million and $52 million in 2014, 2013 and 2012, respectively. As of November 30, 2014, there was $55 million of total unrecognized compensation cost related to TBS, PBS and MBS awards. As of November 30, 2014, the total unrecognized compensation costs are expected to be recognized over a weighted-average period of 0.9 years for both TBS and PBS awards and 1.5 years for MBS awards.

Stock Option Plans

In 2007 and 2008, the Committee decided to cease granting stock options to our employees and non-executive board members, respectively, and to instead grant them TBS awards. A combined summary of Carnival Corporation and Carnival plc stock option activity during the year ended November 30, 2014 related to stock options previously granted was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (a)
			(in years)	(in millions)
Outstanding at November 30, 2013	3,922,172	$48.42		
Exercised	(17,889)	$39.87		
Forfeited or expired	(2,845,027)	$46.88		
Outstanding and exercisable at November 30, 2014	1,059,256	$51.36	0.4	$ -

(a) The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the option exercise price at November 30, 2014.

As of the dates of exercise, there was a nominal intrinsic value of options exercised in 2014 and a total of $3 million and $7 million in 2013 and 2012, respectively. As of November 30, 2014, there is no unrecognized compensation cost as there were no unvested stock options. Our stock options will expire through 2016.

Defined Benefit Pension Plans

We have several single-employer defined benefit pension plans, which cover some of our shipboard and shoreside employees. The U.S. and UK shoreside employee plans are closed to new membership and are funded at or above the level required by U.S. or UK regulations. Substantially all of the remaining defined benefit plans are unfunded. In determining all of our plans' benefit obligations at November 30, 2014 and 2013, we assumed weighted-average discount rates of 3.5% and 4.0%, respectively. The net asset or net liability positions under these single-employer defined benefit pension plans are not material.

In addition, we participate in two multiemployer defined benefit pension plans in the UK, the British Merchant Navy Officers Pension Fund (registration number 10005645) ("MNOPF"), and the British Merchant Navy Ratings Pension Fund (registration number 10005646) ("MNRPF"), which are referred to as "the multiemployer plans." The MNOPF is divided into two sections, the "New Section" and the "Old Section." The multiemployer plans are maintained for the benefit of the employees of the participating employers who make contributions to the plans. However, contributions made by employers, including us, may be used to provide benefits to employees of other participating employers, and if any of the participating employers withdraw from the multiemployer plans or fail to make their required contributions, any unfunded obligations would be the responsibility of the remaining participating employers. We are contractually obligated to make all required contributions as determined by the plans' trustees. All of our multiemployer plans are closed to new membership, and the MNOPF Old Section is also closed to further benefit accrual and is fully funded. Based on the most recent actuarial reviews of the MNOPF New Section and the MNRPF at March 31, 2014 and March 31, 2013, respectively, it was determined that these plans were 87% and 74% funded, respectively. The multiemployer plans have implemented recovery plans, as appropriate, whereby their estimated funding deficits are to be recovered through funding contributions from participating employers.

We expense our portion of the MNOPF deficit as amounts are invoiced by, and become due and payable to, the trustees. In 2014 and 2012, our contributions to the MNOPF fund were not material and did not exceed 5% of total contributions to the fund. In 2013, we received and paid in full a special assessment invoice from the MNOPF trustee for our additional share of the MNOPF New Section deficit. Accordingly, we expensed the invoice of $15 million in cruise payroll and related expense in 2013, which exceeded 5% of total contributions to the fund. In addition, we accrue and expense our portion of the MNRPF deficit based on our estimated probable obligation from the most recent actuarial review. In 2014, we expensed $18 million of our estimated probable obligation relating to our allocated share of the MNRPF deficit in cruise payroll and related expenses. As of November 30, 2014, our remaining estimated obligation of the MNRPF deficit was $13 million after contributing $24 million in 2014. In 2014, our contributions to the MNRPF are expected to exceed 5% of total contributions to the fund. In 2013 and 2012, our contributions to the MNRPF were not material and did not exceed 5% of total contributions to the fund. It is possible that we will be required to fund and expense additional amounts for the multiemployer plans in the future, however, such amounts are not expected to be material to our consolidated financial statements.

Total expense for all defined benefit pension plans, including the multiemployer plans, was $69 million, $62 million and $45 million in 2014, 2013 and 2012, respectively.

Defined Contribution Plans

We have several defined contribution plans available to most of our employees. We contribute to these plans based on employee contributions, salary levels and length of service. Total expense for these plans was $25 million in both 2014 and 2013 and $22 million in 2012.

NOTE 13 – Earnings Per Share

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

	Years Ended November 30,		
	2014	2013	2012
Net income for basic and diluted earnings per share	$1,236	$1,078	$1,298
Weighted-average common and ordinary shares outstanding	776	775	778
Dilutive effect of equity plans	2	2	1
Diluted weighted-average shares outstanding	778	777	779
Basic and diluted earnings per share	$ 1.59	$ 1.39	$ 1.67
Anti-dilutive equity awards excluded from diluted earnings per share computations	1	4	8

NOTE 14 – Supplemental Cash Flow Information

Cash paid for interest, net of capitalized interest, was $297 million, $301 million and $347 million in 2014, 2013 and 2012, respectively. In addition, cash paid for income taxes, net of recoveries, was $5 million in 2014 and $4 million in both 2013 and 2012.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 1992 Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"). Based on our evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective as of November 30, 2014.

PricewaterhouseCoopers LLP, the independent registered certified public accounting firm that audited our consolidated financial statements, has also audited the effectiveness of our internal control over financial reporting as of November 30, 2014 as stated in their report, which is included in this 2014 Annual Report.

Arnold W. Donald
President and
Chief Executive Officer
January 29, 2015

David Bernstein
Chief Financial Officer
January 29, 2015

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Carnival Corporation & plc (comprising Carnival Corporation and Carnival plc and their respective subsidiaries, the "Company") at November 30, 2014 and November 30, 2013, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2014, based on criteria established in the 1992 Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers LLP

Miami, Florida
January 29, 2015

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

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained in this 2014 Annual Report are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts are statements that could be deemed forward-looking. These statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and the beliefs and assumptions of our management. We have tried, whenever possible, to identify these statements by using words like "will," "may," "could," "should," "would," "believe," "depends," "expect," "goal," "anticipate," "forecast," "project," "future," "intend," "plan," "estimate," "target," "indicate" and similar expressions of future intent or the negative of such terms.

Forward-looking statements include those statements that may impact, among other things, the forecasting of our non-GAAP earnings per share; net revenue yields; booking levels; pricing; occupancy; operating, financing and tax costs, including fuel expenses; net cruise costs per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill, ship and trademark fair values and outlook. 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 2014 Annual Report. This note contains important cautionary statements of the known factors that we consider could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position. It is not possible to predict or identify all such risks. There may be additional risks that we consider immaterial or which are unknown. These factors include, but are not limited to, the following:

- general economic and business conditions;
- increases in fuel prices;
- incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and other incidents affecting the health, safety, security and satisfaction of guests and crew;
- the international political climate, armed conflicts, terrorist and pirate attacks, vessel seizures, and threats thereof, and other world events affecting the safety and security of travel;
- negative publicity concerning the cruise industry in general or us in particular, including any adverse environmental impacts of cruising;
- geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect;
- economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- changes in and compliance with laws and regulations relating to the protection of persons with disabilities, employment, environment, health, safety, security, tax and other regulations under which we operate;
- our inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations;
- increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;
- continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the prices for, the services and products provided by these vendors;
- disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- failure to keep pace with developments in technology;
- competition from and overcapacity in the cruise ship and land-based vacation industry;
- loss of key personnel or our ability to recruit or retain qualified personnel;
- union disputes and other employee relationship issues;
- disruptions in the global financial markets or other events that may negatively affect the ability of our counterparties and others to perform their obligations to us;
- the continued strength of our cruise brands and our ability to implement our strategies;
- additional risks to our international operations not generally applicable to our U.S. operations;
- our decisions to self-insure against various risks or our inability to obtain insurance for certain risks at reasonable rates;

– litigation, enforcement actions, fines or penalties;
– fluctuations in foreign currency exchange rates;
– whether our future operating cash flow will be sufficient to fund future obligations and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations;
– risks associated with our DLC arrangement;
– uncertainties of a foreign legal system as Carnival Corporation and Carnival plc are not U.S. corporations and
– the ability of a small group of shareholders to effectively control the outcome of shareholder voting.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this 2014 Annual Report, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

2014 Executive Overview

Overall, 2014 was a strong year as we turned the corner with improved earnings and positive net revenue yields, despite the loss of attractive itineraries due to geopolitical factors and large cruise industry capacity increases in the Caribbean. We continued to gain momentum and achieved about a 1 percentage point increase in ROIC, as we move towards our goal of double digit ROIC in the next three to four years, while maintaining a strong balance sheet. (We define ROIC as the twelve-month non-GAAP earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress.)

Non-GAAP net income for 2014 increased 24% to $1.5 billion ($1.2 billion U.S. GAAP). We saw strong profit improvement at both our Carnival Cruise Line and Costa brands and enjoyed several early wins from our cross-brand collaboration efforts that contributed to our improved 2014 results, particularly in the area of onboard revenues. The increase in our non-GAAP net income was driven by slightly higher net revenue yields (constant dollar), an increase in capacity and lower fuel prices and fuel consumption per ALBD ("available lower berth day"), partially offset by slightly higher net cruise costs excluding fuel per ALBD (constant dollar).

Our slightly higher net revenue yield (constant dollar) was due to a more than 3% increase in net onboard and other revenue yields, partially offset by slightly lower net passenger ticket revenue yields. The growth in net onboard and other revenue yields was driven by increases in primarily all the net onboard revenue categories on both sides of the Atlantic. The slight decrease in net passenger ticket revenue yields was driven by our North America brands' facing a promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity, partially offset by improvements at our continental European brands.

Our moderate capacity growth was driven by our new ship deliveries, partially offset by our ship sales. During 2014, we introduced Princess Cruises' 3,560-passenger *Regal Princess* and Costa Cruises' 3,692-passenger *Costa Diadema*. We are building new, innovative, purpose-built ships that are larger and more efficient and have a wider range of onboard amenities and features, which enable us to better compete for consumers' vacation spend. These larger ships enable us to obtain greater economies of scale. In addition, we continue to make substantial investments in our existing ship enhancement programs to improve our onboard product offerings and enrich our guests' vacation experiences. Furthermore, in 2014 we sold four of our smaller, less efficient vessels: *Costa Celebration*, *Costa Voyager*, *Grand Holiday* and *Ocean Princess*.

We benefited from a reduction in fuel prices, which resulted in $126 million of savings. In addition, we had an almost 5% reduction in fuel consumption per ALBD thus saving another $107 million of fuel expense compared to 2013, which continued our multiple-year cumulative unit fuel consumption savings trend that has reached 25% since 2007. We achieved our stated goal of delivering a 20% reduction (per unit) in the intensity of carbon dioxide emissions from our shipboard operations one year prior to our target date and are currently developing new goals aimed at protecting the environment and further reducing our fuel consumption. We are installing new exhaust gas cleaning systems on our ships to achieve environmental objectives and mitigate the financial impact of the new 2015 low sulfur regulatory requirements. We are also implementing a series of new energy saving technology initiatives across our fleet in areas such as propulsion, air conditioning and waste heat recovery systems as well as more efficient lighting in order to help reduce our carbon footprint and costs.

Our ability to generate significant operating cash flows allows us to internally fund our capital investments. We generated $3.4 billion of cash from operations, 21% higher than last year, and used $2.5 billion to fund investing activities, leaving us with almost $1.0 billion, most of which was returned to shareholders through our regular quarterly dividend. Our goal is to return “excess free cash flows” (defined as cash flows from operations less investing activities and regularly scheduled quarterly dividends) to our shareholders in the form of additional dividends and/or share buybacks.

We identified new strategies and tactics to strengthen our cruise ticket revenue management processes and systems across our portfolio of brands, such as optimizing our pricing methodologies, improving our pricing models and increasing our brands’ coordination of our global fleet deployments. Our objectives are to drive greater penetration, more effective capacity management and improve revenue yields. In addition, we have started to implement various demand creating initiatives as we strive to create additional demand for our brands that far outpaces supply, ultimately leading to higher revenue yields.

Our goal is to consistently exceed our guests’ expectations while providing them with a wide variety of exceptional vacation experiences. To this end, we are conducting psychographic segmentation studies to gain a more insightful and impactful understanding of our guests’ needs, wants and expectations. We will then target our advertising and promotions toward these specific guest segments in order to drive demand for our offerings and better guide our guests to the cruise brand experience that best matches their tastes. These studies should enable us to better differentiate each brand in the minds of vacationers and consumers-at-large and adjust the product and service offerings of our brands.

Strong relationships with our travel agents are also vital to our success. In 2014, we continued to strengthen our relationship with the travel agent community by increasing our communication and outreach, implementing changes based on travel agent feedback, increasing our trade marketing presence and improving our educational programs to assist agents in stimulating cruise demand.

In 2014, our operating income in China significantly increased due to a combination of capacity growth and revenue yield improvement. We believe that we have significant opportunities to continue to grow our presence in China due to its large and growing middle-class population and expansion of their international tourism. Due to the high strategic importance we place on the China cruise market, in 2014 we relocated our Chief Operations Officer to China to more closely oversee our brands’ strategic initiatives, coordinate our growth strategy in China and the surrounding markets and liaise with Chinese government officials. With the introduction of *Costa Serena* in 2015, we will have four ships home ported in China, which will represent a 140% increase in guest capacity over a two-year period and will offer our Chinese guests diversified cruise products with two brands targeting two different segments of travelers. As part of our China cruise strategy, we are exploring opportunities aimed at the development of a domestic cruise company and the formation of a domestic cruise shipbuilding company, as well as port development, talent development and training, enhanced relationships with our distribution partners and sharing of supply chain and logistics expertise.

With 100 ships and 10.6 million guests in 2014, we have the scale to optimize our structure by utilizing our combined purchasing volumes and common technologies and implementing cross-brand initiatives aimed at cost containment. In 2014, we continued working on expanding cross-brand contracting for food and beverages and began working on cross-brand contracting for air travel to further utilize the scale of our combined purchases.

Our uncompromising commitment to the safety and comfort of our guests and crew is paramount to the success of our business. We are developing a company-wide safety management system that standardizes our maritime related policies, procedures and processes and are increasing the amount of maritime safety, ship command and engine room management training for our shipboard officers at our expanding global training facility in the Netherlands. We are also updating our processes, systems and training surrounding fire prevention, detection and suppression. Furthermore, we continue to make investments in our ships’ maritime systems to improve their safety and reliability, which also allows us to operate them more efficiently and sustainably.

We employ an average of 81,200 crew members, including officers, onboard the 100 ships we currently operate, which exclude crew who are on a leave. We also have an average of 10,100 full-time shoreside employees and 2,800 part-time/seasonal employees. Our goal is to select, train and retain the finest shipboard and shoreside employees because having a team of highly motivated and engaged employees is key to delivering vacation experiences that exceed our guests’ expectations. We have structured our work processes and incentive compensation plans to reflect a culture that enables our brands to better align their individual performance with our primary financial goals. Our management teams are aligned by geographic region to further optimize our operations, utilize our scale and better manage our performance. In 2014, we accelerated our cross-brand collaboration and streamlined our non-guest facing operations within the Holland America Line, Princess and Seabourn group.

While we are well underway with certain initiatives discussed above and are already beginning to see their positive results, some of our initiatives will take longer to realize their full benefits due to our size and the nature of the cruise industry. Our strategic initiatives demonstrate the benefits of communicating, coordinating and collaborating across our brands and will help us fulfill our vision to deliver unmatched joyful vacation experiences and breakthrough total shareholder returns by exceeding guests' expectations and achieving the full benefits inherent in our scale.

As of January 22, 2015, we have ten cruise ships scheduled to be delivered between February 2015 and November 2018, some of which will replace existing capacity as older, smaller and less efficient ships exit our fleet. We strategically time the introduction of additional ships into our brands to allow ample time for those lines to further grow their guest base and absorb the new capacity. We have removed 16 ships from our fleet since 2006 and have agreements in place to remove three more ships by March 2016. Based on our current ship orders and announced ship withdrawals, our net capacity growth rate is expected to be 2.0% in 2015 and 2.8% compounded annually through 2018. We are committed to measured capacity growth so that we achieve an optimal balance of supply and demand to maximize our profitability in established cruise regions, such as North America and Western Europe. We believe the increasing deployment of ships into the emerging Asia market may further moderate the level of supply in North America and Western Europe.

Outlook for the 2015 First Quarter and Full Year

On December 19, 2014, we said that we expected our non-GAAP diluted earnings per share for the 2015 first quarter and full year to be in the ranges of $0.07 to $0.11 and $2.30 to $2.60, respectively (see "Key Performance Non-GAAP Financial Indicators"). Our guidance was based on fuel prices of $421 per metric ton and $436 per metric ton for the 2015 first quarter and full year, respectively. In addition, our guidance was based on 2015 first quarter and full year currency rates of $1.23 to the euro, $1.57 to sterling and $0.83 to the Australian dollar. The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions.

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

Critical Accounting Estimates

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

Ship Accounting

Our most significant assets are our ships, including ship improvements and ships under construction, which represent 80% of our total assets at November 30, 2014. We make several critical accounting estimates with respect to our ship accounting. First, in order to compute our ships' depreciation expense, which represented 11% of our cruise costs and expenses in 2014, we have to estimate the useful life of each of our ships as well as their residual values. Secondly, we account for ship improvement costs by capitalizing those costs that we believe add value to our ships and have a useful life greater than one year, and depreciate those improvements over the shorter of their or the ships' estimated remaining useful life, while the costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred. Finally, when we record the retirement of a ship component that is included within the ship's cost basis, we may have to estimate the net book value of the asset being retired in order to remove it from the ship's cost basis.

We determine the useful life of our ships and ship improvements based on our estimates of the period over which the assets will be of economic benefit to us, including the impact of long-term vacation market conditions, marketing and technical obsolescence, competition, physical deterioration, historical useful lives of similarly-built ships, regulatory constraints and maintenance requirements. In addition, we consider estimates of the weighted-average useful lives of the ships' major component systems, such as the hull, cabins, main electric, superstructure and engines. Taking all this into consideration, we have estimated our new ships' useful lives at 30 years.

We determine the residual value of our ships based on our long-term estimates of their resale value at the end of their useful life to us but before the end of their physical and economic lives to others, historical resale values of our and other cruise ships and viability of the secondary cruise ship market. We have estimated our residual values at 15% of our original ship cost.

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

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs. Our 2014 ship depreciation expense would have increased by approximately $50 million assuming we had reduced our estimated 30-year ship useful life estimate by one year at the time we took delivery or acquired each of our ships. In addition, our 2014 ship depreciation expense would have increased by approximately $205 million assuming we had estimated our ships to have no residual value at the time of their delivery or acquisition.

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

Asset Impairments

Impairment reviews of our cruise ships, goodwill and trademarks require us to make significant estimates to determine the fair values of these assets and cruise brands.

For our cruise ships, we perform our impairment reviews, if required, at the individual cruise ship level, which is the lowest level for which we maintain identifiable cash flows that are independent of the cash flows of other assets and liabilities. See Note 10 – "Fair Value Measurements, Derivative Instruments and Hedging Activities" in the consolidated financial statements for a discussion of ship impairment charges recorded in 2014, 2013 and 2012.

We believe it is more-likely-than-not ("MLTN") that each of our cruise brands' estimated fair value that carry goodwill at November 30, 2014 exceeded their carrying value. We also believe that it is MLTN that the estimated fair value of each of our cruise brands' trademarks recorded at November 30, 2014 exceeded their carrying values. See Note 10 – "Fair Value Measurements, Derivative Instruments and Hedging Activities" in the consolidated financial statements for additional discussion of our goodwill and trademark impairment reviews.

The determination of fair value includes numerous assumptions that are subject to various risks and uncertainties, unless a comparable, viable actively-traded market exists, which is usually not the case for cruise ships, cruise brands and trademarks. Our ships' fair values are typically estimated based either on ship sales price negotiations or discounted future cash flows. The principal assumptions used to calculate our discounted future cash flows include forecasted future operating results over the expected period we believe the ships will have economic benefit to us and their estimated residual values.

In performing qualitative assessments of our cruise brands that carry goodwill, qualitative factors that we consider to determine their effect on each of the cruise brand's estimated fair values include industry and market conditions, macroeconomic conditions, changes to WACC, overall financial performance, changes in fuel prices and capital expenditures. In determining the estimated fair values of cruise brands utilizing discounted future cash flow analysis for our quantitative goodwill impairment tests, significant judgments are made related to forecasting future operating results, including net revenue yields and net cruise costs including fuel prices; capacity changes, including the expected rotation of vessels into, or out of, the cruise brand; capital expenditures; WACC of market participants, adjusted for the risk attributable to the geographic region in which the cruise brand operates and terminal values. In addition, third-party appraisers are sometimes used to help determine fair values of cruise brands and trademarks, and their valuation methodologies are also typically subject to uncertainties similar to those discussed above.

In addition, in performing our qualitative assessments of our cruise brands' significant trademarks, qualitative factors that we consider to determine their effect on each of the cruise brand's recorded trademarks' estimated fair values include industry and market conditions, macroeconomic conditions, changes to the WACC, changes in royalty rates and overall financial performance. In determining our trademark estimated fair values for our quantitative impairment tests, we also use discounted future cash flow analysis, which requires some of the same significant judgments discussed above. Specifically, determining the estimated amount of royalties that we are relieved from having to pay for the use of the associated trademarks is based upon forecasted cruise revenues and a market participant's royalty rate. The royalty rates are estimated primarily using comparable royalty agreements for similar industries.

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

Contingencies

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, regulatory, guest and crew and tax matters. In addition, we periodically assess the recoverability of our trade and other receivables, charter-hire agreements and other counterparty credit exposures, such as contractual nonperformance by financial and other institutions with which we conduct significant business. Our credit exposure includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine if it is probable, or MLTN for income tax matters, that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable or MLTN loss, if any, can be made. In assessing probable losses, we make estimates of the amount of probable insurance recoveries, if any, which are recorded as assets. We accrue a liability and establish a reserve when we believe a loss is probable or MLTN for income tax matters, and the amount of the loss can be reasonably estimated in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Such accruals and reserves are typically based on developments to date, management's estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar non-income tax matters, historical claims experience, actuarially determined estimates of liabilities and any related insurance coverages. See Note 7 – "Contingencies," Note 8 – "Taxation" and Note 10 – "Fair Value Measurements, Derivative Instruments and Hedging Activities" in the consolidated financial statements for additional information concerning our contingencies.

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

Results of Operations

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

– sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from airports near our ships' home ports and cancellation fees. The cruise ticket price typically includes accommodations, most meals, some non-alcoholic beverages and most onboard entertainment. We also collect fees, taxes and other charges from our guests, and

– sales of goods and services primarily onboard our ships not included in the cruise ticket price including substantially all liquor and some non-alcoholic beverage sales, casino gaming, shore excursions, gift shop sales, photo sales, communication services, full service spas, specialty themed restaurants, cruise vacation protection programs and pre- and post-cruise land packages. These goods and services are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee.

We incur cruise operating costs and expenses for the following:

– the costs of passenger cruise bookings, which represent costs that are directly associated with passenger cruise ticket revenues, and include travel agent commissions, air and other transportation related costs, fees, taxes and other charges that vary with guest head counts and related credit and debit card or direct debit fees,
– onboard and other cruise costs, which represent costs that are directly associated with onboard and other revenues, and include the costs of liquor and some non-alcoholic beverages, costs of tangible goods sold by us in our gift shops and from our photo sales, communication costs, costs of cruise vacation protection programs, costs of pre- and post-cruise land packages and related credit and debit card or direct debit fees. Concession revenues do not have significant associated expenses because the costs and services incurred for concession revenues are borne by our concessionaires,
– fuel costs, which include fuel delivery costs,
– payroll and related costs, which represent all costs related to our shipboard personnel, including deck and engine crew, including officers, and hotel and administrative employees, while costs associated with our shoreside personnel are included in selling and administrative expenses,
– food costs, which include both our guest and crew food costs and
– other ship operating expenses, which include port costs that do not vary with guest head counts, repairs and maintenance, including minor improvements and dry-dock expenses, hotel costs, entertainment, gains and losses on ship sales, ship impairments, freight and logistics, insurance premiums and all other ship operating expenses.

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

Statistical Information

	Years Ended November 30, 2014	2013	2012
ALBDs (in thousands) (a)(b)	76,000	74,033	71,976
Occupancy percentage (c)	104.1%	105.1%	105.5%
Passengers carried (in thousands)	10,566	10,061	9,829
Fuel consumption in metric tons (in thousands)	3,194	3,266	3,354
Fuel consumption in metric tons per ALBD	0.042	0.044	0.047
Fuel cost per metric ton consumed	$ 636	$ 676	$ 710
Currencies			
U.S. dollar to €1	$ 1.34	$ 1.32	$ 1.28
U.S. dollar to £1	$ 1.66	$ 1.56	$ 1.58
U.S. dollar to Australian dollar	$ 0.91	$ 0.98	$ 1.03

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

(b) In 2014, we had a 2.7% capacity increase in ALBDs compared to 2013 comprised of a 4.3% capacity increase in our North America brands and a minor capacity increase in our EAA brands.

Our North America brands' capacity increase was caused by:

– the full year impact from one Princess 3,560-passenger capacity ship delivered in 2013;
– the partial year impact from one Princess 3,560-passenger capacity ship delivered in 2014 and
– fewer ship dry-dock days in 2014 compared to 2013.

In 2013, we had a 2.9% capacity increase in ALBDs compared to 2012 comprised of a 3.4% and 2.5% capacity increase in our EAA brands and North America brands, respectively.

Our EAA brands' capacity increase was caused by:

- the full year impact from one AIDA 2,194-passenger capacity ship and one Costa 2,984-passenger capacity ship both delivered in 2012;
- the partial year impact from one AIDA 2,194-passenger capacity ship delivered in 2013 and
- fewer ship dry-dock days in 2013 compared to 2012.

These increases were partially offset by the full year impact from the removal of two Costa ships and the sale of one P&O Cruises (Australia) 1,462-passenger capacity ship all in 2012.

Our North America brands' capacity increase was caused by:

- the full year impact from one Carnival Cruise Line 3,690-passenger capacity ship delivered in 2012 and
- the partial year impact from one Princess 3,560-passenger capacity ship delivered in 2013.

These increases were partially offset by more ship dry-dock days in 2013 compared to 2012.

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

2014 Compared to 2013

Revenues

Consolidated

Cruise passenger ticket revenues made up 75% of our 2014 total revenues. Cruise passenger ticket revenues increased by $241 million, or 2.1%, to $11.9 billion in 2014 from $11.6 billion in 2013.

This increase was caused by:

- $309 million – 2.7% capacity increase in ALBDs and
- $102 million – foreign currency translational impact from a weaker U.S. dollar against the euro and sterling, net of a stronger U.S. dollar against the Australian dollar ("2014 net currency impact").

These increases were partially offset by:

- $114 million – 1.0 percentage point decrease in occupancy and
- $37 million – decrease in cruise ticket pricing.

The remaining 25% of 2014 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by $182 million, or 5.1%, to $3.8 billion in 2014 from $3.6 billion in 2013. This increase was principally due to our 2.7% capacity increase in ALBDs, which accounted for $96 million, and higher onboard spending by our guests, which accounted for $92 million, partially offset by a 1.0 percentage point decrease in occupancy, which accounted for $36 million. Onboard and other revenues included concession revenues of $1.1 billion in both 2014 and 2013.

North America Brands

Cruise passenger ticket revenues made up 73% of our 2014 total revenues. Cruise passenger ticket revenues increased slightly by $19 million to $6.9 billion in 2014 from $6.8 billion in 2013.

This increase was caused by:

- $294 million – 4.3% capacity increase in ALBDs.

This increase was partially offset by:

- $130 million – 2.0 percentage point decrease in occupancy;
- $75 million – decrease in cruise ticket pricing and
- $58 million – decrease in air transportation revenues from guests who purchased their tickets from us.

Our cruise ticket pricing decrease was driven by the promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity.

The remaining 27% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by $168 million, or 7.0%, to $2.6 billion in 2014 from $2.4 billion in 2013.

This increase was caused by:

- $103 million – 4.3% capacity increase in ALBDs;
- $78 million – higher onboard spending by our guests and
- $20 million – higher other third-party revenues.

These increases were partially offset by:

- $46 million – 2.0 percentage point decrease in occupancy.

Onboard and other revenues included concession revenues of $735 million in 2014 and $727 million in 2013.

EAA Brands

Cruise passenger ticket revenues made up 82% of our 2014 total revenues. Cruise passenger ticket revenues increased by $223 million, or 4.6%, to $5.0 billion in 2014 from $4.8 billion 2013.

This increase was substantially due to:

- $102 million – 2014 net currency impact;
- $49 million – increase in air transportation revenues from guests who purchased their tickets from us;
- $39 million – increase in cruise ticket pricing and
- $23 million – slight increase in occupancy.

The remaining 18% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by $19 million, or 1.7%, and remained at $1.1 billion in both 2014 and 2013. Onboard and other revenues included concession revenues of $367 million in 2014 and $370 million in 2013.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by $221 million, or 2.1%, to $10.4 billion in 2014 from $10.6 billion in 2013.

This decrease was caused by:

- $176 million – nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- $126 million – lower fuel prices;
- $107 million – lower fuel consumption per ALBD;
- $64 million – decreases in commissions, transportation and other related expenses primarily due to a decrease in air transportation costs related to guests who purchased their tickets from us;
- $56 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of $20 million;
- $51 million – gains from the sales of *Costa Voyager* and *Ocean Princess*;
- $40 million – lower dry-dock and other ship repair and maintenance expenses and
- $38 million – 1.0 percentage point decrease in occupancy.

These decreases were partially offset by:

- $278 million – 2.7% capacity increase in ALBDs;
- $59 million – 2014 net currency impact;
- $53 million – impairment charges related to *Costa Celebration* and *Grand Holiday* and
- $47 million – various other operating expenses, net.

Selling and administrative expenses increased by $175 million, or 9.3%, to $2.1 billion in 2014 from $1.9 billion in 2013.

Depreciation and amortization expenses increased by $47 million, or 3.0%, and remained at $1.6 billion in both 2014 and 2013.

Our total costs and expenses as a percentage of revenues decreased to 89% in 2014 from 91% in 2013.

North America Brands

Operating costs and expenses decreased slightly by $22 million and remained at $6.3 billion in both 2014 and 2013.

This decrease was caused by:

- $103 million – decreases in commissions, transportation and other related expenses primarily due to a decrease in air transportation costs related to guests who purchased their tickets from us;
- $87 million – lower fuel prices;
- $58 million – lower fuel consumption per ALBD;
- $56 million – nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of $20 million;
- $43 million – 2.0 percentage point decrease in occupancy;
- $43 million – lower dry-dock and other ship repair and maintenance expenses and
- $14 million – gain from the sale of *Ocean Princess.*

These decreases were partially offset by:

- $271 million – 4.3% capacity increase in ALBDs;
- $39 million – nonrecurrence in 2014 of an intersegment transaction, which was fully offset in our Cruise Support segment and
- $72 million – various other operating expenses, net.

Our total costs and expenses as a percentage of revenues decreased to 89% in 2014 from 90% in 2013.

EAA Brands

Operating costs and expenses decreased by $223 million, or 5.4%, to $3.9 billion in 2014 from $4.1 billion in 2013.

This decrease was caused by:

- $176 million – nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- $51 million – lower fuel consumption per ALBD;
- $41 million – lower fuel prices;
- $39 million – lower dry-dock and other ship repair and maintenance expenses;
- $37 million – gain from the sale of *Costa Voyager* and
- $37 million – various other operating expenses, net.

These decreases were partially offset by:

- $59 million – 2014 net currency impact;
- $53 million – impairment charges related to *Costa Celebration* and *Grand Holiday* and
- $46 million – increases in commissions, transportation and other related expenses principally due to an increase in air transportation costs related to guests who purchased their tickets from us.

Our total costs and expenses as a percentage of revenues decreased to 86% in 2014 from 92% in 2013.

Operating Income

Our consolidated operating income increased by $440 million, or 33%, to $1.8 billion in 2014 from $1.4 billion in 2013. Our North America brands' operating income increased by $105 million, or 11%, to $1.1 billion in 2014 from $956 million in 2013, and our EAA brands' operating income increased by $422 million, or 90%, to $893 million in 2014 from $471 million in 2013. These changes were primarily due to the reasons discussed above.

Nonoperating Expense

Net interest expense decreased by $31 million, or 9.7%, to $288 million in 2014 from $319 million in 2013. In 2014, losses on fuel derivatives, net of $271 million were substantially all comprised of unrealized losses, net, and in 2013 gains on fuel derivatives, net of $36 million were all comprised of unrealized gains, net.

Key Performance Non-GAAP Financial Indicators

We use net cruise revenues per ALBD ("net revenue yields"), net cruise costs per ALBD and net cruise costs excluding fuel per ALBD as significant non-GAAP financial measures of our cruise segments' financial performance. These measures enable us to separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business; gains and losses on ship sales and ship impairments, net; and restructuring expenses that are not part of our core operating business. We believe these non-GAAP measures provide useful information to investors and expanded insight to measure our revenue and cost performance as a supplement to our U.S. GAAP consolidated financial statements.

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

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

Net cruise costs per ALBD and net cruise costs excluding fuel per ALBD are the most significant measures we use to monitor our ability to control our cruise segments' costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs with and without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. In addition, we exclude gains and losses on ship sales and ship impairments, net and restructuring expenses from our calculation of net cruise costs with and without fuel as they are not considered part of our core operating business and, therefore, are not an indication of our future earnings performance. As such, we also believe it is more meaningful for gains and losses on ship sales and ship impairments, net and restructuring expenses to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these items.

In addition, because our EAA cruise brands utilize the euro, sterling and Australian dollar to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report these non-GAAP financial measures assuming the 2014 and 2013 periods' currency exchange rates have remained constant with the 2013 and 2012 periods' rates, respectively, or on a "constant dollar basis," in order to remove the impact of changes in exchange rates on the translation of our EAA brands. We believe that this is a useful measure since it facilitates a comparative view of the changes in our business in a fluctuating currency exchange rate environment.

Although our constant dollar basis measure removes the foreign currency translational impact as discussed above, it does not remove the foreign currency transactional impact from changes in exchange rates on our brands' revenues and expenses that are denominated in a currency other than their functional currency. Historically, the foreign currency transactional impact has not been significant when measuring the periodic changes in our results of operations. However, given the continuing expansion of our global business and the heightened volatility in foreign currency exchange rates, we believe the foreign currency transactional impact will be more significant in measuring our 2015 results compared to 2014 than in previous years. See "Quantitative and Qualitative Disclosures About Market Risk" for a further discussion of the 2015 impact of foreign currency exchange rate changes.

We believe that the goodwill, trademark and other impairment charges and restructuring expenses recognized in 2014, 2013 and 2012 are special charges and, therefore, are also not an indication of our future earnings performance. As such, we believe it is more meaningful for these impairment charges and restructuring expenses to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these charges.

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

We have not included in our earnings guidance the impact of unrealized gains and losses on fuel derivatives because these unrealized amounts involve a significant amount of uncertainty, and we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on a non-GAAP basis only. As a result, we did not present a reconciliation between forecasted non-GAAP diluted earnings per share guidance and forecasted U.S. GAAP diluted earnings per share guidance, since we do not believe that the reconciliation information would be meaningful. However, we do forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period.

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

Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues by ALBDs as follows (dollars in millions, except yields):

	Years Ended November 30,				
	2014	**2014 Constant Dollar**	**2013**	**2013 Constant Dollar**	**2012**
Passenger ticket revenues	$ 11,889	$ 11,787	$ 11,648	$ 11,581	$ 11,658
Onboard and other revenues	3,780	3,765	3,598	3,588	3,513
Gross cruise revenues	15,669	15,552	15,246	15,169	15,171
Less cruise costs					
Commissions, transportation and other	(2,299)	(2,277)	(2,303)	(2,285)	(2,292)
Onboard and other	(519)	(516)	(539)	(538)	(558)
	(2,818)	(2,793)	(2,842)	(2,823)	(2,850)
Net passenger ticket revenues	9,590	9,510	9,345	9,296	9,366
Net onboard and other revenues	3,261	3,249	3,059	3,050	2,955
Net cruise revenues	$ 12,851	$ 12,759	$ 12,404	$ 12,346	$ 12,321
ALBDs	75,999,952	75,999,952	74,032,939	74,032,939	71,975,652
Gross revenue yields	$ 206.17	$ 204.63	$ 205.94	$ 204.89	$ 210.78
% increase (decrease) vs. prior year	0.1%	(0.6)%	(2.3)%	(2.8)%	
Net revenue yields	$ 169.09	$ 167.88	$ 167.56	$ 166.76	$ 171.18
% increase (decrease) vs. prior year	0.9%	0.2%	(2.1)%	(2.6)%	
Net passenger ticket revenue yields	$ 126.18	$ 125.14	$ 126.23	$ 125.57	$ 130.13
% decrease vs. prior year	0.0%	(0.9)%	(3.0)%	(3.5)%	
Net onboard and other revenue yields	$ 42.90	$ 42.75	$ 41.33	$ 41.19	$ 41.05
% increase vs. prior year	3.8%	3.4%	0.7%	0.4%	

Consolidated gross and net cruise costs and net cruise costs excluding fuel per ALBD were computed by dividing the gross and net cruise costs and net cruise costs excluding fuel by ALBDs as follows (dollars in millions, except costs per ALBD):

	Years Ended November 30,				
	2014	2014 Constant Dollar	2013	2013 Constant Dollar	2012
Cruise operating expenses	$ 10,243	$ 10,184	$ 10,481	$ 10,434	$ 10,166
Cruise selling and administrative expenses	2,046	2,035	1,871	1,864	1,713
Gross cruise costs	12,289	12,219	12,352	12,298	11,879
Less cruise costs included above					
Commissions, transportation and other	(2,299)	(2,277)	(2,303)	(2,285)	(2,292)
Onboard and other	(519)	(516)	(539)	(538)	(558)
Losses on ship sales and ship impairments, net	(2)	(5)	(178)	(167)	(49)
Restructuring expenses	(18)	(18)	-	-	-
Net cruise costs	9,451	9,403	9,332	9,308	8,980
Less fuel	(2,033)	(2,033)	(2,208)	(2,208)	(2,381)
Net cruise costs excluding fuel	$ 7,418	$ 7,370	$ 7,124	$ 7,100	$ 6,599
ALBDs	75,999,952	75,999,952	74,032,939	74,032,939	71,975,652
Gross cruise costs per ALBD	$ 161.69	$ 160.77	$ 166.83	$ 166.12	$ 165.04
% (decrease) increase vs. prior year	(3.1)%	(3.6)%	1.1%	0.6%	
Net cruise costs per ALBD	$ 124.35	$ 123.70	$ 126.05	$ 125.74	$ 124.77
% (decrease) increase vs. prior year	(1.3)%	(1.9)%	1.0%	0.8%	
Net cruise costs excluding fuel per ALBD	$ 97.60	$ 96.95	$ 96.23	$ 95.91	$ 91.69
% increase vs. prior year	1.4%	0.8%	4.9%	4.6%	

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

	Years Ended November 30,		
	2014	2013	2012
Net income – diluted			
U.S. GAAP net income	$1,236	$1,078	$1,298
Losses on ship sales and ship impairments, net	2 (a)	163 (b)	49 (c)
Goodwill, trademark and other impairment charges	-	27 (d)	173 (e)
Restructuring expenses	18	-	-
Unrealized losses (gains) on fuel derivatives, net	268	(36)	(6)
Non-GAAP net income	$1,524	$1,232	$1,514
Weighted-average shares outstanding – diluted	778	777	779
Earnings per share – diluted			
U.S. GAAP earnings per share	$ 1.59	$ 1.39	$ 1.67
Losses on ship sales and ship impairments, net	- (a)	0.21 (b)	0.06 (c)
Goodwill, trademark and other impairment charges	-	0.03 (d)	0.22 (e)
Restructuring expenses	0.02	-	-
Unrealized losses (gains) on fuel derivatives, net	0.35	(0.05)	(0.01)
Non-GAAP earnings per share	$ 1.96	$ 1.58	$ 1.94

(See next page for footnotes.)

(a) Represents impairment charges of $22 million for *Grand Celebration* and $31 million for *Grand Holiday*, partially offset by gains of $37 million from the sale of *Costa Voyager* and $14 million from the sale of *Ocean Princess*.

(b) Substantially due to $176 million of impairment charges related to *Costa Classica* and *Costa Voyager*, partially offset by a $15 million gain in our Tour and Other segment from the sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.

(c) Represents impairment charges of $34 million for *Costa Allegra* and $23 million for two Seabourn ships, partially offset by an $8 million gain on the sale of *Pacific Sun*.

(d) Represents impairment charges of $14 million for an investment and $13 million for Ibero's remaining trademarks' carrying value.

(e) Represents impairment charges for Ibero's goodwill and trademarks.

Net cruise revenues increased by $447 million, or 3.6%, to $12.9 billion in 2014 from $12.4 billion in 2013. This increase was caused by our 2.7% capacity increase in ALBDs, which accounted for $330 million, the 2014 net currency impact, which accounted for $92 million, and a slight increase in constant dollar net revenue yields, which accounted for $24 million. The increase in net revenue yields on a constant dollar basis was caused by a 3.4% increase in net onboard and other revenue yields, partially offset by a slight decrease in net passenger ticket revenue yields. The 3.4% increase in net onboard and other revenue yields resulted from a 3.7% increase from our North America brands and a 2.8% increase from our EAA brands, which included increases in primarily all the net onboard revenue categories. The slight decrease in net passenger ticket revenue yields was driven by our North America brands' promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity, partially offset by improvements at our continental European brands. Gross cruise revenues increased by $423 million, or 2.8%, to $15.7 billion in 2014 from $15.2 billion in 2013 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by $294 million, or 4.1%, to $7.4 billion in 2014 from $7.1 billion in 2013. The increase was caused by our 2.7% capacity increase in ALBDs, which accounted for $190 million, a slight increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for $55 million, and the 2014 net currency impact, which accounted for $49 million.

Fuel costs decreased by $175 million, or 7.9%, to $2.0 billion in 2014 from $2.2 billion in 2013. This was caused by lower fuel prices, which accounted for $126 million, and lower fuel consumption per ALBD, which accounted for $107 million, partially offset by our 2.7% capacity increase in ALBDs, which accounted for $59 million.

Gross cruise costs decreased slightly by $63 million to $12.3 billion in 2014 from $12.4 billion in 2013 for principally the same reasons as discussed above.

2013 Compared to 2012

Revenues

Consolidated

Cruise passenger ticket revenues made up 75% of our 2013 total revenues. Cruise passenger ticket revenues decreased slightly by $10 million to $11.6 billion in 2013 from $11.7 billion in 2012.

This decrease was caused by:

– $358 million – decrease in cruise ticket pricing and
– $42 million – decrease in occupancy.

These decreases were offset by:

– $333 million – 2.9% capacity increase in ALBDs and
– $67 million – foreign currency translational impact from a weaker U.S. dollar against the euro, net of a stronger U.S. dollar against the sterling and Australian dollar ("2013 net currency impact").

The remaining 25% of 2013 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by $85 million, or 2.4%, to $3.6 billion in 2013 from $3.5 billion in 2012. This increase was caused by our 2.9% capacity increase in ALBDs, which accounted for $100 million, partially offset by lower other revenues, which accounted for $23 million. Onboard and other revenues included concession revenues of $1.1 billion in 2013, which were flat compared to 2012.

North America Brands

Cruise passenger ticket revenues made up 74% of our 2013 total revenues. Cruise passenger ticket revenues decreased slightly by $40 million to $6.8 billion in 2013 from $6.9 billion in 2012.

This decrease was caused by:

- $168 million – decrease in cruise ticket pricing and
- $79 million – slight decrease in occupancy.

These decreases were partially offset by:

- $173 million – 2.5% capacity increase in ALBDs and
- $37 million – increase in air transportation revenues from guests who purchased their tickets from us.

Our cruise ticket pricing decline was driven by promotional pricing at Carnival Cruise Line.

The remaining 26% of 2013 total revenues were comprised of onboard and other cruise revenues, which increased slightly by $27 million and remained at $2.4 billion in both 2013 and 2012. This increase was caused by our 2.5% capacity increase in ALBDs, which accounted for $60 million, partially offset by a slight decrease in occupancy, which accounted for $27 million. Onboard and other revenues included concession revenues of $727 million in both 2013 and 2012.

EAA Brands

Cruise passenger ticket revenues made up 81% of our 2013 total revenues. Cruise passenger ticket revenues increased slightly by $33 million and remained at $4.8 billion in both 2013 and 2012.

This increase was caused by:

- $163 million – 3.4% capacity increase in ALBDs;
- $67 million – 2013 net currency impact and
- $47 million – slight increase in occupancy.

These increases were partially offset by:

- $191 million – decrease in cruise ticket pricing and
- $44 million – decrease in air transportation revenues from guests who purchased their tickets from us.

Our cruise ticket pricing decline, which was affected by the ongoing challenging economic environment in Europe, was caused by our European brands.

The remaining 19% of 2013 total revenues were comprised of onboard and other cruise revenues, which increased by $45 million, or 4.3% to $1.1 billion in 2013 from $1.0 billion in 2012. This increase was principally due to our 3.4% capacity increase in ALBDs, which accounted for $36 million. Onboard and other revenues included concession revenues of $370 million in 2013 and $356 million in 2012.

Costs and Expenses

Consolidated

Operating costs and expenses increased by $304 million, or 2.9%, to $10.6 billion in 2013 from $10.3 billion in 2012.

This increase was caused by:

- $291 million – 2.9% capacity increase in ALBDs;
- $176 million – impairment charges related to *Costa Classica* and *Costa Voyager*;
- $56 million – additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of $20 million;
- $46 million – 2013 net currency impact;
- $46 million – higher dry-dock and other ship repair and maintenance expenses;
- $34 million – nonrecurrence in 2013 of Costa's insurance proceeds for a ship in excess of its net book value ("Costa's excess insurance proceeds") and Cunard's litigation settlement;
- $20 million – higher insurance premiums;
- $15 million – MNOPF special expense assessment and
- $14 million – new market development initiative costs.

These increases were partially offset by:

- $131 million – lower fuel consumption per ALBD;
- $111 million – lower fuel prices;
- $65 million – decreases in commissions, transportation and other related expenses driven by lower cruise ticket pricing, partially offset by increases in air transportation costs related to guests who purchased their tickets from us;
- $34 million – nonrecurrence in 2013 of the 2012 *Costa Allegra* ship impairment charge;
- $29 million – nonrecurrence in 2013 of the January 2012 ship incident-related expenses and
- $24 million – various other operating expenses, net.

Selling and administrative expenses increased by $159 million, or 9.2%, to $1.9 billion in 2013 from $1.7 billion in 2012.

Depreciation and amortization expenses increased by $61 million, or 4.0%, to $1.6 billion in 2013 from $1.5 billion in 2012.

In 2013, a $13 million impairment charge was recorded for Ibero's trademarks. In 2012, $173 million of impairment charges were recorded for Ibero's goodwill and trademarks. See Note 10 – "Fair Value Measurements, Derivative Instruments and Hedging Activities" in the consolidated financial statements for additional discussion of these impairment charges.

Our total costs and expenses as a percentage of revenues increased to 91% in 2013 from 89% in 2012.

North America Brands

Operating costs and expenses increased by $179 million, or 2.9%, to $6.3 billion in 2013 from $6.1 billion in 2012.

This increase was caused by:

- $154 million – 2.5% capacity increase in ALBDs;
- $63 million – higher dry-dock and other ship repair and maintenance expenses;
- $56 million – additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of $20 million;
- $23 million – increases in commissions, transportation and other related expenses driven by increases in air transportation costs related to guests who purchased their tickets from us, partially offset by the impact of lower cruise ticket pricing;
- $14 million – new market development initiative costs and
- $45 million – various other operating expenses, net.

These increases were partially offset by:

- $58 million – lower fuel consumption per ALBD;
- $53 million – lower fuel prices;
- $39 million – intersegment transaction, which was fully offset in our Cruise Support segment and
- $26 million – slight decrease in occupancy.

Selling and administrative expenses increased by $99 million, or 10%, to $1.0 billion in 2013 from $949 million in 2012. The increase was caused by higher advertising spend, which accounted for $57 million, new market development initiative costs, which accounted for $26 million, and our 2.5% capacity increase in ALBDs, which accounted for $24 million.

Our total costs and expenses as a percentage of revenues increased to 90% in 2013 from 86% in 2012.

EAA Brands

Operating costs and expenses increased by $127 million, or 3.2%, $4.1 billion in 2013 from $4.0 billion in 2012.

This increase was caused by:

- $176 million – impairment charges related to *Costa Classica* and *Costa Voyager*;
- $136 million – 3.4% capacity increase in ALBDs;

- $46 million – 2013 net currency impact;
- $34 million – nonrecurrence in 2013 of Costa's excess insurance proceeds and Cunard's litigation settlement and
- $9 million – MNOPF special expense assessment.

These increases were partially offset by:

- $100 million – decreases in commissions, transportation and other related expenses driven by lower cruise ticket pricing and a decrease in air transportation costs related to guests who purchased their tickets from us;
- $72 million – lower fuel consumption per ALBD;
- $58 million – lower fuel prices;
- $34 million – nonrecurrence in 2013 of the 2012 *Costa Allegra* impairment charge and
- $29 million – nonrecurrence in 2013 of the January 2012 ship incident-related expenses.

In 2013, a $13 million impairment charge was recorded for Ibero's trademarks. In 2012, $173 million of impairment charges were recorded for Ibero's goodwill and trademarks.

Our total costs and expenses as a percentage of revenues decreased to 92% in 2013 from 93% in 2012.

Operating Income

Our consolidated operating income decreased by $290 million, or 18%, to $1.4 billion in 2013 from $1.6 billion in 2012. Our North America brands' operating income decreased by $321 million, or 25%, to $956 million in 2013 from $1.3 billion in 2012, and our EAA brands' operating income increased by $38 million, or 8.8%, to $471 million in 2013 from $433 million in 2012. These changes were primarily due to the reasons discussed above.

Key Performance Non-GAAP Financial Indicators

Net cruise revenues increased slightly by $83 million to $12.4 billion in 2013 from $12.3 billion in 2012. This was caused by our 2.9% capacity increase in ALBDs, which accounted for $352 million, and the 2013 net currency impact, which accounted for $58 million, partially offset by a 2.6% decrease in constant dollar net revenue yields, which accounted for $327 million. The 2.6% decrease in net revenue yields on a constant dollar basis was caused by a 3.5% decrease in net passenger ticket revenue yields, partially offset by a slight increase in net onboard and other revenue yields. The 3.5% decrease in net passenger ticket revenue yields was driven by our North America brands' 3.8% net yield decrease, which was driven by promotional pricing at Carnival Cruise Line. In addition, our EAA brands' net passenger ticket revenue yields decreased 2.8%, which was affected by the ongoing challenging economic environment in Europe. Although Costa's net passenger ticket revenue yields increased, they were more than offset by decreases at our other European brands. Gross cruise revenues increased slightly by $75 million and remained at $15.2 billion in both 2013 and 2012 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by $525 million, or 8.0%, to $7.1 billion in 2013 from $6.6 billion in 2012. The increase was caused by a 4.6% increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for $313 million, our 2.9% capacity increase in ALBDs, which accounted for $189 million, and the 2013 net currency impact, which accounted for $23 million.

The 4.6% increase in constant dollar net cruise costs excluding fuel per ALBD was caused by:

- $56 million – additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of $20 million;
- $46 million – higher dry-dock and other ship repair and maintenance expenses;
- $44 million – higher advertising spend;
- $40 million – new market development initiative costs;
- $34 million – nonrecurrence in 2013 of Costa's excess insurance proceeds and Cunard's litigation settlement;
- $20 million – higher insurance premiums;
- $15 million – MNOPF special expense assessment and
- $87 million – various other operating expenses, net.

These increases were partially offset by:

- $29 million – nonrecurrence in 2013 of the January 2012 ship incident-related expenses.

Fuel costs decreased by $173 million, or 7.3%, to $2.2 billion in 2013 from $2.4 billion in 2012. This was caused by a 5.3% decrease in fuel consumption per ALBD, which accounted for $131 million, and lower fuel prices, which accounted for $111 million, partially offset by our 2.9% capacity increase in ALBDs, which accounted for $68 million.

Gross cruise costs increased by $473 million, or 4.0% to $12.4 billion in 2013 from $11.9 billion in 2012 for principally the same reasons as discussed above.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital, reaching double digit returns in the next three to four years, while maintaining a strong balance sheet. Our ability to generate significant operating cash flows allows us to internally fund our capital investments. Our goal is to return excess free cash flows to our shareholders in the form of additional dividends and/or share buybacks. In addition, we are committed to maintaining our strong investment grade credit ratings, which are among the highest in the leisure travel industry. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability in most financial credit market environments to obtain debt financing, as needed. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, those noted under “Cautionary Note Concerning Factors That May Affect Future Results.” If our long-term senior unsecured credit ratings were to be downgraded or assigned a negative outlook, our access to and cost of debt financing may be negatively impacted.

At November 30, 2014, we had a working capital deficit of $5.4 billion. This deficit included $3.0 billion of current customer deposits, which represent the passenger revenues already collected for cruises departing over the next twelve months and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our November 30, 2014 working capital deficit also included $1.7 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our November 30, 2014 working capital deficit balance, our non-GAAP adjusted working capital deficit was $661 million. Our business model, along with our strong balance sheet and unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future.

At November 30, 2013, the U.S. dollar was $1.63 to sterling, $1.36 to the euro and $0.91 to the Australian dollar. Had these November 30, 2013 currency exchange rates been used to translate our November 30, 2014 non-U.S. dollar functional currency operations’ assets and liabilities instead of the November 30, 2014 U.S. dollar exchange rates of $1.56 to sterling, $1.25 to the euro and $0.85 to the Australian dollar, our total assets and liabilities would have been higher by $1.2 billion and $565 million, respectively.

Sources and Uses of Cash

Our business provided $3.4 billion of net cash from operations during 2014, an increase of $596 million, or 21%, compared to $2.8 billion in 2013. This increase was substantially due to more cash being provided from our operating results and an increase in customer deposits.

During 2014, our expenditures for capital projects were $2.6 billion, of which $1.5 billion was spent on our ongoing new shipbuilding program, substantially for *Regal Princess* and *Costa Diadema*. In addition to our new shipbuilding program, we had capital expenditures of $754 million for ship improvements and replacements and $305 million for information technology, buildings and improvements, and other assets. Furthermore, in 2014 we sold *Costa Voyager* and received $42 million in cash proceeds.

During 2014, we borrowed a net $617 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the year. In addition, during 2014 we repaid $2.5 billion of long-term debt, including early repayments of $839 million of three bank loans and $590 million of two export credit facilities. Furthermore, during 2014 we borrowed $1.6 billion of new long-term debt under two export credit facilities and three bank loans. Finally, during 2014 we paid cash dividends of $776 million.

Future Commitments and Funding Sources

At November 30, 2014, our contractual cash obligations, including ship construction contracts entered into through January 22, 2015, were as follows (in millions):

	Payments Due by						
	2015	2016	2017	2018	2019	Thereafter	Total
Recorded Contractual Cash Obligations							
Short-term borrowings	$ 666	$ -	$ -	$ -	$ -	$ -	$ 666
Long-term debt (a)	1,059	1,785	634	1,302	685	2,957	8,422
Other long-term liabilities reflected on the balance sheet (b)	-	245	187	158	59	175	824
Unrecorded Contractual Cash Obligations							
Shipbuilding (c)	1,560	1,881	815	1,371	-	-	5,627
Operating leases (c)	56	45	30	25	24	147	327
Port facilities and other (c)	231	188	141	110	70	600	1,340
Purchase obligations (d)	903	71	30	22	14	4	1,044
Fixed rate interest payments (e)	182	157	127	103	86	331	986
Floating rate interest payments (e)	37	43	48	48	43	127	346
Total Contractual Cash Obligations (f)	$4,694	$4,415	$2,012	$3,139	$981	$4,341	$19,582

(a) Our long-term debt has a weighted-average maturity of 4.3 years. See Note 5 – "Unsecured Debt" in the consolidated financial statements for additional information regarding these debt obligations.

(b) Represents cash outflows for certain of our long-term liabilities that could be reasonably estimated. The primary outflows are for estimates of our compensation plans' obligations, crew and guest claims, uncertain income tax position liabilities and certain deferred income taxes. Customer deposits and certain other deferred income taxes have been excluded from the table because they do not require a cash settlement in the future.

(c) Our shipbuilding contractual obligations are legal commitments and, accordingly, cannot be cancelled without cause by the shipyards or us, and such cancellation will subject the defaulting party to significant contractual liquidating damage payments. See Note 6 – "Commitments" in the consolidated financial statements for additional information regarding these contractual cash obligations.

(d) Represents legally-binding commitments to purchase inventory and other goods and services made in the normal course of business to meet operational requirements. Many of our contracts contain clauses that allow us to terminate the contract with notice, either with or without a termination penalty. Termination penalties are generally an amount less than the original obligation. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for their termination.

(e) Fixed rate interest payments represent cash outflows for fixed interest payments, including interest swapped from a floating rate to a fixed rate. Floating rate interest payments represent forecasted cash outflows for interest payments on floating rate debt, including interest swapped from a fixed rate to a floating rate, using the November 30, 2014 forward interest rates for the remaining terms of the loans.

(f) Amounts payable in foreign currencies, which are principally the euro, sterling and Australian dollars, are based on the November 30, 2014 exchange rates.

As of November 30, 2014, as adjusted for our new ship orders through January 22, 2015, our total annual capital expenditures consist of ships under contract for construction, estimated improvements to existing ships and shoreside assets and for 2015, 2016, 2017 and 2018 are expected to be $3.0 billion, $3.3 billion, $2.1 billion and $2.5 billion, respectively.

The year-over-year percentage increase in our annual capacity is currently expected to be 2.0%, 4.4%, 2.8% and 1.9% for 2015, 2016, 2017 and 2018, respectively. These percentage increases are expected to result primarily from contracted new ships entering service, partially offset by *Costa Celebration*, *Grand Holiday* and *Seabourn Pride* having left the fleet through January 22, 2015, and *Seabourn Legend*, *Seabourn Spirit* and *Ocean Princess* leaving the fleet by April 2015, May 2015 and March 2016, respectively.

Our Boards of Directors have authorized, subject to certain restrictions, the repurchase of up to an aggregate of $1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program was $975 million. See Note 9 – "Shareholders' Equity" in the consolidated financial statements for a further discussion of the Repurchase Program.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs. Depending on market conditions and other factors, we may repurchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently. We use the Stock Swap programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program. Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2015 annual general meeting or October 16, 2015. Finally, under the Stock Swap programs, any sales of the Carnival Corporation common stock and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

At January 22, 2015, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock. See Note 9 – "Shareholders' Equity" in the consolidated financial statements for a further discussion of the Stock Swap programs.

At November 30, 2014, we had liquidity of $4.9 billion. Our liquidity consisted of $92 million of cash and cash equivalents, which excludes $239 million of cash used for current operations, $2.3 billion available for borrowing under our revolving credit facilities, net of our commercial paper borrowings, and $2.5 billion under our committed future financings, which are comprised of ship export credit facilities. Of this $2.5 billion, $0.9 billion and $1.6 billion are scheduled to be funded in 2015 and 2016, respectively. At November 30, 2014, substantially all of our revolving credit facilities are scheduled to mature in 2019, except for $300 million that matures in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants as described in Note 5 – "Unsecured Debt" in the consolidated financial statements. At November 30, 2014, we believe we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our hedging strategies and market risks, see the discussion below and Note 10 – "Fair Value Measurements, Derivative Instruments and Hedging Activities" in the consolidated financial statements.

Foreign Currency Exchange Rate Risks

Operational Currency Risks

We have foreign operations that have functional currencies other than the U.S. dollar, which result in foreign currency translational impacts. Our operations execute transactions in a number of currencies different than their functional currencies, principally the euro, sterling and Australian and U.S. dollars, which result in foreign currency transactional impacts. Based on a 10% hypothetical change in all currency exchange rates that were used in our December 19, 2014 guidance, we estimate that our 2015 first quarter and full year December 19, 2014 non-GAAP guidance would change by $0.04 per share and $0.30 per share, respectively, including both the foreign currency translational and transactional impacts.

Investment Currency Risks

We have $403 million of foreign currency forwards that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting this foreign currency exchange rate risk. Based on a 10% hypothetical change in the U.S. dollar to euro exchange rate as of November 30, 2014, we estimate that these foreign currency forwards' fair values would change by $40 million, which would be offset by a corresponding change of $40 million in the U.S. dollar value of our net investments.

Newbuild Currency Risks

In 2012, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of P&O Cruises (UK) *Britannia's* euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling of $287 million and a weighted-average floor of $266 million. In 2014, we entered into foreign currency zero cost collars that are also designated as cash flow hedges for the remaining unhedged portion of *Britannia*'s euro-denominated shipyard payments. These collars also mature in February 2015 at a weighted-average ceiling of $281 million and a weighted-average floor of $274 million. If the spot rate is between the weighted average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars. At November 30, 2014, the estimated fair value of these outstanding foreign currency zero cost collars was a nominal liability. Based on a 10% hypothetical increase or decrease in the November 30, 2014 sterling rates to euro exchange rates, we estimate the fair value of these collars would increase $26 million or decrease $27 million, respectively.

On January 22, 2015, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of a Princess and Seabourn newbuilds' euro-denominated shipyard payments. The Princess newbuild's collars mature in March 2017 at a weighted-average ceiling of $590 million and a weighted-average floor of $504 million. The Seabourn newbuild's collars mature in November 2016 at a weighted-average ceiling of $221 million and a weighted-average floor of $185 million. If the spot rate is between the weighted-average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

At January 22, 2015, substantially all of our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild construction payments for a Carnival Cruise Line, Holland America Line and Seabourn newbuild, which represent a total unhedged commitment of $1.7 billion. The functional currency cost of each of these ships will increase or decrease based on changes in the exchange rates until the payments are made under the shipbuilding contract, or we enter into a foreign currency hedge. Based on a 10% hypothetical change in the U.S. dollar to euro exchange rates as of November 30, 2014, the unpaid cost of these ships would have a corresponding change of $171 million.

Interest Rate Risks

At November 30, 2014, we have interest rate swaps that have effectively changed $500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt and $750 million of EURIBOR-based floating rate euro debt to fixed rate euro debt. Based on a 10% hypothetical change in the November 30, 2014 market interest rates, the fair value of all our debt and related interest rate swaps would change by $96 million. In addition, based on a 10% hypothetical change in the November 30, 2014 market interest rates, our annual interest expense on floating rate debt, including the effect of our interest rate swaps, would change by an insignificant amount. Substantially all of our fixed rate debt can only be called or prepaid by incurring additional costs.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relates to the consumption of fuel on our ships. We expect to consume approximately 3.2 million metric tons of fuel in 2015. Based on a 10% hypothetical change in our December 19, 2014 guidances' forecasted average fuel price, we estimate that our 2015 fuel expense, excluding the effect of zero cost collar fuel derivatives, would change by $139 million.

We mitigate a portion of our economic risk attributable to potential fuel price increases through the use of Brent zero cost collars. The actual fuel we use on our ships is marine fuel. See Note 10 – "Fair Value Measurements, Derivative Instruments and Hedging Activities" in the consolidated financial statements for additional discussion of our fuel derivatives.

At November 30, 2014, our fuel derivatives cover a portion of our estimated fuel consumption through 2018. At November 30, 2014, the estimated fair value of our outstanding fuel derivative contracts was a net liability of $229 million. Based on a 10% hypothetical increase or decrease in the November 30, 2014 Brent forward price curve, we estimate the fair value of our fuel derivatives would increase $127 million or decrease $152 million, respectively.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for 2010 through 2014 and as of the end of each such year, except for the statistical data, are derived from our audited consolidated financial statements and should be read in conjunction with those consolidated financial statements and the related notes.

	Years Ended November 30,				
	2014	2013	2012	2011	2010
	(dollars in millions, except per share, per ton and currency data)				
Statements of Income Data					
Revenues	$15,884	$15,456	$15,382	$15,793	$14,469
Operating income	$ 1,792	$ 1,352	$ 1,642	$ 2,255	$ 2,347
Net income (a)	$ 1,236	$ 1,078	$ 1,298	$ 1,912	$ 1,978
Earnings per share					
Basic	$ 1.59	$ 1.39	$ 1.67	$ 2.43	$ 2.51
Diluted	$ 1.59	$ 1.39	$ 1.67	$ 2.42	$ 2.47
Non-GAAP net income (a)	$ 1,524	$ 1,232	$ 1,514	$ 1,939	$ 1,934
Non-GAAP earnings per share – diluted (a)	$ 1.96	$ 1.58	$ 1.94	$ 2.46	$ 2.42
Dividends declared per share	$ 1.00	$ 1.00	$ 1.50(b)	$ 1.00	$ 0.40
Statements of Cash Flow Data					
Cash provided by operating activities	$ 3,430	$ 2,834	$ 2,999	$ 3,766	$ 3,818
Cash used in investing activities	$ 2,507	$ 2,056	$ 1,772(c)	$ 2,646	$ 3,501
Capital expenditures	$ 2,583	$ 2,149	$ 2,332	$ 2,696	$ 3,579
Cash used in financing activities	$ 1,028	$ 780	$ 1,190	$ 1,093	$ 404
Dividends paid	$ 776	$ 1,164	$ 779	$ 671	$ 237
Statistical Data					
ALBDs (in thousands)	76,000	74,033	71,976	69,971	66,545
Occupancy percentage	104.1%	105.1%	105.5%	106.2%	105.6%
Passengers carried (in thousands)	10,566	10,061	9,829	9,559	9,147
Fuel consumption in metric tons (in thousands)	3,194	3,266	3,354	3,395	3,319
Fuel consumption in metric tons per ALBD	0.042	0.044	0.047	0.049	0.050
Fuel cost per metric ton consumed	$ 636	$ 676	$ 710	$ 646	$ 489
Currencies					
U.S. dollar to €1	$ 1.34	$ 1.32	$ 1.28	$ 1.40	$ 1.33
U.S. dollar to £1	$ 1.66	$ 1.56	$ 1.58	$ 1.60	$ 1.55
U.S. dollar to Australian dollar	$ 0.91	$ 0.98	$ 1.03	$ 1.03	$ 0.91

	As of November 30,				
	2014	2013	2012	2011	2010
	(dollars in millions)				
Balance Sheet and Other Data					
Total assets	$39,532	$40,104	$39,161	$38,637	$37,490
Total debt	$ 9,088	$ 9,560	$ 8,902	$ 9,353	$ 9,364
Total shareholders' equity	$24,288	$24,556	$23,929	$23,832	$23,031
Total debt to capital (d)	27.2%	28.0%	27.1%	28.2%	28.9%

(See next page for footnotes.)

(a) Non-GAAP net income and fully diluted earnings per share were computed as follows:

	As of November 30,				
	2014	2013	2012	2011	2010
Net income – diluted					
U.S. GAAP net income	$1,236	$1,078	$1,298	$1,912	$1,978
Losses (gains) on ship sales and ship impairments, net (i)	2	163	49	28(ii)	(44)(iii)
Goodwill, trademark and other impairment charges (i)	-	27	173	-	-
Restructuring expenses (i)	18	-	-	-	-
Unrealized losses (gains) on fuel derivatives, net	268	(36)	(6)	(1)	-
Non-GAAP net income	$1,524	$1,232	$1,514	$1,939	$1,934
Weighted-average shares outstanding – diluted	778	777	779	789	805
Earnings per share – diluted					
U.S. GAAP earnings per share	$ 1.59	$ 1.39	$ 1.67	$ 2.42	$ 2.47
Losses (gains) on ship sales and ship impairments, net (i)	-	0.21	0.06	0.04(ii)	(0.05)(iii)
Goodwill, trademark and other impairment charges (i)	-	0.03	0.22	-	-
Restructuring expenses (i)	0.02	-	-	-	-
Unrealized losses (gains) on fuel derivatives, net	0.35	(0.05)	(0.01)	-	-
Non-GAAP earnings per share (i)	$ 1.96	$ 1.58	$ 1.94	$ 2.46(ii)	$ 2.42(iii)

(i) See "Key Performance Non-GAAP Financial Indicators" for further discussion of the losses (gains) on ship sales and ship impairments, net; goodwill, trademark and other impairment charges and restructuring expenses for the years ended November 30, 2014, 2013, and 2012.

(ii) Represents impairment charges related to the sale of *Costa Marina* and *Pacific Sun*.

(iii) Represents the 2010 gain on the sale of P&O Cruises (UK)'s *Artemis*.

(b) Includes a special dividend of $0.50 per share.

(c) Net of $508 million of insurance proceeds received for the total loss of a ship.

(d) Percentage of total debt to the sum of total debt and shareholders' equity.

MARKET PRICE FOR COMMON STOCK AND ORDINARY SHARES

Carnival Corporation's common stock, together with paired trust shares of beneficial interest in the P&O Princess Special Voting Trust, which holds a Special Voting Share of Carnival plc, is traded on the NYSE under the symbol "CCL." Carnival plc's ordinary shares trade on the London Stock Exchange under the symbol "CCL." Carnival plc's American Depository Shares ("ADSs"), each one of which represents one Carnival plc ordinary share, are traded on the NYSE under the symbol "CUK." The depository for the ADSs is JPMorgan Chase Bank. The daily high and low stock sales price for the periods indicated on their primary exchange was as follows:

	Carnival Corporation		Carnival plc			
	Per Share		Per Ordinary Share		Per ADS	
	High	Low	High	Low	High	Low
2014						
Fourth Quarter	$44.44	$33.11	£28.25	£20.93	$44.24	$33.47
Third Quarter	$40.65	$35.70	£24.86	£20.85	$41.75	$35.37
Second Quarter	$40.41	$35.79	£25.10	£21.84	$41.03	$36.35
First Quarter	$41.89	$34.82	£26.15	£21.11	$42.77	$35.04
2013						
Fourth Quarter	$37.96	$31.44	£24.86	£20.22	$39.36	$32.33
Third Quarter	$38.04	$32.06	£26.12	£21.08	$39.74	$32.91
Second Quarter	$36.56	$32.51	£25.65	£20.17	$38.40	$33.32
First Quarter	$39.95	$34.37	£26.38	£23.44	$41.80	$36.05

As of January 20, 2015, there were 3,476 holders of record of Carnival Corporation common stock and 33,508 holders of record of Carnival plc ordinary shares and 104 holders of record of Carnival plc ADSs. The past performance of our share prices cannot be relied on as a guide to their future performance.

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

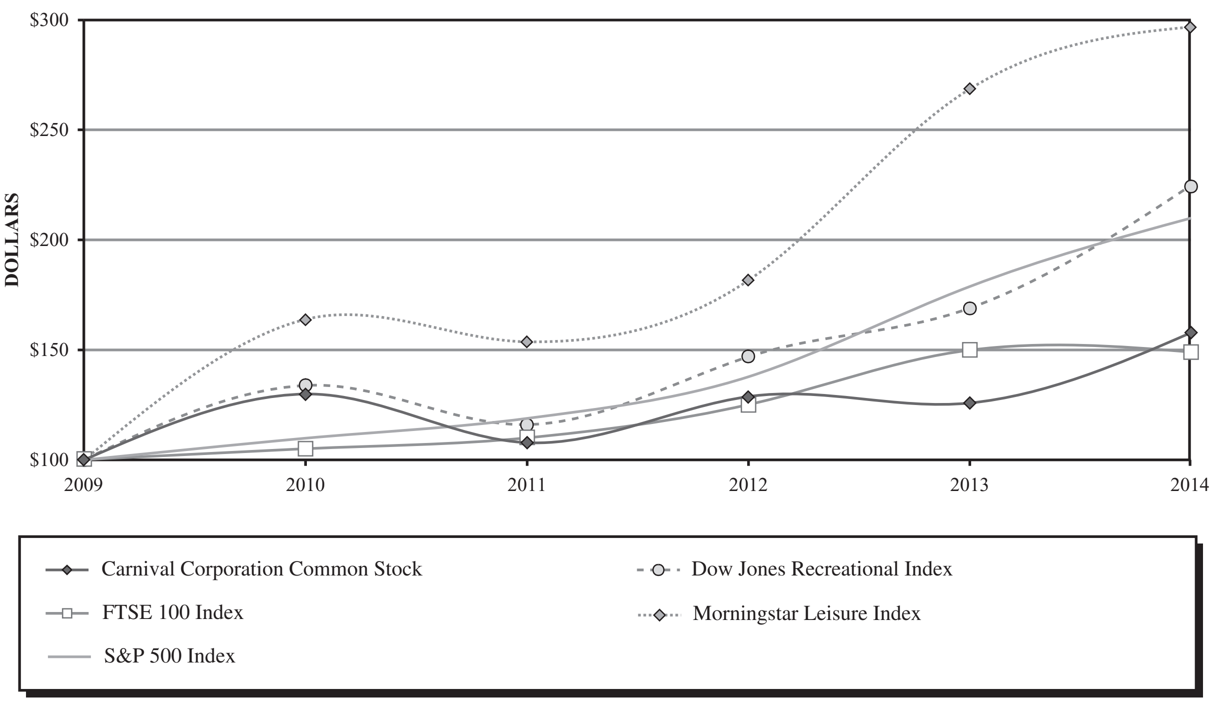
The payment and amount of any future dividend is within the discretion of the Boards of Directors. Our dividends were and will be based on a number of factors, including our earnings, liquidity position, financial condition, tone of business, capital requirements, credit ratings and the availability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

STOCK PERFORMANCE GRAPHS

Carnival Corporation

The following graph compares the Price Performance of $100 if invested in Carnival Corporation common stock with the Price Performance of $100 if invested in each of the Dow Jones U.S. Recreational Services Index (the "Dow Jones Recreational Index"), the FTSE 100 Index, the Morningstar Leisure/Lodging/Resorts and Casinos Blended Index (the "Morningstar Leisure Index") and the S&P 500 Index. The Price Performance, as used in the Performance Graph, is calculated by assuming $100 is invested at the beginning of the period in Carnival Corporation common stock at a price equal to the market value. At the end of each year, the total value of the investment is computed by taking the number of shares owned, assuming Carnival Corporation dividends are reinvested, multiplied by the market price of the shares.

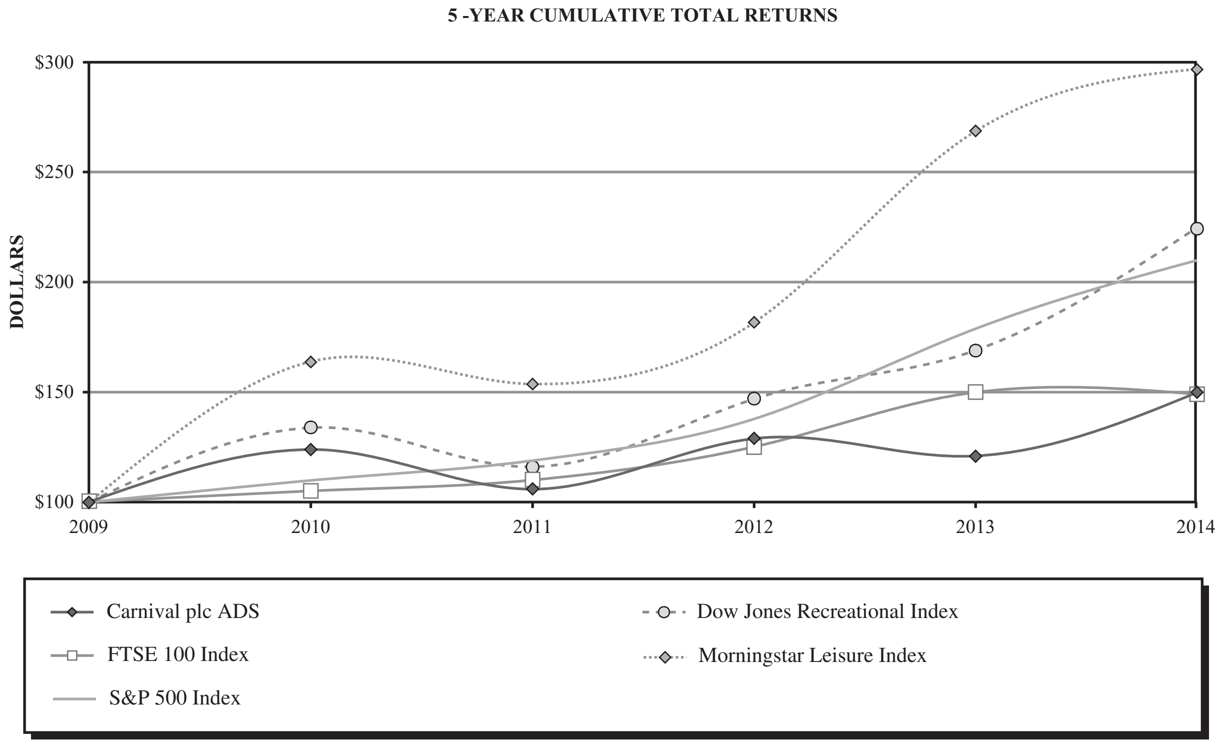
5 -YEAR CUMULATIVE TOTAL RETURNS



	Assumes $100 Invested on November 30, 2009 Assumes Dividends Reinvested Years Ended November 30,					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Carnival Corporation Common Stock	$100	$130	$108	$129	$126	$158
Dow Jones Recreational Index	$100	$134	$116	$147	$169	$225
FTSE 100 Index	$100	$105	$110	$125	$150	$149
Morningstar Leisure Index	$100	$164	$154	$182	$269	$297
S&P 500 Index	$100	$110	$119	$138	$179	$210

Carnival plc

The following graph compares the Price Performance of $100 invested in Carnival plc ADSs, each representing one ordinary share of Carnival plc, with the Price Performance of $100 invested in each of the indexes noted below. The Price Performance is calculated in the same manner as previously discussed.



	Assumes $100 Invested on November 30, 2009 Assumes Dividends Reinvested Years Ended November 30,					
	2009	2010	2011	2012	2013	2014
Carnival plc ADS	$100	$124	$106	$129	$121	$150
Dow Jones Recreational Index	$100	$134	$116	$147	$169	$225
FTSE 100 Index	$100	$105	$110	$125	$150	$149
Morningstar Leisure Index	$100	$164	$154	$182	$269	$297
S&P 500 Index	$100	$110	$119	$138	$179	$210

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Our revenues from the sale of passenger tickets are seasonal. Historically, demand for cruises has been greatest during our third quarter, which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher ticket prices and occupancy levels and, accordingly, the largest share of our operating income is earned during this period. The seasonality of our results also increases due to ships being taken out-of-service for maintenance, which we schedule during non-peak demand periods. In addition, substantially all of Holland America Princess Alaska Tours' revenue and net income is generated from May through September in conjunction with the Alaska cruise season.

Quarterly financial results for 2014 were as follows (in millions, except per share data):

	Quarters Ended			
	February 28	May 31	August 31	November 30
Revenues	$3,585	$3,633	$4,947	$3,718
Operating income	$ 72	$ 155	$1,298	$ 267
Net (loss) income (a)	$ (15)	$ 106	$1,247	$ (102)
(Loss) earnings per share				
Basic	$ (0.02)	$ 0.14	$ 1.61	$ (0.13)
Diluted (a)	$ (0.02)	$ 0.14	$ 1.60	$ (0.13)
Non-GAAP net income (a)	$ 2	$ 80	$1,232	$ 210
Non-GAAP earnings per share – diluted (a)	$ 0.00	$ 0.10	$ 1.58	$ 0.27
Dividends declared per share	$ 0.25	$ 0.25	$ 0.25	$ 0.25

(a) Non-GAAP net income and fully diluted earnings per share were computed as follows:

	Quarters Ended			
	February 28	May 31	August 31	November 30
Net income – diluted				
U.S. GAAP net (loss) income	$ (15)	$ 106	$1,247	$ (102)
(Gains) on ship sales and ship impairments, net	-	(15)	-	17
Restructuring expenses	-	-	-	18
Unrealized losses (gains) on fuel derivatives, net	17	(11)	(15)	277
Non-GAAP net income	$ 2	$ 80	$1,232	$ 210
Weighted-average shares outstanding – diluted	776	778	778	776
Earnings per share – diluted				
U.S. GAAP (loss) earnings per share	$ (0.02)	$ 0.14	$ 1.60	$ (0.13)
(Gains) on ship sales and ship impairments, net	-	(0.02)	-	0.02
Restructuring expenses	-	-	-	0.02
Unrealized losses (gains) on fuel derivatives, net	0.02	(0.02)	(0.02)	0.36
Non-GAAP earnings per share	$ 0.00	$ 0.10	$ 1.58	$ 0.27

Quarterly financial results for 2013 were as follows (in millions, except per share data):

	Quarters Ended			
	February 28	May 31	August 31	November 30
Revenues	$3,593	$3,479	$4,726	$3,659
Operating income	$ 145	$ 152	$ 951	$ 104
Net income (a)	$ 37	$ 41	$ 934	$ 66
Earnings per share				
Basic	$ 0.05	$ 0.05	$ 1.20	$ 0.09
Diluted (a)	$ 0.05	$ 0.05	$ 1.20	$ 0.08
Non-GAAP net income (a)	$ 67	$ 57	$1,073	$ 35
Non-GAAP earnings per share – diluted (a)	$ 0.08	$ 0.07	$ 1.38	$ 0.04
Dividends declared per share	$ 0.25	$ 0.25	$ 0.25	$ 0.25

(a) Non-GAAP net income and fully diluted earnings per share were computed as follows:

	Quarters Ended			
	February 28	May 31	August 31	November 30
Net income – diluted				
U.S. GAAP net income	$ 37	$ 41	$ 934	$ 66
Losses (gains) on ship sales and ship impairments, net	2	(15)	176	-
Trademark and other impairment charges	-	-	27	-
Unrealized losses (gains) on fuel derivatives, net	28	31	(64)	(31)
Non-GAAP net income	$ 67	$ 57	$1,073	$ 35
Weighted-average shares outstanding – diluted	778	777	777	777
Earnings per share – diluted				
U.S. GAAP earnings per share	$0.05	$ 0.05	$ 1.20	$ 0.08
Losses (gains) on ship sales and ship impairments, net	-	(0.02)	0.23	-
Trademark and other impairment charges	-	-	0.03	-
Unrealized losses (gains) on fuel derivatives, net	0.03	0.04	(0.08)	(0.04)
Non-GAAP earnings per share	$0.08	$ 0.07	$ 1.38	$ 0.04

CORPORATE AND OTHER INFORMATION

SENIOR OFFICERS

CARNIVAL CORPORATION & PLC
Micky Arison
Chairman of the Board

Arnold W. Donald
President and Chief Executive Officer

David Bernstein
Chief Financial Officer

Alan B. Buckelew
Chief Operations Officer

Arnaldo Perez
General Counsel and Secretary

CARNIVAL UK
David Dingle
Chairman

COSTA GROUP
Michael Thamm
Chief Executive Officer

HOLLAND AMERICA GROUP
Stein Kruse
Chief Executive Officer

BOARD OF DIRECTORS

Micky Arison [3]
Chairman of the Board
Carnival Corporation & plc

Sir Jonathon Band [4]
Former First Sea Lord and
Chief of Naval Staff
British Navy

Arnold W. Donald [3]
President and Chief Executive Officer
Carnival Corporation & plc

Richard J. Glasier [1, 2, 5]
Former President and
Chief Executive Officer
Argosy Gaming Company

Debra Kelly-Ennis [4]
Former President and Chief Executive Officer
Diageo Canada, Inc.

Sir John Parker [4, 5]
Chairman of Anglo American plc and
Vice Chairman of DP World Limited

Stuart Subotnick [1, 3, 5]
President and Chief Executive Officer
Metromedia Company

Laura Weil [1, 2]
Former Executive Vice President and
Chief Operating Officer
New York & Company, Inc.

Randall J. Weisenburger [1, 2, 5]
Managing Member
Mile26 Capital LLC

1 Audit Committee
2 Compensation Committee
3 Executive Committee
4 Health, Environmental, Safety & Security Committee
5 Nominating & Governance Committee

DIRECTORS EMERITUS AND LIFE PRESIDENTS

Ted Arison (1924-1999)
Chairman Emeritus, Carnival Corporation

Maks Birnbach (1920-2007)
Director Emeritus, Carnival Corporation

A. Kirk Lanterman
Chairman Emeritus
Holland America Line Inc.

Meshulam Zonis (1933-2009)
Director Emeritus, Carnival Corporation

Uzi Zucker
Director Emeritus, Carnival Corporation & plc

Horst Rahe
Life President of AIDA Cruises

The Lord Sterling of Plaistow GCVO, CBE
Life President of P&O Cruises

OTHER INFORMATION

Corporate Headquarters
Carnival Corporation
Carnival Place
3655 N.W. 87th Avenue
Miami, Florida 33178-2428 U.S.A.
305-599-2600

Registered Office
Carnival plc
Carnival House
100 Harbour Parade
Southampton S015 1ST UK
44 (0) 23 8065 5000

Independent Registered Certified Public Accounting Firm
PricewaterhouseCoopers LLP
1441 Brickell Avenue, Suite 1100
Miami, Florida 33131-2330 U.S.A.

Registrars, Stock Transfer Agents and Dividend Reinvestment Plan Administrators
Carnival Corporation
Computershare Investor Services
P.O. Box 30170
College Station, Texas 77842-3170 U.S.A.
800-568-3476 (U.S.A, U.S.A Territories and Canada)
781-575-2879 (Outside U.S.A, U.S.A Territories and Canada)

Carnival plc
Equiniti Limited
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA UK
0871 384 2665 (UK)
44 121 415 7107 (Outside UK)

Legal Counsel
Gibson, Dunn & Crutcher LLP
1050 Connecticut Avenue, N.W.
Washington D.C. 20036-5306 U.S.A.

Other Shareholder Information
Copies of our joint Annual Report on Form 10-K, joint Quarterly Reports on Form 10-Q, joint Current Reports on Form 8-K, Carnival plc Annual Accounts and all amendments to those reports, press releases and other documents, as well as information on our cruise brands are available through our website at www.carnivalcorp.com or www.carnivalplc.com.

CARNIVAL PLC

Carnival House 100 Harbour Parade, Southampton SO15 1st, United Kingdom www.carnivalplc.com