

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended May 31, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-9610

Carnival Corporation

(Exact name of registrant as specified in its charter)

Republic of Panama

(State or other jurisdiction of incorporation or organization)

59-1562976

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

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

(Address of principal executive offices)  
(Zip Code)

(305) 599-2600

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)



Commission file number: 001-15136

Carnival plc

(Exact name of registrant as specified in its charter)

England and Wales

(State or other jurisdiction of incorporation or organization)

98-0357772

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

Carnival House, 100 Harbour Parade,  
Southampton SO15 1ST, United Kingdom

(Address of principal executive offices)  
(Zip Code)

011 44 23 8065 5000

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filers  Accelerated filers   
Non-accelerated filers  Smaller reporting companies

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

At June 24, 2016, Carnival Corporation had outstanding 550,891,342 shares of Common Stock, \$0.01 par value.

At June 24, 2016, Carnival plc had outstanding 216,456,140 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 550,891,342, Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

**CARNIVAL CORPORATION & PLC**

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended May 31,		Six Months Ended May 31,	
	2016	2015	2016	2015
<b>Revenues</b>				
Cruise				
Passenger tickets	\$ 2,696	\$ 2,628	\$ 5,414	\$ 5,260
Onboard and other	978	927	1,901	1,816
Tour and other	31	35	42	44
	<u>3,705</u>	<u>3,590</u>	<u>7,357</u>	<u>7,120</u>
<b>Operating Costs and Expenses</b>				
Cruise				
Commissions, transportation and other	495	481	1,077	1,067
Onboard and other	123	114	240	225
Payroll and related	502	469	994	936
Fuel	196	333	383	650
Food	248	242	495	482
Other ship operating	667	734	1,271	1,332
Tour and other	27	31	41	47
	<u>2,258</u>	<u>2,404</u>	<u>4,501</u>	<u>4,739</u>
Selling and administrative	532	491	1,083	1,020
Depreciation and amortization	437	406	861	807
	<u>3,227</u>	<u>3,301</u>	<u>6,445</u>	<u>6,566</u>
<b>Operating Income</b>	<u>478</u>	<u>289</u>	<u>912</u>	<u>554</u>
<b>Nonoperating (Expense) Income</b>				
Interest income	2	2	3	4
Interest expense, net of capitalized interest	(57)	(57)	(108)	(114)
Gains (losses) on fuel derivatives, net	171	(13)	(65)	(181)
Other income, net	13	5	8	15
	<u>129</u>	<u>(63)</u>	<u>(162)</u>	<u>(276)</u>
<b>Income Before Income Taxes</b>	<u>607</u>	<u>226</u>	<u>750</u>	<u>278</u>
<b>Income Tax Expense, Net</b>	<u>(2)</u>	<u>(4)</u>	<u>(3)</u>	<u>(7)</u>
<b>Net Income</b>	<u>\$ 605</u>	<u>\$ 222</u>	<u>\$ 747</u>	<u>\$ 271</u>
<b>Earnings Per Share</b>				
Basic	<u>\$ 0.81</u>	<u>\$ 0.29</u>	<u>\$ 0.99</u>	<u>\$ 0.35</u>
Diluted	<u>\$ 0.80</u>	<u>\$ 0.29</u>	<u>\$ 0.98</u>	<u>\$ 0.35</u>
<b>Dividends Declared Per Share</b>	<u>\$ 0.35</u>	<u>\$ 0.25</u>	<u>\$ 0.65</u>	<u>\$ 0.50</u>

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

**CARNIVAL CORPORATION & PLC**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(UNAUDITED)**  
(in millions)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2016	2015	2016	2015
<b>Net Income</b>	\$ 605	\$ 222	\$ 747	\$ 271
<b>Items Included in Other Comprehensive Income (Loss)</b>				
Change in foreign currency translation adjustment	280	(135)	72	(818)
Other	15	(5)	21	(45)
<b>Other Comprehensive Income (Loss)</b>	295	(140)	93	(863)
<b>Total Comprehensive Income (Loss)</b>	<u>\$ 900</u>	<u>\$ 82</u>	<u>\$ 840</u>	<u>\$ (592)</u>

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

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

	May 31, 2016	November 30, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 519	\$ 1,395
Trade and other receivables, net	334	303
Insurance recoverables	108	109
Inventories	315	330
Prepaid expenses and other	324	314
Total current assets	1,600	2,451
<b>Property and Equipment, Net</b>	33,244	31,818
<b>Goodwill</b>	3,019	3,010
<b>Other Intangibles</b>	1,305	1,308
<b>Other Assets</b>	683	650
	<u>\$ 39,851</u>	<u>\$ 39,237</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 410	\$ 30
Current portion of long-term debt	836	1,344
Accounts payable	667	627
Accrued liabilities and other	1,653	1,683
Customer deposits	4,275	3,272
Total current liabilities	7,841	6,956
<b>Long-Term Debt</b>	8,183	7,413
<b>Other Long-Term Liabilities</b>	1,036	1,097
<b>Contingencies</b>		
<b>Shareholders' Equity</b>		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 654 shares at 2016 and 653 shares at 2015 issued	7	7
Ordinary shares of Carnival plc, \$1.66 par value; 216 shares at 2016 and 2015 issued	358	358
Additional paid-in capital	8,605	8,562
Retained earnings	20,320	20,060
Accumulated other comprehensive loss	(1,648)	(1,741)
Treasury stock, 99 shares at 2016 and 70 shares at 2015 of Carnival Corporation and 26 shares at 2016 and 27 shares at 2015 of Carnival plc, at cost	(4,851)	(3,475)
Total shareholders' equity	22,791	23,771
	<u>\$ 39,851</u>	<u>\$ 39,237</u>

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

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

	Six Months Ended May 31,	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 747	\$ 271
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	861	807
Losses on fuel derivatives	65	181
Share-based compensation	28	25
Other, net	22	12
	1,723	1,296
Changes in operating assets and liabilities		
Receivables	(40)	(85)
Inventories	16	11
Insurance recoverables, prepaid expenses and other	4	61
Accounts payable	36	39
Accrued and other liabilities	(84)	(5)
Customer deposits	1,026	969
Net cash provided by operating activities	2,681	2,286
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(1,966)	(1,381)
Proceeds from sales of ships	19	25
Payments of fuel derivative settlements	(170)	(95)
Collateral payments for fuel derivatives	(25)	(11)
Other, net	(31)	35
Net cash used in investing activities	(2,173)	(1,427)
<b>FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings, net	379	(357)
Principal repayments of long-term debt	(869)	(584)
Proceeds from issuance of long-term debt	934	472
Dividends paid	(459)	(388)
Purchases of treasury stock	(1,401)	—
Sales of treasury stock	40	—
Other, net	(5)	(4)
Net cash used in financing activities	(1,381)	(861)
Effect of exchange rate changes on cash and cash equivalents	(3)	(31)
Net decrease in cash and cash equivalents	(876)	(33)
Cash and cash equivalents at beginning of period	1,395	331
Cash and cash equivalents at end of period	\$ 519	\$ 298

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

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

**NOTE 1 – General**

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 joint Quarterly Report on Form 10-Q as “Carnival Corporation & plc,” “our,” “us” and “we.”

***Basis of Presentation***

The Consolidated Balance Sheet at May 31, 2016, the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended May 31, 2016 and 2015 and the Consolidated Statements of Cash Flows for the six months ended May 31, 2016 and 2015 are unaudited and, in the opinion of our management, contain all adjustments necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2015 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 29, 2016. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

***Other***

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. The portion of these fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were \$123 million for the three months ended May 31, 2016 and 2015 and \$259 million and \$257 million for the six months ended May 31, 2016 and 2015, respectively.

***Accounting Pronouncements***

Amended guidance was issued by the Financial Accounting Standards Board (“FASB”) regarding the accounting for *Service Concession Arrangements*. The new guidance defines a service concession as an arrangement between a public-sector grantor, such as a port authority, and a company that will operate and maintain the grantor's infrastructure for a specified period of time. In exchange, the company may be given a right to charge the public, such as our cruise guests, for the use of the infrastructure. This guidance required us to record certain of the infrastructure we had constructed to be used by us pursuant to a service concession arrangement outside of property and equipment. On December 1, 2015, we adopted this guidance and, accordingly, reclassified \$70 million from *Property and Equipment, Net* to *Other Intangibles* on our November 30, 2015 Consolidated Balance Sheet (see “Note 4 - Nonfinancial Instruments that are Measured at Fair Value on a Nonrecurring Basis”).

The FASB issued amended guidance regarding accounting for *Interest - Imputation of Interest*, which simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability. This guidance is required to be adopted by us in the first quarter of fiscal 2017, and will be applied on a retrospective basis. The adoption of this guidance is not expected to have a significant impact on our Consolidated Balance Sheets.

The FASB issued amended guidance regarding accounting for *Intangibles - Goodwill and Other - Internal-Use Software*, which clarifies the accounting for fees paid in a cloud computing arrangement. The amendments provide guidance to customers about whether a cloud computing arrangement includes a software license or if the arrangement should be accounted for as a service contract. The amendments will impact the accounting for software licenses but will not change a customer's accounting for service contracts. This guidance is required to be adopted by us in the first quarter of fiscal 2017 on either a prospective or retrospective basis. The adoption of this guidance is not expected to have a material impact to our consolidated financial statements.

The FASB issued amended guidance regarding accounting for *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. When effective, this standard will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles (“U.S. GAAP”). The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in U.S. GAAP. This guidance is required to be adopted by us in the first quarter of fiscal 2019 by either recasting all years presented in our financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

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The FASB issued guidance regarding accounting for *Leases*, which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. This guidance is required to be adopted by us in the first quarter of fiscal 2020. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

### **NOTE 2 – Unsecured Debt**

At May 31, 2016, our short-term borrowings consisted of commercial paper of \$406 million and euro-denominated bank loans of \$4 million with an aggregate weighted-average floating interest rate of 0.8%.

In February 2016, we issued \$555 million of euro-denominated, publicly-traded notes, which bear interest at 1.625% and are due in February 2021. We are using the net proceeds for general corporate purposes.

In April 2016, we borrowed \$379 million under an export credit facility, the proceeds of which were used to pay for a portion of AIDA Cruises' ("AIDA") *AIDAprima* purchase price. Of this facility, a portion bears fixed and a portion bears floating interest rates. The facility is due in semi-annual installments through August 2027.

In May 2016, we entered into four export credit facilities that will provide us with the ability to borrow up to an aggregate of \$2.3 billion. Proceeds from these facilities will be used to pay for a portion of the purchase price of four cruise ships, which are expected to be delivered between February 2019 and September 2020. These borrowings will be due in semi-annual installments through September 2032.

In May 2016, Carnival Corporation, Carnival plc and certain of Carnival Corporation and Carnival plc's subsidiaries exercised their option to extend the termination date of their multi-currency revolving credit facility from June 2020 to June 2021. In addition, the total capacity of the revolving credit facility increased to \$2.7 billion (comprised of \$1.9 billion, €500 million and £169 million).

### **NOTE 3 – Contingencies**

#### **Litigation**

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 material impact on our results of operations.

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 the maximum amount of our liability, net of any insurance recoverables, is typically limited to our self-insurance retention levels. We believe the ultimate outcome of these claims and lawsuits will not have a material impact on our consolidated financial statements.

#### **Contingent Obligations – Lease Out and Lease Back Type ("LILO") Transactions**

At May 31, 2016, we had estimated contingent obligations totaling \$362 million, excluding termination payments as discussed below, to participants in LILO transactions for two of our ships. At the inception of these leases, we paid the aggregate of the net present value of these obligations 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 we were to default on our contingent obligations and assuming performance by all other participants, we estimate that we would, as of May 31, 2016, be responsible for a termination payment of \$13 million. In January 2016, we elected to exercise our options to terminate, at no cost, the LILO transactions as of January 1, 2017 for one ship and as of January 1, 2018 for the second ship.

In advance of the termination dates, 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 we 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, we would incur additional costs, although we estimate that they would not be significant 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 our

credit rating, which is BBB+, falls below BBB, we will be required to provide a standby letter of credit for \$27 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

**Contingent Obligations – Indemnifications**

Some of the debt contracts we enter into include indemnification provisions obligating us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes or other changes in laws which increase our lender's 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 similar indemnification clauses in the past and we do not believe a request for material future indemnification payments is probable.

**NOTE 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities**

**Fair Value Measurements**

U.S. accounting standards establish a fair value hierarchy prioritizing 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. When quoted prices 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.

The fair value measurement of a financial asset or financial liability reflects the nonperformance risk of both parties to the contract. Therefore, the fair value measurement of our financial instruments reflects the impact of our counterparty's creditworthiness for asset positions and our creditworthiness for liability positions. Creditworthiness did not have a significant impact on the fair values of our financial instruments at May 31, 2016 and November 30, 2015. 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 carrying values and estimated fair values and basis of valuation of our financial instrument assets and liabilities not measured at fair value on a recurring basis were as follows (in millions):

	May 31, 2016				November 30, 2015			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets</b>								
Cash and cash equivalents (a)	\$ 285	\$ 285	\$ —	\$ —	\$ 647	\$ 647	\$ —	\$ —
Restricted cash (b)	53	53	—	—	7	7	—	—
Long-term other assets (c)	114	1	77	38	119	1	87	31
<b>Total</b>	<b>\$ 452</b>	<b>\$ 339</b>	<b>\$ 77</b>	<b>\$ 38</b>	<b>\$ 773</b>	<b>\$ 655</b>	<b>\$ 87</b>	<b>\$ 31</b>
<b>Liabilities</b>								
Fixed rate debt (d)	\$ 5,311	\$ —	\$ 5,627	\$ —	\$ 5,193	\$ —	\$ 5,450	\$ —
Floating rate debt (d)	4,118	—	4,063	—	3,594	—	3,589	—
<b>Total</b>	<b>\$ 9,429</b>	<b>\$ —</b>	<b>\$ 9,690</b>	<b>\$ —</b>	<b>\$ 8,787</b>	<b>\$ —</b>	<b>\$ 9,039</b>	<b>\$ —</b>

- (a) Cash and cash equivalents are comprised of cash on hand and at May 31, 2016 also included a money market deposit account and time deposits. Due to their short maturities, the carrying values approximate their fair values.
- (b) Restricted cash is comprised of funds held in escrow and a money market deposit account.
- (c) At May 31, 2016 and November 30, 2015, 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 May 31, 2016 and November 30, 2015 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At May 31, 2016 and November 30, 2015, 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 May 31, 2016 and November 30, 2015 being slightly higher 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 measured at fair value on a recurring basis were as follows (in millions):

	May 31, 2016			November 30, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Cash equivalents (a)	\$ 234	\$ —	\$ —	\$ 748	\$ —	\$ —
Restricted cash (b)	23	—	—	22	—	—
Marketable securities held in rabbi trusts (c)	98	6	—	105	8	—
Derivative financial instruments (d)	—	13	—	—	29	—
Long-term other asset (e)	—	—	21	—	—	21
<b>Total</b>	<b>\$ 355</b>	<b>\$ 19</b>	<b>\$ 21</b>	<b>\$ 875</b>	<b>\$ 37</b>	<b>\$ 21</b>
<b>Liabilities</b>						
Derivative financial instruments (d)	\$ —	\$ 492	\$ —	\$ —	\$ 625	\$ —
<b>Total</b>	<b>\$ —</b>	<b>\$ 492</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 625</b>	<b>\$ —</b>

- (a) Cash equivalents are comprised of money market funds.
- (b) Restricted cash is principally comprised of money market funds.
- (c) At May 31, 2016 and November 30, 2015, marketable securities held in rabbi trusts were comprised of Level 1 bonds, frequently-priced mutual funds invested in common stocks and money market funds and Level 2 other investments. Their use is limited 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) The long-term other asset is an auction-rate security. The fair value was based on a broker quote in an inactive market. During the six months ended May 31, 2016, there were no purchases or sales pertaining to this auction rate security.

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.

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

**Sale of Ship**

In March 2016, we entered into a bareboat charter/sale agreement under which the 1,546-passenger capacity *Pacific Pearl* will be chartered to an unrelated entity from April 2017 through April 2027. Under this agreement, ownership of *Pacific Pearl* will be transferred to the buyer in April 2027. This transaction will be accounted for as an operating lease whereby the charter revenue will be recognized over the term of the agreement.

**Valuation of Goodwill and Other Intangibles**

The reconciliation of the changes in the carrying amounts of our goodwill was as follows (in millions):

	North America Segment	EAA (a) Segment	Total
Balance at November 30, 2015	\$ 1,898	\$ 1,112	\$ 3,010
Foreign currency translation adjustment	—	9	9
<b>Balance at May 31, 2016</b>	<b>\$ 1,898</b>	<b>\$ 1,121</b>	<b>\$ 3,019</b>

(a) Europe, Australia & Asia (“EAA”)

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At July 31, 2015, all of our cruise brands carried goodwill, except for Seabourn and Fathom. As of that date, we performed our annual goodwill impairment reviews and no goodwill was impaired.

The reconciliation of the changes in the carrying amounts of our other intangible assets not subject to amortization, which represent trademarks, was as follows (in millions):

	North America Segment	EAA Segment	Total
Balance at November 30, 2015	\$ 927	\$ 307	\$ 1,234
Foreign currency translation adjustment	—	(1)	(1)
Balance at May 31, 2016	\$ 927	\$ 306	\$ 1,233

At July 31, 2015, we performed our annual trademark impairment reviews for our trademarks with recorded value, which are AIDA, P&O Cruises (Australia), P&O Cruises (UK) and Princess. No trademarks indicated impairment.

The determination of our reporting unit goodwill 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. 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.

The reconciliation of the changes in the net carrying amounts of our other intangible assets subject to amortization, which represent port usage rights, was as follows (in millions):

	Cruise Support Segment	EAA Segment	Total
Balance at November 30, 2015 (See "Note 1 - General")	\$ 62	\$ 12	\$ 74
Amortization	(1)	—	(1)
Foreign currency translation adjustment	(1)	—	(1)
Balance at May 31, 2016	\$ 60	\$ 12	\$ 72

Port usage rights are stated at cost. Amortization is computed using the straight-line method over the shorter of the arrangement term or their expected useful lives.

#### Derivative Instruments and Hedging Activities

We utilize derivative and non-derivative 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. We use interest rate swaps to manage our interest rate exposure 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 accumulated other comprehensive income ("AOCI") until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a non-derivative 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 non-derivative 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 the maturity date of the derivative contract. 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.

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The estimated fair values of our derivative financial instruments and their location in the Consolidated Balance Sheets were as follows (in millions):

	Balance Sheet Location	May 31, 2016	November 30, 2015
<b>Derivative assets</b>			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Prepaid expenses and other	\$ 10	\$ 14
	Other assets – long-term	3	13
Interest rate swaps (b)	Prepaid expenses and other	—	2
Total derivative assets		<u>\$ 13</u>	<u>\$ 29</u>
<b>Derivative liabilities</b>			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Accrued liabilities and other	\$ 2	\$ —
	Other long-term liabilities	10	—
Interest rate swaps (b)	Accrued liabilities and other	11	11
	Other long-term liabilities	30	27
Foreign currency zero cost collars (c)	Accrued liabilities and other	7	—
	Other long-term liabilities	—	26
		<u>60</u>	<u>64</u>
Derivatives not designated as hedging instruments			
Fuel (d)	Accrued liabilities and other	171	227
	Other long-term liabilities	261	334
		<u>432</u>	<u>561</u>
Total derivative liabilities		<u>\$ 492</u>	<u>\$ 625</u>

- (a) We had foreign currency forwards totaling \$34 million at May 31, 2016 and \$43 million at November 30, 2015 that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At May 31, 2016, these foreign currency forwards settle through July 2017. We also had foreign currency swaps totaling \$406 million at May 31, 2016 and \$387 million at November 30, 2015 that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At May 31, 2016, these foreign currency swaps settle through September 2019.
- (b) 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. These interest rate swap agreements effectively changed \$560 million at May 31, 2016 and \$568 million at November 30, 2015 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At May 31, 2016, these interest rate swaps settle through March 2025. In addition, at November 30, 2015, 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, 2015, 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 settled in February 2016.
- (c) At May 31, 2016 and November 30, 2015, 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.
- (d) At May 31, 2016 and November 30, 2015, 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. See “Fuel Price Risks” below for additional information regarding these derivatives.

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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):

May 31, 2016					
	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	\$ 21	\$ (8)	\$ 13	\$ (13)	\$ —
Liabilities	\$ 500	\$ (8)	\$ 492	\$ (13)	\$ 479

  

November 30, 2015					
	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	\$ 73	\$ (44)	\$ 29	\$ (29)	\$ —
Liabilities	\$ 669	\$ (44)	\$ 625	\$ (29)	\$ 596

The effective gain (loss) portions of our derivatives qualifying and designated as hedging instruments recognized in other comprehensive income (loss) were as follows (in millions):

	Three Months Ended May 31,		Six Months Ended May 31,	
	2016	2015	2016	2015
Net investment hedges	\$ (4)	\$ 6	\$ (17)	\$ 46
Foreign currency zero cost collars – cash flow hedges	\$ 9	\$ (10)	\$ 19	\$ (48)
Interest rate swaps – cash flow hedges	\$ 6	\$ 5	\$ 3	\$ 3

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 cash collateral to be posted or received to the extent the fuel derivative fair value payable to or receivable from an individual counterparty exceeds \$100 million. At May 31, 2016 and November 30, 2015, we had \$50 million and \$25 million, respectively, of collateral posted to one of our fuel derivative counterparties. At May 31, 2016 and November 30, 2015, no collateral was required to be 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 May 31, 2016 and November 30, 2015 and for the three and six months ended May 31, 2016 and 2015 where such impacts were not significant.

**Fuel Price Risks**

Substantially all of our exposure to market risk for changes in fuel prices 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.

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Our unrealized and realized gains (losses), net on fuel derivatives were as follows (in millions):

	Three Months Ended May 31,		Six Months Ended May 31,	
	2016	2015	2016	2015
Unrealized gains (losses) on fuel derivatives, net	\$ 242	\$ 34	\$ 96	\$ (78)
Realized losses on fuel derivatives	(71)	(47)	(161)	(103)
Gains (losses) on fuel derivatives, net	\$ 171	\$ (13)	\$ (65)	\$ (181)

At May 31, 2016, our outstanding fuel derivatives consisted of zero cost collars on Brent as follows:

Maturities (a)	Transaction Dates	Barrels (in thousands)	Weighted-Average Floor Prices	Weighted-Average Ceiling Prices
Fiscal 2016 (Q3 - Q4)				
	June 2012	1,782	\$ 75	\$ 108
	February 2013	1,080	\$ 80	\$ 120
	April 2013	1,500	\$ 75	\$ 115
		<u>4,362</u>		
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
		<u>8,124</u>		
Fiscal 2018				
	January 2014	2,700	\$ 75	\$ 110
	October 2014	3,000	\$ 80	\$ 114
		<u>5,700</u>		

(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 non-derivative financial instruments. Our primary focus is to manage the economic foreign currency exchange risks faced by our operations. Those risks are the ultimate foreign currency exchange risks that would be realized if we exchanged one currency for another and are not the accounting risks. We monitor our exposure to these economic risks. We currently only hedge 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 EAA segment operations 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 segment's revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Substantially all of our operations also have non-functional currency risk related to their international sales, which are principally denominated in euro, sterling and Australian, Canadian and U.S. dollars. In addition, we have a portion of our operating expenses denominated in non-functional currencies. Accordingly, we also have "foreign currency transactional" risks

related to changes in the exchange rates for our revenues and expenses that are in a currency other than the functional currency. The revenues and expenses which occur in the same non-functional currencies create some degree of natural offset.

### **Investment Currency Risks**

We consider our investments in foreign operations to be denominated in stable currencies. Our investments in foreign operations are 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. We have designated \$2.8 billion as of May 31, 2016 and \$2.6 billion as of November 30, 2015 of our foreign currency intercompany payables as non-derivative hedges of our net investments in foreign operations. Accordingly, we have included \$578 million at May 31, 2016 and \$509 million at November 30, 2015 of cumulative foreign currency transaction non-derivative gains in the cumulative translation adjustment component of AOCI. These amounts have offset a portion of the losses recorded in AOCI upon translating our foreign operations' net assets into U.S. dollars. During the three and six months ended May 31, 2016 and 2015, we recognized foreign currency non-derivative transaction (losses) gains of \$(113) million (\$18 million in 2015) and \$69 million (\$90 million in 2015), respectively, in the cumulative translation adjustment component of AOCI.

### **Newbuild Currency Risks**

Our shipbuilding contracts are typically denominated in euros. Our decision to hedge a non-functional currency ship commitment for our cruise brands is made on a case-by-case basis, considering 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 non-derivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

In January 2015, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of *Majestic Princess'* and *Seabourn Encore's* euro-denominated shipyard payments. The *Majestic Princess'* collars mature in March 2017 at a weighted-average ceiling of \$590 million and a weighted-average floor of \$504 million. The *Seabourn Encore'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 May 31, 2016, our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of \$2.6 billion and relates to Carnival Cruise Line, Holland America Line, P&O Cruises (Australia), Princess and Seabourn newbuilds scheduled to be delivered through 2020.

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 May 31, 2016, 62% and 38% (60% and 40% at November 30, 2015) of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps.

### **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 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. At May 31, 2016, our exposures under such contracts were not material. We seek to minimize these credit risk exposures, 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 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 these significant counterparties is remote.

We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe, which includes charter-hire agreements in Asia, and credit and debit card providers to which we extend credit in the normal course of our business 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 trade receivables, charter-hire agreements and contingent obligations are not considered to be material, principally due to the large number of unrelated accounts within our customer base, the nature of these contingent obligations and their short maturities. We have experienced only minimal credit losses on our trade receivables, charter-hire agreements and contingent obligations. We do not normally require collateral or other security to support normal credit sales.

### **NOTE 5 – Segment Information**

We have four reportable segments that are comprised of (1) North America, (2) EAA, (3) Cruise Support and (4) Tour and Other. 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. The CODM assesses performance and makes decisions to allocate resources for Carnival Corporation & plc based upon review of the results across all of our segments.

Our North America segment includes Carnival Cruise Line, Holland America Line, Princess and Seabourn. Our EAA segment includes AIDA, Costa, Cunard, P&O Cruises (Australia), P&O Cruises (UK) and ship operations of Fathom, our newest brand. The operations of these reporting units have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, maintenance requirements, supporting systems and processes and products and services they provide. Our Cruise Support segment represents certain of our port and related facilities and other services that are provided for the benefit of our cruise brands and Fathom's selling, general and administrative expenses.

Our Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours and three ships that we bareboat charter to unaffiliated entities.

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Selected information for our segments was as follows (in millions):

	Three Months Ended May 31,				
	Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
<b>2016</b>					
North America (a)	\$ 2,320	\$ 1,386	\$ 292	\$ 263	\$ 379
EAA	1,339	853	178	151	157
Cruise Support	29	6	60	13	(50)
Tour and Other (a)	31	27	2	10	(8)
Intersegment elimination (a)	(14)	(14)	—	—	—
	<u>\$ 3,705</u>	<u>\$ 2,258</u>	<u>\$ 532</u>	<u>\$ 437</u>	<u>\$ 478</u>
<b>2015</b>					
North America (a)	\$ 2,266	\$ 1,534	\$ 271	\$ 251	\$ 210
EAA	1,279	849	171	138	121
Cruise Support	27	7	47	6	(33)
Tour and Other (a)	35	31	2	11	(9)
Intersegment elimination (a)	(17)	(17)	—	—	—
	<u>\$ 3,590</u>	<u>\$ 2,404</u>	<u>\$ 491</u>	<u>\$ 406</u>	<u>\$ 289</u>
<b>Six Months Ended May 31,</b>					
	Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
	<b>2016</b>				
North America (a)	\$ 4,538	\$ 2,700	\$ 603	\$ 519	\$ 716
EAA	2,728	1,763	352	299	314
Cruise Support	63	11	123	23	(94)
Tour and Other (a)	42	41	5	20	(24)
Intersegment elimination (a)	(14)	(14)	—	—	—
	<u>\$ 7,357</u>	<u>\$ 4,501</u>	<u>\$ 1,083</u>	<u>\$ 861</u>	<u>\$ 912</u>
<b>2015</b>					
North America (a)	\$ 4,459	\$ 2,911	\$ 558	\$ 497	\$ 493
EAA	2,582	1,792	349	276	165
Cruise Support	52	6	108	12	(74)
Tour and Other (a)	44	47	5	22	(30)
Intersegment elimination (a)	(17)	(17)	—	—	—
	<u>\$ 7,120</u>	<u>\$ 4,739</u>	<u>\$ 1,020</u>	<u>\$ 807</u>	<u>\$ 554</u>

(a) A portion of the North America segment's revenues includes revenues for the tour portion of a cruise when a cruise and land tour package are sold together by Holland America Line and Princess. These intersegment tour revenues, which are also included in our Tour and Other segment, are eliminated by the North America segment's revenues and operating expenses in the line "Intersegment elimination."

**NOTE 6 – Earnings Per Share**

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

	Three Months Ended May 31,		Six Months Ended May 31,	
	2016	2015	2016	2015
Net income for basic and diluted earnings per share	\$ 605	\$ 222	\$ 747	\$ 271
Weighted-average common and ordinary shares outstanding	751	778	758	777
Dilutive effect of equity plans	2	2	3	3
Diluted weighted-average shares outstanding	753	780	761	780
Basic earnings per share	\$ 0.81	\$ 0.29	\$ 0.99	\$ 0.35
Diluted earnings per share	\$ 0.80	\$ 0.29	\$ 0.98	\$ 0.35

**NOTE 7 – Shareholders' Equity**

During the six months ended May 31, 2016, we repurchased 28.2 million shares of Carnival Corporation common stock for \$1.4 billion under our general repurchase authorization program (“Repurchase Program”). From June 1, 2016 through June 26, 2016, we repurchased 4.5 million shares of Carnival Corporation common stock for \$214 million under the Repurchase Program. On June 27, 2016, our Board of Directors increased the authorization under our Repurchase Program by \$1.0 billion. Accordingly, at June 27, 2016, the remaining availability under the Repurchase Program was \$1.1 billion.

During the six months ended May 31, 2016, Carnival Investments Limited (“CIL”), a subsidiary of Carnival Corporation, sold 891,000 of Carnival plc ordinary shares for net proceeds of \$40 million. Substantially all of the net proceeds from these sales were used to purchase 891,000 shares of Carnival Corporation common stock. Pursuant to our Stock Swap Program, Carnival Corporation sold these Carnival plc ordinary shares owned by CIL only to the extent it was able to repurchase shares of Carnival Corporation common stock in the U.S. on at least an equivalent basis.

During the three months ended May 31, 2016, our Board of Directors declared a 17% dividend increase to holders of Carnival Corporation common stock and Carnival plc ordinary shares from \$0.30 per share to \$0.35 per share, or \$39 million, which was paid in June 2016.

**Item 2. 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 joint Quarterly Report on Form 10-Q are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, 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 our outlook including, among other things, the forecasting of our net revenue yields; booking levels; pricing; occupancy; operating, financing and tax costs, including fuel expenses; currency exchange rates; net cruise costs excluding fuel per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill, ship and trademark fair values and adjusted earnings per share. Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this joint Quarterly Report on Form 10-Q. 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:

- Incidents, such as ship incidents, security incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and the related adverse publicity affecting our reputation and the health, safety, security and satisfaction of guests and crew;
- Economic conditions and adverse world events affecting the safety and security of travel, such as civil unrest, armed conflicts and terrorist attacks;
- Changes in and compliance with laws and regulations relating to environment, health, safety, security, tax and anti-corruption under which we operate;
- Disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- Ability to recruit, develop and retain qualified personnel;
- Increases in fuel prices;
- Fluctuations in foreign currency exchange rates;
- Misallocation of capital among our ship, joint venture and other strategic investments;
- Future operating cash flow may not be sufficient to fund future obligations and we may be unable to obtain financing;
- Deterioration of our cruise brands' strengths and our inability to implement our strategies;
- 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;
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations and increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- Failure to keep pace with developments in technology;
- Geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect and our international operations are subject to additional risks not generally applicable to our U.S. operations;
- Competition from and overcapacity in the cruise ship and land-based vacation industry;
- Economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- Changes in global consumer confidence and impacts to various foreign currency exchange rates as a result of the June 24, 2016 UK electorate vote to withdraw from the European Union ("EU");
- Friction in travel, changes to international tax treaties and changes to laws and regulations that could result from the exit of the UK from the EU;
- Litigation, enforcement actions, fines or penalties;
- Lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;
- Union disputes and other employee relationship issues;
- Decisions to self-insure against various risks or the inability to obtain insurance for certain risks at reasonable rates;
- Reliance on third-party providers of various services integral to the operations of our business;
- Business activities that involve our co-investment with third parties;

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- 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;
- Our shareholders may be subject to the uncertainties of a foreign legal system since Carnival Corporation and Carnival plc are not U.S. corporations;
- Small group of shareholders may be able to effectively control the outcome of shareholder voting;
- Provisions in Carnival Corporation's and Carnival plc's constitutional documents may prevent or discourage takeovers and business combinations that our shareholders might consider to be in their best interests and
- The DLC arrangement involves risks not associated with the more common ways of combining the operations of two companies.

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 joint Quarterly Report on Form 10-Q, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

### **Outlook**

On June 28, 2016, we said that we expected our adjusted diluted earnings per share for the 2016 third quarter to be in the range of \$1.83 to \$1.87 and 2016 full year to be in the range of \$3.25 to \$3.35 (see "Key Performance Non-GAAP Financial Indicators"). Our guidance was based on the following assumptions:

	<u>2016 Third Quarter</u>	<u>2016 Full Year</u>
Fuel cost per metric ton consumed	\$339	\$280
Currencies		
U.S. dollar to euro	\$1.10	\$1.10
U.S. dollar to sterling	\$1.32	\$1.38
U.S. dollar to Australian dollar	\$0.74	\$0.74
U.S. dollar to Canadian dollar	\$0.77	\$0.76

The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions. We do not provide guidance on a U.S. GAAP basis because it would be too difficult to prepare without unreasonable effort.

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. You should read the above forward-looking statements together with the discussion of the risks under "Cautionary Note Concerning Factors That May Affect Future Results."

### **Critical Accounting Estimates**

For a discussion of our critical accounting estimates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" that is included in the 2015 Form 10-K.

### **Seasonality**

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.

**Statistical Information**

	Three Months Ended May 31,		Six Months Ended May 31,	
	2016	2015	2016	2015
Available lower berth days (“ALBDs”) (in thousands) (a) (b)	19,693	19,307	38,983	37,891
Occupancy percentage (c)	104.1%	102.8%	104.1%	102.9%
Passengers carried (in thousands)	2,781	2,608	5,340	5,071
Fuel consumption in metric tons (in thousands)	808	810	1,623	1,593
Fuel consumption in metric tons per thousand ALBDs	41.0	41.9	41.6	42.0
Fuel cost per metric ton consumed	\$ 243	\$ 411	\$ 236	\$ 408
<b>Currencies</b>				
U.S. dollar to euro	\$ 1.13	\$ 1.10	\$ 1.11	\$ 1.13
U.S. dollar to sterling	\$ 1.44	\$ 1.52	\$ 1.44	\$ 1.53
U.S. dollar to Australian dollar	\$ 0.75	\$ 0.78	\$ 0.73	\$ 0.79
U.S. dollar to Canadian dollar	\$ 0.78	\$ 0.81	\$ 0.75	\$ 0.81

(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) For the three months ended May 31, 2016 compared to the three months ended May 31, 2015, we had a 2.0% capacity increase in ALBDs comprised of a 5.1% capacity increase in our EAA segment while capacity in our North America segment remained the same.

Our EAA segment's capacity increase was caused by:

- full quarter impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015;
- partial quarter impact from one AIDA 3,286-passenger capacity ship delivered in 2016;
- partial quarter impact from one P&O Cruises (UK) 3,647-passenger capacity ship delivered in 2015 and
- fewer ship dry-dock days in 2016 compared to 2015.

Our North America segment's capacity was driven by the full quarter impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015, which was offset by:

- partial quarter impact from one Holland America Line 2,650-passenger capacity ship delivered in 2016;
- partial quarter impact from one Carnival Cruise Line 3,934-passenger capacity ship delivered in 2016 and
- fewer ship dry-dock days in 2016 compared to 2015.

For the six months ended May 31, 2016 compared to the six months ended May 31, 2015, we had a 2.9% capacity increase in ALBDs comprised of an 8.7% capacity increase in our EAA segment and a slight capacity decrease in our North America segment.

Our EAA segment's capacity increase was caused by:

- full period impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015;
- partial period impact from one P&O Cruises (UK) 3,647-passenger capacity ship delivered in 2015;
- partial period impact from one AIDA 3,286-passenger capacity ship delivered in 2016 and
- fewer ship dry-dock days in 2016 compared to 2015.

Our North America segment's capacity decrease was caused by the full period impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015.

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This decrease was partially offset by:

- partial period impact from one Holland America Line 2,650-passenger capacity ship delivered in 2016;
- partial period impact from one Carnival Cruise Line 3,934-passenger capacity ship delivered in 2016 and
- fewer ship dry-dock days in 2016 compared to 2015.

- (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.

### **Three Months Ended May 31, 2016 (“2016”) Compared to Three Months Ended May 31, 2015 (“2015”)**

#### **Revenues**

##### **Consolidated**

Cruise passenger ticket revenues made up 73% of our 2016 total revenues. Cruise passenger ticket revenues increased by \$68 million, or 2.6%, to \$2.7 billion in 2016 from \$2.6 billion in 2015.

This increase was caused by:

- \$53 million - 2.0% capacity increase in ALBDs;
- \$34 million - 1.3 percentage point increase in occupancy and
- \$32 million - an accounting reclassification in our EAA segment, which has no impact on our operating income as the increase in passenger ticket revenues is fully offset by an increase in operating expenses (“accounting reclassification”).

These increases were partially offset by a decrease in cruise ticket prices, which accounted for \$60 million. Price increases to guests were more than offset by unfavorable foreign currency transactional movements.

The remaining 27% of 2016 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$51 million, or 5.5% to \$978 million in 2016 from \$927 million in 2015.

This increase was caused by:

- \$20 million - higher onboard spending by our guests;
- \$19 million - 2.0% capacity increase in ALBDs and
- \$12 million - 1.3 percentage point increase in occupancy.

Onboard and other revenues included concession revenues that decreased to \$240 million in 2016 from \$253 million in 2015.

##### **North America Segment**

Cruise passenger ticket revenues made up 71% of our North America segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$36 million, or 2.3% and remained at \$1.6 billion in both 2016 and 2015.

The increase was driven by:

- \$13 million - increase in cruise ticket pricing, partially offset by unfavorable foreign currency transactional impacts and
- \$10 million - increase in air transportation revenues from guests who purchased their tickets from us.

The remaining 29% of our North America segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$21 million, or 3.1%, to \$677 million in 2016 from \$656 million in 2015. This increase was principally due to higher onboard spending by our guests, which accounted for \$16 million.

Onboard and other revenues included concession revenues of \$162 million in 2016 from \$177 million in 2015.

##### **EAA Segment**

Cruise passenger ticket revenues made up 81% of our EAA segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$39 million, or 3.7%, to \$1.1 billion in 2016 from \$1.0 billion in 2015.

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This increase was caused by:

- \$54 million - 5.1% capacity increase in ALBDs;
- \$32 million - 3.0 percentage point increase in occupancy and
- \$32 million - the accounting reclassification.

These increases were partially offset by:

- \$72 million - decrease in cruise ticket pricing driven by unfavorable foreign currency impacts and
- \$12 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 19% of our EAA segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$22 million, or 9.1%, to \$260 million in 2016 from \$238 million in 2015. The majority of the increase was caused by a 5.1% capacity increase in ALBDs, which accounted for \$12 million.

Onboard and other revenues included concession revenues that increased to \$78 million in 2016 from \$76 million in 2015.

### **Costs and Expenses**

#### **Consolidated**

Operating costs and expenses decreased by \$147 million, or 6.1%, to \$2.3 billion in 2016 from \$2.4 billion in 2015.

This decrease was caused by:

- \$136 million - lower fuel prices;
- \$78 million - lower dry-dock expenses and other ship repair and maintenance expenses and
- \$24 million - quarterly timing of various other operating expenses, net.

These decreases were partially offset by:

- \$48 million - 2.0% capacity increase in ALBDs;
- \$32 million - the accounting reclassification and
- \$11 million - 1.3 percentage point increase in occupancy.

Selling and administrative expenses increased by \$42 million, or 8.5% to \$532 million in 2016 from \$491 million in 2015.

This increase was caused by:

- \$32 million - various selling and administrative initiatives and
- \$10 million - 2.0% capacity increase in ALBDs.

Depreciation and amortization expenses increased by \$31 million, or 7.6%, to \$437 million in 2016 from \$406 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 87% in 2016 from 92% in 2015. The five percentage point decrease in our total costs and expenses as a percentage of revenues was principally due to lower fuel prices in 2016 compared to 2015.

#### **North America Segment**

Operating costs and expenses decreased by \$146 million, or 9.6%, to \$1.4 billion in 2016 from \$1.5 billion in 2015.

This decrease was caused by:

- \$84 million - lower fuel prices and
- \$70 million - lower dry-dock expenses and other ship repair and maintenance expenses.

Selling and administrative expenses increased by \$21 million, or 7.8% to \$292 million in 2016 from \$271 million in 2015. This increase was caused by various selling and administrative initiatives.

Depreciation and amortization expenses increased by \$13 million, or 5.1%, to \$263 million in 2016 from \$251 million in 2015. This increase was caused by changes in capacity and improvements to existing ships and shoreside assets.

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Total costs and expenses as a percentage of revenues decreased to 84% in 2016 from 91% in 2015. Lower fuel prices in 2016 compared to 2015 caused approximately half of the seven percentage point decrease in our total costs and expenses as a percentage of revenues.

### **EAA Segment**

Operating costs and expenses slightly increased by \$4 million to \$853 million in 2016 from \$849 million in 2015.

This slight increase was caused by:

- \$44 million - 5.1% capacity increase in ALBDs;
- \$32 million - the accounting reclassification and
- \$10 million - 3.0 percentage point increase in occupancy.

These increases was partially offset by:

- \$51 million - lower fuel prices;
- \$16 million - lower air costs and
- \$15 million - various other operating expenses, net.

Depreciation and amortization expenses increased by \$13 million, or 9.1%, to \$151 million in 2016 from \$138 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 88% in 2016 from 91% in 2015. Lower fuel prices in 2016 compared to 2015 caused a four percentage point decrease in our total costs and expenses as a percentage of revenues.

### **Operating Income**

Our consolidated operating income increased by \$189 million, or 66%, to \$478 million in 2016 from \$289 million in 2015. Our North America segment's operating income increased by \$168 million, or 80%, to \$379 million in 2016 from \$210 million in 2015, and our EAA segment's operating income increased by \$36 million, or 30% to \$157 million in 2016 from \$121 million in 2015. These changes were primarily due to the reasons discussed above.

### **Nonoperating Expense**

Gains (losses) on fuel derivatives, net were comprised of the following (in millions):

	Three Months Ended May 31,	
	2016	2015
Unrealized gains on fuel derivatives, net	\$ 242	\$ 34
Realized losses on fuel derivatives	(71)	(47)
Gains (losses) on fuel derivatives, net	\$ 171	\$ (13)

### **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 and other 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.

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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 and other 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 and other expenses to be excluded from our net income and earnings per share and, accordingly, we present adjusted net income and adjusted earnings per share excluding these items.

In addition, our EAA segment and Cruise Support segment operations utilize the euro, sterling and Australian dollar as their functional currencies to measure their results and financial condition. This subjects us to foreign currency translational risk. Our North America, EAA and Cruise Support segment operations also have revenues and expenses that are in a currency other than their functional currency. This subjects us to foreign currency transactional risk.

We report non-GAAP financial measures on a "constant dollar" and "constant currency" basis assuming the 2016 periods' currency exchange rates have remained constant with the 2015 periods' rates. These metrics facilitate a comparative view for the changes in our business in an environment with fluctuating exchange rates.

Constant dollar reporting is a non-GAAP financial measure that removes only the impact of changes in exchange rates on the translation of our EAA segment and Cruise Support segment operations.

Constant currency reporting is a non-GAAP financial measure that removes the impact of changes in exchange rates on the translation of our EAA segment and Cruise Support segment operations (as in constant dollar) plus the transactional impact of changes in exchange rates from revenues and expenses that are denominated in a currency other than the functional currency for our North America, EAA and Cruise Support segments.

### Examples:

- The translation of our EAA segment 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.
- Our North America segment operations have a U.S. dollar functional currency but also have revenue and expense transactions in currencies other than the U.S. dollar. If the U.S. dollar strengthens against these other currencies, it reduces the U.S. dollar revenues and expenses. If the U.S. dollar weakens against these other currencies, it increases the U.S. dollar revenues and expenses.
- Our EAA segment operations have euro, sterling and Australian dollar functional currencies but also have revenue and expense transactions in currencies other than their functional currency. If their functional currency strengthens against these other currencies, it reduces the functional currency revenues and expenses. If the functional currency weakens against these other currencies, it increases the functional currency revenues and expenses.

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 adjusted net income and adjusted earnings per share excluding these unrealized gains and losses.

While we forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period, we do not forecast the impact of unrealized gains and losses on fuel derivatives because we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on an adjusted basis only.

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Our consolidated financial statements are prepared in accordance with U.S. GAAP. We have not provided a reconciliation between forecasted adjusted earnings per share guidance and forecasted U.S. GAAP earnings per share guidance because it would be too difficult to prepare reliable U.S. GAAP guidance without unreasonable effort. 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. It is possible that our non-GAAP financial measures 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):

	Three Months Ended May 31,		
	2016	2016 Constant Dollar	2015
Passenger ticket revenues	\$ 2,696	\$ 2,699	\$ 2,628
Onboard and other revenues	978	979	927
<b>Gross cruise revenues</b>	<b>3,674</b>	<b>3,678</b>	<b>3,555</b>
Less cruise costs			
Commissions, transportation and other	(495)	(493)	(481)
Onboard and other	(123)	(123)	(114)
	(618)	(616)	(595)
Net passenger ticket revenues	2,201	2,206	2,147
Net onboard and other revenues	855	856	813
<b>Net cruise revenues</b>	<b>\$ 3,056</b>	<b>\$ 3,062</b>	<b>\$ 2,960</b>
<b>ALBDs</b>	<b>19,693,362</b>	<b>19,693,362</b>	<b>19,306,832</b>
<b>Gross revenue yields</b>	<b>\$ 186.55</b>	<b>\$ 186.78</b>	<b>\$ 184.15</b>
% increase vs. 2015	1.3%	1.4%	
<b>Net revenue yields</b>	<b>\$ 155.21</b>	<b>\$ 155.50</b>	<b>\$ 153.29</b>
% increase vs. 2015	1.2%	1.4%	
<b>Net passenger ticket revenue yields</b>	<b>\$ 111.78</b>	<b>\$ 112.03</b>	<b>\$ 111.20</b>
% increase vs. 2015	0.5%	0.7%	
<b>Net onboard and other revenue yields</b>	<b>\$ 43.43</b>	<b>\$ 43.48</b>	<b>\$ 42.09</b>
% increase vs. 2015	3.2%	3.3%	

	Three Months Ended May 31,		
	2016	2016 Constant Currency	2015
Net passenger ticket revenues	\$ 2,201	\$ 2,267	\$ 2,147
Net onboard and other revenues	855	860	813
<b>Net cruise revenues</b>	<b>\$ 3,056</b>	<b>\$ 3,127</b>	<b>\$ 2,960</b>
<b>ALBDs</b>	<b>19,693,362</b>	<b>19,693,362</b>	<b>19,306,832</b>
<b>Net revenue yields</b>	<b>\$ 155.21</b>	<b>\$ 158.80</b>	<b>\$ 153.29</b>
% increase vs. 2015	1.2%	3.6%	
<b>Net passenger ticket revenue yields</b>	<b>\$ 111.78</b>	<b>\$ 115.12</b>	<b>\$ 111.20</b>
% increase vs. 2015	0.5%	3.5%	
<b>Net onboard and other revenue yields</b>	<b>\$ 43.43</b>	<b>\$ 43.68</b>	<b>\$ 42.09</b>
% increase vs. 2015	3.2%	3.8%	

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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):

	Three Months Ended May 31,		
	2016	2016 Constant Dollar	2015
Cruise operating expenses	\$ 2,231	\$ 2,232	\$ 2,373
Cruise selling and administrative expenses	530	530	489
<b>Gross cruise costs</b>	<b>2,761</b>	<b>2,762</b>	<b>2,862</b>
Less cruise costs included above			
Commissions, transportation and other	(495)	(493)	(481)
Onboard and other	(123)	(123)	(114)
Gain on ship sale	—	—	2
Restructuring expenses	(2)	(2)	(7)
Other (a)	(5)	(5)	—
<b>Net cruise costs</b>	<b>2,136</b>	<b>2,139</b>	<b>2,262</b>
Less fuel	(196)	(196)	(333)
<b>Net cruise costs excluding fuel</b>	<b>\$ 1,940</b>	<b>\$ 1,943</b>	<b>\$ 1,929</b>
<b>ALBDs</b>	<b>19,693,362</b>	<b>19,693,362</b>	<b>19,306,832</b>
<b>Gross cruise costs per ALBD</b>	<b>\$ 140.18</b>	<b>\$ 140.28</b>	<b>\$ 148.22</b>
% decrease vs. 2015	(5.4)%	(5.4)%	
<b>Net cruise costs per ALBD</b>	<b>\$ 108.46</b>	<b>\$ 108.63</b>	<b>\$ 117.11</b>
% decrease vs. 2015	(7.4)%	(7.2)%	
<b>Net cruise costs excluding fuel per ALBD</b>	<b>\$ 98.49</b>	<b>\$ 98.67</b>	<b>\$ 99.88</b>
% decrease vs. 2015	(1.4)%	(1.2)%	

(a) Insignificant costs were included in the income statement in previous periods.

	Three Months Ended May 31,		
	2016	2016 Constant Currency	2015
<b>Net cruise costs excluding fuel</b>	<b>\$ 1,940</b>	<b>\$ 1,930</b>	<b>\$ 1,929</b>
<b>ALBDs</b>	<b>19,693,362</b>	<b>19,693,362</b>	<b>19,306,832</b>
<b>Net cruise costs excluding fuel per ALBD</b>	<b>\$ 98.49</b>	<b>\$ 98.01</b>	<b>\$ 99.88</b>
% decrease vs. 2015	(1.4)%	(1.9)%	

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

	Three Months Ended	
	May 31,	
	2016	2015
<b>Net income</b>		
U.S. GAAP net income	\$ 605	\$ 222
Unrealized gains on fuel derivatives, net	(242)	(34)
Gain on ship sale	—	(2)
Restructuring expenses	2	7
Other (a)	5	—
<b>Adjusted net income</b>	<b>\$ 370</b>	<b>\$ 193</b>
<b>Weighted-average shares outstanding</b>	<b>753</b>	<b>780</b>
<b>Earnings per share</b>		
U.S. GAAP earnings per share	\$ 0.80	\$ 0.29
Unrealized (gains) on fuel derivatives, net	(0.32)	(0.05)
Gain on ship sale	—	—
Restructuring expenses	—	0.01
Other (a)	0.01	—
<b>Adjusted earnings per share</b>	<b>\$ 0.49</b>	<b>\$ 0.25</b>

(a) Insignificant costs were included in the income statement in previous periods.

Net cruise revenues increased by \$97 million, or 3.3% to \$3.1 billion in 2016 from \$3.0 billion in 2015.

The increase in net cruise revenues was caused by:

- \$109 million - 3.6% increase in constant currency net revenue yields and
- \$59 million - 2.0% capacity increase in ALBDs.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$71 million.

The 3.6% increase in net revenue yields on a constant currency basis was due to a 3.5% increase in net passenger ticket revenue yields and a 3.8% increase in net onboard and other revenue yields.

The 3.5% increase in net passenger ticket revenue yields was driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and 1.2 percentage points of this yield increase resulted from the accounting reclassification. This 3.5% increase in net passenger ticket revenue yields was comprised of a 5.4% increase from our North America segment and a 1.6% increase from our EAA segment.

The 3.8% increase in net onboard and other revenue yields was caused by a 3.6% increase from our North America segment and a 5.1% increase from our EAA segment.

Gross cruise revenues increased by \$118 million, or 3.3%, to \$3.7 billion in 2016 from \$3.6 billion in 2015 for largely the same reasons as discussed above.

Net cruise costs excluding fuel slightly increased by \$6 million and remained at \$1.9 billion in both 2016 and 2015.

The increase in net cruise costs excluding fuel was caused by a 2.0% capacity increase in ALBDs, which accounted for \$39 million, partially offset by a 1.9% decrease in constant currency net cruise costs excluding fuel, which accounted for \$37 million.

The 1.9% decrease in constant currency net cruise costs excluding fuel per ALBD was principally due to lower repair and maintenance and drydock expenses, partially offset by a 1.3 percentage point increase that resulted from the accounting reclassification.

Fuel costs decreased by \$136 million, or 41%, to \$196 million in 2016 from \$333 million in 2015. This was caused by lower fuel prices, which accounted for \$136 million.

Gross cruise costs decreased by \$101 million, or 3.5%, to \$2.8 billion in 2016 from \$2.9 billion in 2015 for principally the same reasons as discussed above.

**Six Months Ended May 31, 2016 (“2016”) Compared to Six Months Ended May 31, 2015 (“2015”)**

**Revenues**

**Consolidated**

Cruise passenger ticket revenues made up 74% of our 2016 total revenues. Cruise passenger ticket revenues increased by \$154 million, or 2.9%, to \$5.4 billion in 2016 from \$5.3 billion in 2015.

This increase was caused by:

- \$152 million - 2.9% capacity increase in ALBDs;
- \$63 million - the accounting reclassification;
- \$58 million - 1.1 percentage point increase in occupancy.

These increases were partially offset by:

- \$82 million - foreign currency translational impact and
- \$39 million - decrease in cruise ticket pricing; price increases to guests were more than offset by unfavorable foreign currency transactional movements.

The remaining 26% of 2016 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$85 million, or 4.7%, to \$1.9 billion in 2016 from \$1.8 billion in 2015.

This increase was caused by:

- \$52 million - 2.9% capacity increase in ALBDs;
- \$31 million - higher onboard spending by our guests and
- \$20 million - 1.1 percentage point increase in occupancy.

These increases were partially offset by the foreign currency translational impact, which accounted for \$20 million.

Onboard and other revenues included concession revenues that decreased to \$467 million in 2016 from \$489 million in 2015.

**North America Segment**

Cruise passenger ticket revenues made up 71% of our North America segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$51 million, or 1.6% and remained at \$3.2 billion in both 2016 and 2015.

The increase was caused by:

- \$35 million - 1.2 percentage point increase in occupancy;
- \$19 million - increase in cruise ticket pricing, partially offset by unfavorable foreign currency transactional impacts and
- \$9 million - increase in air transportation revenues from guests who purchased their tickets from us.

These increases were partially offset by a slight capacity decrease, which accounted for \$23 million.

The remaining 29% of our North America segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$31 million, or 2.4% and remained at \$1.3 billion in both 2016 and 2015. This increase was driven by higher onboard spending by our guests, which accounted for \$23 million.

Onboard and other revenues included concession revenues that decreased to \$313 million in 2016 from \$339 million in 2015.

**EAA Segment**

Cruise passenger ticket revenues made up 81% of our EAA segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$112 million, or 5.3%, to \$2.2 billion in 2016 from \$2.1 billion in 2015.

This increase was caused by:

- \$183 million - 8.7% capacity increase in ALBDs;
- \$63 million - the accounting reclassification and
- \$30 million - 1.4 percentage point increase in occupancy.

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These increases were partially offset by:

- \$82 million - foreign currency translational impact;
- \$51 million - decrease in cruise ticket pricing, driven by unfavorable foreign currency impacts and
- \$36 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 19% of our EAA segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$34 million, or 7.1%, to \$514 million in 2016 from \$480 million in 2015.

This increase was caused by an 8.7% capacity increase in ALBDs, which accounted for \$42 million, partially offset by the foreign currency translational impact, which accounted for \$20 million.

Onboard and other revenues included concession revenues that increased to \$154 million in 2016 from \$150 million in 2015.

### **Costs and Expenses**

#### **Consolidated**

Operating costs and expenses decreased by \$233 million, or 5.0%, to \$4.5 billion in 2016 from \$4.7 billion in 2015.

This decrease was caused by:

- \$280 million - lower fuel prices;
- \$94 million - lower dry-dock expenses and other ship repair and maintenance expenses;
- \$62 million - foreign currency translational impact and
- \$24 million - decrease in air transportation costs related to guests who purchased their tickets from us.

These decreases were partially offset by:

- \$135 million - 2.9% capacity increase in ALBDs;
- \$63 million - the accounting reclassification;
- \$20 million - 1.1 percentage point increase in occupancy and
- \$20 million - nonrecurrence of a gain on a litigation settlement in 2015.

Selling and administrative expenses increased by \$64 million, or 6.2% to \$1.1 billion in 2016 from \$1.0 billion in 2015.

This increase was caused by:

- \$47 million - various selling and administrative initiatives and
- \$29 million - 2.9% capacity increase in ALBDs.

These increases were partially offset by the foreign currency translational impact, which accounted for \$13 million.

Depreciation and amortization expenses increased by \$54 million, or 6.6% to \$861 million in 2016 from \$807 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets, partially offset by the foreign currency translational impact, which accounted for \$11 million.

Total costs and expenses as a percentage of revenues decreased to 88% in 2016 from 92% in 2015. Lower fuel prices in 2016 compared to 2015 caused the four percentage point decrease in our total costs and expenses as a percentage of revenues.

#### **North America Segment**

Operating costs and expenses decreased by \$208 million, or 7.2%, to \$2.7 billion in 2016 from \$2.9 billion in 2015.

This decrease was caused by:

- \$176 million - lower fuel prices;
- \$36 million - lower dry-dock expenses and other ship repair and maintenance expenses and
- \$21 million - slight capacity decrease in ALBDs.

These decreases were partially offset by the nonrecurrence of a gain on a litigation settlement in 2015, which accounted for \$19 million.

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Selling and administrative expenses increased by \$46 million, or 8.2% to \$603 million in 2016 from \$558 million in 2015. This was caused by various selling and administrative initiatives, which accounted for \$50 million.

Depreciation and amortization expenses increased by \$22 million, or 4.5%, to \$519 million in 2016 from \$497 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 84% in 2016 from 89% in 2015. The five percentage point decrease in our total costs and expenses as a percentage of revenues was principally due to lower fuel prices in 2016 compared to 2015.

### **EAA Segment**

Operating costs and expenses decreased by \$29 million, or 1.6%, and remained at \$1.8 billion in both 2016 and 2015.

This decrease was caused by:

- \$103 million - lower fuel prices;
- \$62 million - foreign currency translational impact;
- \$51 million - lower dry-dock expenses and
- \$46 million - decrease in air transportation costs related to guests who purchased their tickets from us.

These decreases were partially offset by:

- \$156 million - 8.7% capacity increase in ALBDs and
- \$63 million - the accounting reclassification.

Selling and administrative expenses slightly increased by \$3 million to \$352 million in 2016 from \$349 million in 2015.

Depreciation and amortization expenses increased by \$22 million, or 8.0%, to \$299 million in 2016 from \$276 million in 2015.

This increase was caused by:

- \$24 million - 8.7% capacity increase in ALBDs and
- \$10 million - increase due to improvements to existing ships and shoreside assets.

These increases were partially offset by the foreign currency translational impact, which accounted for \$11 million.

Total costs and expenses as a percentage of revenues decreased to 89% in 2016 from 94% in 2015. The five percentage point decrease in our total costs and expenses as a percentage of revenues was principally due to lower fuel prices in 2016 compared to 2015.

### **Operating Income**

Our consolidated operating income increased by \$358 million, or 65%, to \$912 million in 2016 from \$554 million in 2015. Our North America segment's operating income increased by \$222 million, or 45%, to \$716 million in 2016 from \$493 million in 2015, and our EAA segment's operating income increased by \$150 million, or 91%, to \$314 million in 2016 from \$165 million in 2015. These changes were primarily due to the reasons discussed above.

### **Nonoperating Expense**

Losses on fuel derivatives, net were comprised of the following (in millions):

	<b>Six Months Ended May 31,</b>	
	<b>2016</b>	<b>2015</b>
Unrealized gains (losses) on fuel derivatives, net	\$ 96	\$ (78)
Realized losses on fuel derivatives	(161)	(103)
Losses on fuel derivatives, net	<u>\$ (65)</u>	<u>\$ (181)</u>

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**Key Performance Non-GAAP Financial Indicators**

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):

	Six Months Ended May 31,		
	2016	2016 Constant Dollar	2015
Passenger ticket revenues	\$ 5,414	\$ 5,496	\$ 5,260
Onboard and other revenues	1,901	1,921	1,816
<b>Gross cruise revenues</b>	<b>7,315</b>	<b>7,417</b>	<b>7,076</b>
Less cruise costs			
Commissions, transportation and other	(1,077)	(1,097)	(1,067)
Onboard and other	(240)	(243)	(225)
	(1,317)	(1,340)	(1,292)
Net passenger ticket revenues	4,337	4,399	4,193
Net onboard and other revenues	1,661	1,678	1,591
<b>Net cruise revenues</b>	<b>\$ 5,998</b>	<b>\$ 6,077</b>	<b>\$ 5,784</b>
<b>ALBDs</b>	<b>38,983,272</b>	<b>38,983,272</b>	<b>37,890,712</b>
<b>Gross revenue yields</b>	<b>\$ 187.65</b>	<b>\$ 190.27</b>	<b>\$ 186.76</b>
% increase vs. 2015	0.5%	1.9%	
<b>Net revenue yields</b>	<b>\$ 153.87</b>	<b>\$ 155.90</b>	<b>\$ 152.65</b>
% increase vs. 2015	0.8%	2.1%	
<b>Net passenger ticket revenue yields</b>	<b>\$ 111.25</b>	<b>\$ 112.85</b>	<b>\$ 110.66</b>
% increase vs. 2015	0.5%	2.0%	
<b>Net onboard and other revenue yields</b>	<b>\$ 42.61</b>	<b>\$ 43.05</b>	<b>\$ 41.99</b>
% increase vs. 2015	1.5%	2.5%	

	Six Months Ended May 31,		
	2016	2016 Constant Currency	2015
Net passenger ticket revenues	\$ 4,337	\$ 4,532	\$ 4,193
Net onboard and other revenues	1,661	1,691	1,591
<b>Net cruise revenues</b>	<b>\$ 5,998</b>	<b>\$ 6,223</b>	<b>\$ 5,784</b>
<b>ALBDs</b>	<b>38,983,272</b>	<b>38,983,272</b>	<b>37,890,712</b>
<b>Net revenue yields</b>	<b>\$ 153.87</b>	<b>\$ 159.63</b>	<b>\$ 152.65</b>
% increase vs. 2015	0.8%	4.6%	
<b>Net passenger ticket revenue yields</b>	<b>\$ 111.25</b>	<b>\$ 116.26</b>	<b>\$ 110.66</b>
% increase vs. 2015	0.5%	5.1%	
<b>Net onboard and other revenue yields</b>	<b>\$ 42.61</b>	<b>\$ 43.37</b>	<b>\$ 41.99</b>
% increase vs. 2015	1.5%	3.3%	

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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):

	Six Months Ended May 31,		
	2016	2016 Constant Dollar	2015
Cruise operating expenses	\$ 4,460	\$ 4,522	\$ 4,692
Cruise selling and administrative expenses	1,079	1,092	1,016
<b>Gross cruise costs</b>	<b>5,539</b>	<b>5,614</b>	<b>5,708</b>
Less cruise costs included above			
Commissions, transportation and other	(1,077)	(1,097)	(1,067)
Onboard and other	(240)	(243)	(225)
Gain on ship sale	2	2	4
Restructuring expenses	(2)	(2)	(7)
Other (a)	(21)	(21)	—
<b>Net cruise costs</b>	<b>4,201</b>	<b>4,253</b>	<b>4,413</b>
Less fuel	(383)	(383)	(650)
<b>Net cruise costs excluding fuel</b>	<b>\$ 3,818</b>	<b>\$ 3,870</b>	<b>\$ 3,763</b>
<b>ALBDs</b>	<b>38,983,272</b>	<b>38,983,272</b>	<b>37,890,712</b>
<b>Gross cruise costs per ALBD</b>	<b>\$ 142.08</b>	<b>\$ 144.01</b>	<b>\$ 150.64</b>
% decrease vs. 2015	(5.7)%	(4.4)%	
<b>Net cruise costs per ALBD</b>	<b>\$ 107.75</b>	<b>\$ 109.10</b>	<b>\$ 116.45</b>
% decrease vs. 2015	(7.5)%	(6.3)%	
<b>Net cruise costs excluding fuel per ALBD</b>	<b>\$ 97.93</b>	<b>\$ 99.27</b>	<b>\$ 99.28</b>
% decrease vs. 2015	(1.4)%	—%	

(a) Insignificant costs were included in the income statement in previous periods.

	Six Months Ended May 31,		
	2016	2016 Constant Currency	2015
<b>Net cruise costs excluding fuel</b>	<b>\$ 3,818</b>	<b>\$ 3,864</b>	<b>\$ 3,763</b>
<b>ALBDs</b>	<b>38,983,272</b>	<b>38,983,272</b>	<b>37,890,712</b>
<b>Net cruise costs excluding fuel per ALBD</b>	<b>\$ 97.93</b>	<b>\$ 99.12</b>	<b>\$ 99.28</b>
% decrease vs. 2015	(1.4)%	(0.2)%	

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

	Six Months Ended	
	May 31,	
	2016	2015
<b>Net income</b>		
U.S. GAAP net income	\$ 747	\$ 271
Unrealized (gains) losses on fuel derivatives, net	(96)	78
Gain on ship sale	(2)	(4)
Restructuring expenses	2	7
Other (a)	21	—
<b>Adjusted net income</b>	<b>\$ 672</b>	<b>\$ 352</b>
<b>Weighted-average shares outstanding</b>	<b>761</b>	<b>780</b>
<b>Earnings per share</b>		
U.S. GAAP earnings per share	\$ 0.98	\$ 0.35
Unrealized (gains) losses on fuel derivatives, net	(0.13)	0.10
Gain on ship sale	—	(0.01)
Restructuring expenses	—	0.01
Other	0.03	—
<b>Adjusted earnings per share</b>	<b>\$ 0.88</b>	<b>\$ 0.45</b>

(a) Insignificant costs were included in the income statement in previous periods.

Net cruise revenues increased by \$214 million, or 3.7%, to \$6.0 billion in 2016 from \$5.8 billion in 2015.

The increase in net cruise revenues was caused by:

- \$272 million - 4.6% increase in constant currency net revenue yields and
- \$167 million - 2.9% capacity increase in ALBDs.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$224 million.

The 4.6% increase in net revenue yields on a constant currency basis was due to a 5.1% increase in net passenger ticket revenue yields and a 3.3% increase in net onboard and other revenue yields.

The 5.1% increase in net passenger ticket revenue yields was driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and 1.2 percentage points of this yield increase resulted from the accounting reclassification. This 5.1% increase in net passenger ticket revenue yields was comprised of a 6.3% increase from our North America segment and a 4.1% increase from our EAA segment.

The 3.3% increase in net onboard and other revenue yields was caused by a 4.1% increase from our North America segment and a 2.9% increase from our EAA segment.

Gross cruise revenues increased by \$239 million, or 3.4%, to \$7.3 billion in 2016 from \$7.1 billion in 2015 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$56 million, or 1.5% and remained at \$3.8 billion in both 2016 and 2015.

The increase in net cruise costs excluding fuel was caused by a 2.9% capacity increase in ALBDs, which accounted for \$108 million, partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$46 million.

The slight decrease in constant currency net cruise costs excluding fuel per ALBD was principally due to repair and maintenance and drydock partially offset by a 1.3 percentage point increase that resulted from the accounting reclassification.

Fuel costs decreased by \$268 million, or 41%, to \$383 million in 2016 from \$650 million in 2015. This was caused by lower fuel prices, which accounted for \$280 million, partially offset by a 2.9% capacity increase in ALBDs, which accounted for \$19 million.

Gross cruise costs decreased by \$169 million, or 3.0%, to \$5.5 billion in 2016 from \$5.7 billion in 2015 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 (“ROIC”), reaching double digit returns in the next two to three years, while maintaining a strong balance sheet and strong investment grade credit ratings. We define ROIC as the twelve month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress. Our ability to generate significant operating cash flows allows us to internally fund our capital investments. As we continue to profitably grow our cruise business, we plan to increase our debt level, in a manner consistent with maintaining our strong credit metrics and strong investment grade credit ratings. This will allow us to return both free cash flows and incremental debt proceeds to our shareholders in the form of dividends and/or share repurchases. 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. 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, some of 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 May 31, 2016, we had a working capital deficit of \$6.2 billion. This deficit included \$4.3 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 May 31, 2016 working capital deficit also included \$1.2 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 May 31, 2016 working capital deficit balance, our adjusted working capital deficit was \$720 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, 2015, the U.S. dollar was \$1.50 to sterling, \$1.06 to the euro and \$0.72 to the Australian dollar. Had these November 30, 2015 currency exchange rates been used to translate our May 31, 2016 non-U.S. dollar functional currency operations’ assets and liabilities instead of the May 31, 2016 U.S. dollar exchange rates of \$1.46 to sterling, \$1.11 to the euro and \$0.72 to the Australian dollar, our total assets would have been lower by \$314 million and our total liabilities would have been lower by \$285 million.

## Sources and Uses of Cash

### *Operating Activities*

Our business provided \$2.7 billion of net cash from operations during the six months ended May 31, 2016, an increase of \$395 million, or 17%, compared to \$2.3 billion for the same period in 2015. This increase was caused by more cash being provided from our operating results.

### *Investing Activities*

During the six months ended May 31, 2016, net cash used in investing activities was \$2.2 billion. This was comprised of our expenditures for capital projects, of which \$1.4 billion was spent on our ongoing new shipbuilding program, substantially for *AIDAprima*, net of liquidated damages, and Holland America Line’s *Koningsdam* and *Carnival Vista*. In addition to our new shipbuilding program, we had capital expenditures of \$440 million for ship improvements and replacements and \$150 million for information technology, buildings and improvements and other assets. Finally, we paid \$170 million of fuel derivative settlements and posted \$25 million of collateral to one of our fuel derivative counterparties.

During the six months ended May 31, 2015, net cash used in investing activities was \$1.4 billion. This was caused by our expenditures for capital projects, of which \$685 million was spent on our ongoing new shipbuilding program, primarily for P&O Cruises (UK)’s *Britannia*. In addition to our new shipbuilding program, we had capital expenditures of \$585 million for ship improvements and replacements and \$110 million for information technology, buildings and improvements and other assets. Furthermore, during the six months ended May 31, 2015, we received cash installments of \$25 million from the sales of *Ocean*

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*Princess, Seabourn Legend and Seabourn Spirit*. Finally, we paid \$95 million of fuel derivative settlements and posted \$11 million of collateral to one of our fuel derivative counterparties.

### **Financing Activities**

During the six months ended May 31, 2016, net cash used in financing activities of \$1.4 billion was substantially due to the following:

- borrowed a net \$379 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$869 million of long-term debt;
- issued \$555 million of euro-denominated publicly-traded notes, which net proceeds are being used for general corporate purposes;
- borrowed \$379 million of long-term debt under an export credit facility;
- paid cash dividends of \$459 million;
- purchased \$1.4 billion of shares of Carnival Corporation common stock in open market transactions of which \$1.4 billion were repurchased under our Repurchase Program and \$39 million were repurchased under our Stock Swap and
- sold \$40 million of treasury stock under our Stock Swap program.

During the six months ended May 31, 2015, net cash used in financing activities of \$861 million was substantially due to the following:

- repaid a net \$357 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$584 million of long-term debt;
- borrowed \$472 million of long-term debt under an export credit facility and
- paid cash dividends of \$388 million.

### **Future Commitments and Funding Sources**

Our contractual cash obligations as of May 31, 2016 have changed compared to November 30, 2015 primarily as a result of our debt borrowings and repayments and new ship payments as noted above under “Sources and Uses of Cash.” In addition, during the six months ended May 31, 2016, we finalized the agreement with Italian shipbuilder, Fincantieri S.p.A, for the construction of Princess Cruises 3,560-passenger capacity Royal-class vessel to be delivered in 2020.

As of May 31, 2016, our total annual capital expenditures consist of ships under contract for construction, including ship construction contracts entered into through June 24, 2016, and estimated improvements to existing ships and shoreside assets and are expected to be \$2.0 billion for the remainder of 2016, \$3.0 billion in 2017, \$4.0 billion in 2018, \$4.6 billion in 2019 and \$4.5 billion in 2020.

The year-over-year percentage increase in our capacity is currently expected to be 3.9% for the 2016 third quarter and 4.5% for the 2016 fourth quarter. The year-over-year percentage increase in our annual capacity is currently expected to be 3.6% in 2016, 2.4% in 2017, 3.1% in 2018, 5.3% in 2019 and 7.7% in 2020. These percentage increases are expected to result primarily from contracted new ships entering service and exclude any unannounced future ship orders, acquisitions, retirements, charters or sales.

At May 31, 2016, we had liquidity of \$10.7 billion. Our liquidity consisted of \$290 million of cash and cash equivalents, which excludes \$229 million of cash on hand, \$2.6 billion available for borrowing under our revolving credit facilities, net of our outstanding commercial paper borrowings, and \$7.8 billion under our committed future financings, which are comprised of ship export credit facilities. Of this \$7.8 billion, \$0.2 billion is available for funding in 2016, \$0.9 billion in 2017, \$1.9 billion in 2018, \$2.5 billion in 2019 and \$2.3 billion in 2020. At May 31, 2016, all of our revolving credit facilities are scheduled to mature in 2021, except for \$400 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 6 - “Unsecured Debt” in the annual consolidated financial statements, which is included within our 2015 Form 10-K. At May 31, 2016, 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, 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.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

For a discussion of our hedging strategies and market risks, see the discussion below and Note 4 - "Fair Value Measurements, Derivative Instruments and Hedging Activities" in these consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations within our 2015 Form 10-K.

### **Foreign Currency Exchange Rate Risks**

At May 31, 2016, 47% and 53% (50% and 50% at November 30, 2015) of our debt was U.S. dollar and euro-denominated, respectively, including the effect of foreign currency swaps.

We have foreign operations that have functional currencies other than the U.S. dollar, which result in foreign currency translational impacts. We execute transactions in a number of currencies other than their functional currencies, principally the euro, sterling and Australian, Canadian and U.S. dollars, which result in foreign currency transactional impacts. Based on a 10% hypothetical change in all currency exchange rates versus the U.S. dollar that were used in our June 28, 2016 guidance, we estimate (including both the foreign currency translational and transactional impacts) that our adjusted diluted earnings per share June 28, 2016 guidance would change by the following:

- \$0.27 per share on an annualized basis for 2016;
- \$0.18 per share for the remaining two quarters of 2016 and
- \$0.09 per share for the third quarter of 2016.

### **Fuel Price Risks**

Based on a 10% hypothetical change in fuel prices versus the current spot price that was used to calculate fuel expense in our June 28, 2016 guidance, we estimate that our adjusted diluted earnings per share June 28, 2016 guidance would change by the following:

- \$0.14 per share on an annualized basis;
- \$0.07 per share for the remaining two quarters of 2016 and
- \$0.04 per share for the third quarter of 2016.

Based on a 10% hypothetical change in Brent prices versus the current spot price that was used to calculate realized gains (losses) on fuel derivatives in our June 28, 2016 guidance, we estimate that our adjusted diluted earnings per share June 28, 2016 guidance would change by the following:

- \$0.03 per share for the remaining two quarters of 2016 and
- \$0.02 per share for the third quarter of 2016.

At May 31, 2016, the estimated unrealized loss on our outstanding fuel derivative contracts was a \$461 million.

## **Item 4. Controls and Procedures.**

### **A. Evaluation of Disclosure Controls and Procedures**

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

Our President and Chief Executive Officer and our Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of May 31, 2016, that they are effective at a reasonable level of assurance, as described above.

## **B. Changes in Internal Control over Financial Reporting**

During the quarter ended May 31, 2016, we implemented a significant upgrade to our Oracle enterprise reporting platform, (“ERP”), which included moving to a single instance of our general ledger. In connection with the ERP implementation, we updated the processes that constitute our internal control over financial reporting, as necessary. This normal course of business ERP upgrade was implemented to remain current with the latest release of the software and to further enable us to leverage our scale and not in response to any identified deficiency in our internal controls.

There have been no other changes in our internal control over financial reporting during the quarter ended May 31, 2016 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1A. Risk Factors.**

The risk factors that affect our business and financial results are discussed in “Item 1A. Risk Factors,” included in the 2015 Form 10-K, and there has been no material change to these risk factors since the 2015 Form 10-K filing. We wish to caution the reader that the risk factors discussed in “Item 1A. Risk Factors,” included in the 2015 Form 10-K, and those described elsewhere in this report or other Securities and Exchange Commission filings, could cause future results to differ materially from those stated in any forward-looking statements. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

#### **A. Repurchase Authorizations**

Our Boards of Directors have authorized, subject to certain restrictions, the repurchase of up to an aggregate of \$1.0 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the “Repurchase Program”). On January 28, 2016, the Boards of Directors approved a modification of the Repurchase Program authorization that increased the remaining authorized repurchases by \$1.0 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

During the three months ended May 31, 2016, purchases of Carnival Corporation common stock pursuant to the Repurchase Program were as follows:

<b>Period</b>	<b>Total Number of shares of Carnival Corporation Common Stock Purchased (a)</b>	<b>Average Price Paid per Share of Carnival Corporation Common Stock</b>	<b>Maximum Dollar Value of Shares That May Yet Be Purchased Under the Repurchase Program</b>
			(in millions)
March 1, 2016 through March 31, 2016	3,037,954	\$ 47.87	\$ 676
April 1, 2016 through April 30, 2016	1,900,000	\$ 50.00	\$ 581
May 1, 2016 through May 31, 2016	4,932,661	\$ 49.61	\$ 337
<b>Total</b>	<b>9,870,615</b>	<b>\$ 49.15</b>	

(a) No shares of Carnival Corporation common stock were purchased outside of publicly announced plans or programs.

From June 1, 2016 through June 26, 2016, we repurchased an additional 4.5 million shares of Carnival Corporation common stock for \$214 million under the Repurchase Program. On June 27, 2016, our Board of Directors increased the authorization under our Repurchase Program by \$1.0 billion. Accordingly, at June 27, 2016, the remaining availability under the Repurchase Program was \$1.1 billion.

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 purchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently. At June 27, 2016, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 26.0 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 2017 annual general meeting or July 13, 2017. During the three months ended May 31, 2016, there were no repurchases of Carnival plc ordinary shares under the Repurchase Program.

## **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 that 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 June 24, 2016. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act of 1933.

In the event that 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 ("CIL") through its 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 CIL was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and has 26.0 million shares remaining at June 24, 2016. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

During the three months ended February 29, 2016, under the Stock Swap Programs, CIL sold 891,000 of Carnival plc ordinary shares through its sales agent, Merrill Lynch International ("MLI"), for total gross proceeds of \$40 million and paid commission fees to MLI of \$260,000 and other governmental and regulatory transaction fees of \$46,000. Substantially all of the net proceeds from these sales were used to purchase 891,000 shares of Carnival Corporation common stock. During the three months ended February 29, 2016, no Carnival Corporation common stock was sold and no Carnival plc ordinary shares were repurchased under the Stock Swap programs.

During the three months ended May 31, 2016, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap programs.

**Item 6. Exhibits.**

**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Incorporated by Reference</b>			<b>Filed/ Furnished Herewith</b>
		<b>Form</b>	<b>Exhibit</b>	<b>Filing Date</b>	
<b>Articles of incorporation and by-laws</b>					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation.	8-K	3.1	4/17/2003	
3.2	Third Amended and Restated By-Laws of Carnival Corporation.	8-K	3.1	4/20/2009	
3.3	Articles of Association of Carnival plc.	8-K	3.3	4/20/2009	
<b>Material contract</b>					
10.1	Amendment to Facilities Agreement dated May 18, 2016 among Carnival Corporation, Carnival plc and certain of Carnival Corporation and Carnival plc subsidiaries, Bank of America Merrill Lynch International Limited, as facilities agent, and KfW IPEX-Bank GmbH, Bayerische Landesbank, New York Branch and DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch, as new lenders.				X
10.2	Form of Executive Restricted Share Unit Award Certificate for the Carnival plc 2005 Employee Share Plan.				X
10.3	Form of Executive Restricted Share Unit Award Certificate for the Carnival plc 2014 Employee Share Plan.				X
10.4	Form of Executive Restricted Stock Agreement for the Carnival Corporation 2011 Stock Plan.				X
<b>Statement regarding computations of ratios</b>					
12	Ratio of Earnings to Fixed Charges.				X
<b>Rule 13a-14(a)/15d-14(a) certifications</b>					
31.1	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.3	Certification of President and Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.4	Certification of Chief Financial Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<b>Section 1350 certifications</b>					
32.1*	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification of Chief Financial Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.3*	Certification of President and Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.4*	Certification of Chief Financial Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

**Interactive Data File**

101	The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended May 31, 2016, as filed with the Securities and Exchange Commission on July 1, 2016 formatted in XBRL, are as follows:	
	(i) the Consolidated Statements of Income for the three and six months ended May 31, 2016 and 2015;	X
	(ii) the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended May 31, 2016 and 2015;	X
	(iii) the Consolidated Balance Sheets at May 31, 2016 and November 30, 2015;	X
	(iv) the Consolidated Statements of Cash Flows for the six months ended May 31, 2016 and 2015 and	X
	(v) the notes to the consolidated financial statements, tagged in summary and detail.	X

\* These items are furnished and not filed.

**SIGNATURES**

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

**CARNIVAL CORPORATION**

By: /s/ Arnold W. Donald  
Arnold W. Donald  
President and Chief Executive Officer

By: /s/ David Bernstein  
David Bernstein  
Chief Financial Officer and Chief Accounting Officer

Date: July 1, 2016

**CARNIVAL PLC**

By: /s/ Arnold W. Donald  
Arnold W. Donald  
President and Chief Executive Officer

By: /s/ David Bernstein  
David Bernstein  
Chief Financial Officer and Chief Accounting Officer

Date: July 1, 2016

To: Bank of America Merrill Lynch International Limited  
Loans Agency Department  
2 King Edward Street  
London EC1A 1HQ

as Facilities Agent under the Facilities Agreement  
(as defined below) and on behalf of the  
Finance Parties under the Facilities Agreement

Copy to: KfW IPEX-Bank GmbH;

Bayerische Landesbank, New York Branch; and

DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch,  
each as New Lenders (as defined below) under the Facilities Agreement

18 May 2016

Dear Sirs,

**Carnival Corporation & plc – Amendment Request Letter**

**1. BACKGROUND**

1.1 We refer to the facilities agreement dated 18 May 2011 (as amended and restated from time to time, most recently on 16 June 2014 and as further amended from time to time) (the *Facilities Agreement*) made between, among others, Carnival Corporation (the *Company*), Carnival plc and certain of their Subsidiaries (the *Original Borrowers*), and Bank of America Merrill Lynch International Limited, BNP Paribas, Goldman Sachs Bank USA, Intesa Sanpaolo S.p.A., J.P. Morgan Limited, Lloyds Bank plc, Mizuho Bank, Ltd. and The Royal Bank of Scotland plc as mandated lead arrangers and Bank of America Merrill Lynch International Limited as Facilities Agent.

1.2 Terms defined in the Facilities Agreement have the same meanings in this letter, unless the context otherwise requires. The provisions of Clause 1.2 (*Construction*) of the Facilities Agreement apply to this letter as though they were set out in full in this letter except that references to the Agreement are to be construed as references to this letter.

1.3 We are writing to you in our capacity as the Obligors to apply for the consent of the Facilities Agent (acting on the instructions of all Lenders) to the following request.

1.4 It is proposed that KfW IPEX-Bank GmbH, Bayerische Landesbank, New York Branch and DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch shall accede to the Facilities Agreement as Lenders (the *New Lenders*) in the following amounts:

- (a) KfW IPEX-Bank GmbH, having a Tranche A Commitment of USD50,876,060.40 and a Tranche B Commitment of £6,317,415.78;
  - (b) Bayerische Landesbank, New York Branch, having a Tranche A Commitment of USD50,876,060.40 and a Tranche B Commitment of £6,317,415.78; and
-

(c) DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch, having a Tranche A Commitment of USD50,876,060.40 and a Tranche B Commitment of £6,317,415.78.

1.5 Accordingly, we request that the Total Tranche A Commitments are increased by USD152,628,181.20, Total Tranche B Commitments are increased by £18,952,247.34 and accordingly Total Commitments are increased by USD180,000,000.

## 2. AMENDMENT REQUEST

Accordingly, in accordance with Clause 40 (*Amendments and waivers*) of the Facilities Agreement, we request that you seek the consent of the Lenders to the replacement of Part B (*The Lenders – Loan Commitments*) of Schedule 1 (*The Parties*) of the Facilities Agreement with the wording set out in schedule 1 to this letter, as soon as possible and in any event by no later than 5.00 p.m. on the date falling three Business Days from the date of this letter.

## 3. CONSENT

Subject to paragraph 6 (*Conditions*) below, by your countersignature of this letter, you confirm that the amendment requested in this letter (and the increase in Total Commitments and the accession of the New Lenders contemplated thereby and by paragraph 5 (*Accession*) below) has been agreed by all the Lenders.

## 4. REPRESENTATIONS

4.1 The representations and warranties in Clause 24 (*Representations*) of the Facilities Agreement, as amended by this letter, are made by each Obligor (by reference to the facts and circumstances then existing) on the date of this letter and on the Effective Date, and in each case (i) as if references to the Finance Documents in such representations and warranties include references to this letter and the Facilities Agreement as amended by this letter; and (ii) as if references to the Original Financial Statements in such representations and warranties were references to the audited consolidated financial statements of the Carnival Corporation & plc Group for the financial year ended 30 November 2015.

4.2 The Company confirms that the DLC Documents have not been amended in a manner which would be materially adverse to the interests of the Finance Parties since the date of the Facilities Agreement.

## 5. GUARANTEE

On the Effective Date, each Obligor:

- (a) confirms its acceptance of the Facilities Agreement, as amended by this letter;
  - (b) agrees that it is bound as an Obligor by the terms of the Facilities Agreement, as amended by this letter; and
  - (c) if a Guarantor, confirms that its guarantee provided under Clause 23 (*Guarantee and Indemnity*) of the Facilities Agreement, as amended by this letter and the relevant Deed of Guarantee:
    - (i) continues in full force and effect on the terms of the Facilities Agreement (as amended by this letter) and the relevant Deed of Guarantee; and
    - (ii) extends to the obligations of the Obligors under the Finance Documents (including the Facilities Agreement (as amended by this letter) and notwithstanding the imposition of any amended, additional or more onerous obligations).
-

## 6. CONDITIONS

6.1 The consents and amendments set out in this letter shall not be effective until the date (the *Effective Date*) on which the Facilities Agent has notified the other parties that it has received the documentation listed in Schedule 2 (*Conditions to Amendments*) to this letter in form and substance satisfactory to it.

6.2 The Facilities Agent shall notify the other parties promptly upon being so satisfied.

## 7. ACCESSION

7.1 By signing this letter, each New Lender agrees to assume and will assume on the Effective Date all of the obligations corresponding to the Commitments specified against its name in Schedule 1 to this letter as if it was an Original Lender under the Facilities Agreement.

7.2 On the Effective Date, each New Lender becomes party to the Finance Documents as a Lender and each Obligor and each New Lender shall assume obligations towards one another and/or acquire rights against one another as the Obligors and the New Lenders would have assumed and/or acquired had the New Lenders been Original Lenders. Each New Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as those New Lenders and those Finance Parties would have assumed and/or acquired had the New Lenders been Original Lenders.

7.3 Each New Lender, by executing this letter, confirms (for the avoidance of doubt) that the Facilities Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with the Facilities Agreement on or prior to the Effective Date.

7.4 Clause 29.3 (*Limitation of responsibility of Existing Lenders*) of the Facilities Agreement shall apply *mutatis mutandis* in this letter in relation to a New Lender as if references in that Clause to:

- (a) an *Existing Lender* were references to all the Lenders immediately prior to the Effective Date;
- (b) the *New Lender* were references to the *New Lender* (as defined in this letter); and
- (c) a *re-transfer* and *re-assignment* were references to respectively a *transfer* and *assignment*.

7.5 Each New Lender confirms, for the purposes of Clause 18.6 (*Lender Status Confirmation*) of the Facilities Agreement, for the benefit of the Facilities Agent and without liability to any Obligor, that it is a Treaty Lender.

7.6 KfW IPEX-Bank GmbH confirms that it holds a passport under the HMRC DT Treaty Passport reference number is 7/K/333018/DTTP and it is tax resident in Germany, and, accordingly, interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and requests that the Company notify:

- (a) each Borrower which is a Party as a Borrower as at the Effective Date; and
- (b) each Additional Borrower which becomes an Additional Borrower after the Effective Date,

that it wishes that scheme to apply to the Facilities Agreement where such Borrower is a Borrower to which Clauses 18.2 to 18.8 of the Facilities Agreement apply.

7.7 Bayerische Landesbank, New York Branch confirms that it holds a passport under the HMRC DT Treaty Passport reference number is 07/B/70350/DTTP and it is tax resident in Germany, and,

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accordingly, interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and requests that the Company notify:

- (a) each Borrower which is a Party as a Borrower as at the Effective Date; and
- (b) each Additional Borrower which becomes an Additional Borrower after the Effective Date,

that it wishes that scheme to apply to the Facilities Agreement where such Borrower is a Borrower to which Clauses 18.2 to 18.8 of the Facilities Agreement apply.

7.8 DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch confirms that it holds a passport under the HMRC DT Treaty Passport reference number is 7/D/205877/DTTP and it is tax resident in Germany, and, accordingly, interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and requests that the Company notify:

- (a) each Borrower which is a Party as a Borrower as at the Effective Date; and
- (b) each Additional Borrower which becomes an Additional Borrower after the Effective Date,

that it wishes that scheme to apply to the Facilities Agreement where such Borrower is a Borrower to which Clauses 18.2 to 18.8 of the Facilities Agreement apply.

7.9 Each New Lender confirms that it is a Non-Eligible Tranche D Lender.

7.10 In respect of each New Lender's Commitment, as set out paragraph 1.4 above, the Termination Date will be 16 June 2021.

## **8. MISCELLANEOUS**

8.1 Save as expressly set out in this letter:

- (a) the Finance Documents remain in full force and effect; and
- (b) nothing in this letter shall constitute or be construed as a waiver or compromise of any other term or condition of the Finance Documents or any of the Finance Parties' rights in relation to them which for the avoidance of doubt shall continue to apply in full force and effect.

8.2 For the purposes of Italian law, it is acknowledged and confirmed that the amendment of the Facilities Agreement pursuant to this letter will not constitute and shall not be construed as, a novation (*novazione*) or have novative effect (*effetto novativo*) of the obligations and other transactions contemplated by any Finance Document. The Parties also confirm that there is no intention to novate (*intento novativo*) the obligations arising from the Finance Documents.

8.3 This letter is a Finance Document. With effect from the Effective Date, this letter and the Facilities Agreement shall be read and construed as one document.

8.4 This letter may be executed in any number of counterparts and all those counterparts taken together shall be deemed to constitute one and the same letter. Delivery of a counterpart of this letter by e-mail attachment or telecopy shall be an effective mode of delivery.

8.5 Pursuant to and in accordance with the transparency rules (*Disposizioni in materia di trasparenza delle operazioni e dei servizi bancari e finanziari. Correttezza delle relazioni tra intermediari e clienti*) applicable to transactions and banking and financial services issued by Bank of Italy on 20 June 2012 and published in the Italian official gazette (*Gazzetta Ufficiale*) on 30 June 2012 (as amended by a resolution of the Bank of Italy dated 15 July 2015 and published in the Italian official gazette (*Gazzetta*

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*Ufficiale*) on 29 July 2015) (the **Transparency Rules**), it is mutually acknowledged and declared that this letter and its terms and conditions have been negotiated, with the assistance of the legal counsels of all parties to it, on an individual basis and, as a result, this letter falls into the category of the agreements “*che costituiscono oggetto di trattativa individuale*” which are exempted from the application of Section II of the Transparency Rules.

8.6 This letter and any non-contractual obligations arising out of or in relation to this letter are governed by English law.

8.7 The provisions of Clauses 36 (*Notices*), 38 (*Partial invalidity*), 42 (*Governing law*) and 43 (*Enforcement*) of the Facilities Agreement apply to this letter as though they were set out in full in this letter except that references to the Agreement are to be construed as references to this letter.

Please sign and return to us a counterpart of this letter in order to indicate your agreement to its terms.

Yours faithfully

/s/ JOSH WEINSTEIN  
.....  
for and on behalf of  
**CARNIVAL CORPORATION**

/s/ JOSH WEINSTEIN  
.....  
for and on behalf of  
**CARNIVAL PLC**

/s/ DAVID BERNSTEIN  
.....  
for and on behalf of  
**COSTA CROCIERE S.p.A.**

ARNALDO PEREZ  
.....  
for and on behalf of  
**CC U.S. VENTURES, INC.**

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We acknowledge and agree to the terms of this letter

/s/ KAREN HALL

.....

for and on behalf of

**Bank of America Merrill Lynch International Limited**

as Facilities Agent and on behalf of the

Finance Parties (each as defined in the Facilities Agreement)

(acting on the instructions of the Lenders

pursuant to Clause 40 (*Amendments and waivers*) of the Facilities Agreement)

Date: 18 MAY 2016

We acknowledge and agree to the terms of this letter and make the confirmations in paragraph 7 (*Accession*) of this letter in relation to our institution

/s/ CLAUDIA WENZEL      /s/ MORITZ HENNIG

.....

for and on behalf of

**KfW IPEX-Bank GmbH**

as New Lender (as defined in this letter)

Date: 18 MAY 2016

We acknowledge and agree to the terms of this letter and make the confirmations in paragraph 7 (*Accession*) of this letter in relation to our institution

/s/ VARBIN STAYKOFF

.....

/s/ GINA SANDELLA

.....

for and on behalf of

**Bayerische Landesbank, New York Branch**

as New Lender (as defined in this letter)

Date: 18 MAY 2016

We acknowledge and agree to the terms of this letter and make the confirmations in paragraph 7 (*Accession*) of this letter in relation to our institution

/s/ MARK MARKONSKI

/s/ PAUL FITZPATRICK

.....

for and on behalf of

**DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch**

as New Lender (as defined in this letter)

Date: 18 MAY 2016

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**Schedule 1**

**Amendments**

**Part B**

**The Lenders - Loan Commitments**

(a) Tranche A Commitment

<b>Name of Lender</b>	<b>Amount (USD)</b>	<b>Non-Eligible Tranche D Lender</b>	<b>Treaty Passport Number and jurisdiction of tax residence (if applicable)</b>
Bank of America, N.A.	46,300,000	No	N/A
Barclays Bank PLC	50,400,000	No	N/A
Bayerische Landesbank, New York Branch	50,876,060.40	Yes	07/B/70350/DTTP Jurisdiction of tax residence is Germany
BNP Paribas	46,300,000	No	005/B/0255139/DTTP Jurisdiction of tax residence is France
Citibank, N.A., London Branch	50,400,000	No	N/A
DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch	50,876,060.40	Yes	7/D/205877/DTTP Jurisdiction of tax residence is Germany
Goldman Sachs Bank USA	141,700,000	Yes	N/A except in respect of a loan to a UK Borrower 13/G/0351779/DTTP Jurisdiction of tax residence is USA
Intesa Sanpaolo S.p.A.	44,820,000	No	N/A
JPMorgan Chase Bank N.A.	46,300,000	No	13/M/0268710/DTTP Jurisdiction of tax residence is USA
KfW IPEX-Bank GmbH	50,876,060.40	Yes	7/K/333018/DTTP Jurisdiction of tax residence is Germany
Lloyds Bank plc	94,000,000	No	N/A
Mizuho Bank, Ltd.	50,400,000	No	N/A
The Royal Bank of Scotland plc	46,300,000	No	N/A
PNC Bank, National Association	85,700,000	No	13/P/63904/DTTP Jurisdiction of tax residence is USA
Royal Bank of Canada	88,780,000	No	N/A
Société Générale	51,550,000	No	5/S/70085/DTTP Jurisdiction of tax residence is France
US Bank National Association	102,000,000	No	13/U/62184/DTTP Jurisdiction of tax residence is USA

Wells Fargo Bank, National Association	89,800,000	No	13/W/61173/DTTP Jurisdiction of tax residence is USA
Australia and New Zealand Banking Group Limited	51,575,000	No	N/A
Branch Banking & Trust (BB&T)	61,200,000	No	13/B/357522/DTTP
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	30,825,000	No	43/B322072/DTTP Country of residence: Japan
Deutsche Bank AG, London Branch	52,000,000	No	N/A
HSBC Bank plc	30,825,000	No	N/A
Santander Bank, N.A.	30,825,000	No	13/S/357603/DTTP
Sumitomo Mitsui Banking Corporation	56,000,000	No	43/S/274647/DTTP Jurisdiction of tax residence is Japan
UBS AG, London Branch	52,000,000	Yes	N/A
<b>Total 1,552,628,181.20</b>			

(b) Tranche B Commitment

Name of Lender	Amount (Sterling)	Treaty Passport Number and jurisdiction of tax residence (if applicable)
Bank of America, N.A.	8,200,000	N/A
Barclays Bank PLC	5,750,000	N/A
Bayerische Landesbank, New York Branch	6,317,415.78	07/B/70350/DTTP Jurisdiction of tax residence is Germany
BNP Paribas	8,200,000	005/B/0255139/DTTP Jurisdiction of tax residence is France
Citibank, N.A., London Branch	5,750,000	N/A
DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch	6,317,415.78	7/D/205877/DTTP Jurisdiction of tax residence is Germany
Goldman Sachs Bank USA	12,850,000	13/G/0351779/DTTP Jurisdiction of tax residence is USA
Intesa Sanpaolo S.p.A.	9,250,000	N/A
JPMorgan Chase Bank N.A.	8,200,000	13/M/0268710/DTTP Jurisdiction of tax residence is USA
KfW IPEX-Bank GmbH	6,317,415.78	7/K/333018/DTTP Jurisdiction of tax residence is Germany
Lloyds Bank plc	18,950,000	N/A
Mizuho Bank, Ltd.	5,750,000	N/A

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The Royal Bank of Scotland plc	8,200,000	N/A
PNC Bank, National Association	9,750,000	13/P/63904/DTTP
Royal Bank of Canada	5,750,000	Jurisdiction of tax residence is USA N/A
Société Générale	5,750,000	5/S/70085/DTTP Jurisdiction of tax residence is France
Wells Fargo Bank, National Association	7,300,000	13/W/61173/DTTP Jurisdiction of tax residence is USA
Australia and New Zealand Banking Group Limited	5,750,000	N/A
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,500,000	43/B322072/DTTP Country of residence: Japan
Deutsche Bank AG, London Branch	5,500,000	N/A
HSBC Bank plc	3,500,000	N/A
Santander Bank, N.A.	3,500,000	13/S/357603/DTTP
Sumitomo Mitsui Banking Corporation	3,100,000	43/S/274647/DTTP Jurisdiction of tax residence is Japan
UBS AG, London Branch	5,500,000	N/A
	<b>Total</b>	
	<b>168,952,247.34</b>	

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(c) Tranche C Commitment

<b>Name of Lender</b>	<b>Amount (euro)</b>	<b>Treaty Passport Number and jurisdiction of tax residence (if applicable)</b>
Bank of America, N.A.	48,250,000	N/A
Barclays Bank PLC	48,250,000	N/A
Banca Nazionale del Lavoro Spa	48,250,000	N/A
Citibank, N.A., Milan Branch	48,250,000	N/A
Intesa Sanpaolo S.p.A.	78,250,000	N/A
JPMorgan Chase Bank N.A.	48,250,000	13/M/0268710/DTTP Jurisdiction of tax residence USA
Mizuho Bank, Ltd.	48,250,000	N/A
The Royal Bank of Scotland plc	48,250,000	N/A
Société Générale	30,000,000	5/S/70085/DTTP Jurisdiction of tax residence is France
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18,000,000	43/B322072/DTTP Country of residence: Japan
HSBC Bank plc	18,000,000	N/A
Santander Bank, N.A.	18,000,000	13/S/357603/DTTP
	<b>Total</b>	
	<b>500,000,000</b>	

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(d) Tranche D Commitment

<b>Name of Lender</b>	<b>Amount (USD)</b>	<b>Treaty Passport Number and jurisdiction of tax residence (if applicable)</b>
Bank of America, N.A.	37,500,000	N/A
Barclays Bank PLC	37,500,000	N/A
BNP Paribas	37,500,000	005/B/0255139/DTTP Jurisdiction of tax residence France
Citibank, N.A., London Branch	37,500,000	N/A
JPMorgan Chase Bank N.A.	37,500,000	13/M/0268710/DTTP Jurisdiction of tax residence USA
Lloyds Bank plc	37,500,000	N/A
Mizuho Bank, Ltd.	37,500,000	N/A
The Royal Bank of Scotland plc	37,500,000	N/A
	<b>Total</b> <b>300,000,000</b>	

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## Schedule 2

### Conditions to amendments

#### Obligors

1. A copy of the constitutional documents of each Obligor, being in the case of each Obligor incorporated in Italy, a copy of its:

- (a) deed of incorporation (*atto costitutivo*); and
- (b) current by-laws (*statuto*),

or, in each case, confirmation that the constitutional documents previously delivered to the Facilities Agent, remain correct, complete, in full force and effect and have not been modified, amended, altered, rescinded or revoked.

2. A copy of a resolution of the board of directors of each Obligor (and, if required by its existing by-laws, a copy of the resolution of the shareholders' meeting of Costa Crociere S.p.A.), approving the terms of, the transactions contemplated by and the execution, delivery and performance of, this letter and authorising a specified person or persons to execute this letter.

3. A specimen of the signature of each person who executes this letter and who is authorised on behalf of an Obligor to execute or witness the execution of this letter.

4. A certificate of an authorised signatory of the Company:

- (a) confirming that utilising or (with respect to the Company and Carnival plc) guaranteeing the Total Tranche A Commitments, the Total Tranche B Commitments, the Total Tranche C Commitments and the Total Tranche D Commitments (or, in the case of Costa Crociere S.p.A., utilising the Total Tranche C Commitments) in full under the terms of the Facilities Agreement, as amended by this letter, would not breach any limit binding on any Original Obligor; and
- (b) certifying that each copy document specified in this Schedule is correct, complete and in full force and effect as at a date no earlier than the date of this letter.

5. A copy of a good standing certificate with respect to CC U.S. Ventures, Inc., issued as of a recent date by the Secretary of State of the State of Delaware.

6. A certificate of registration (*certificato di iscrizione*) with the relevant Italian companies register (*Registro delle Imprese*) with respect to Costa Crociere S.p.A. dated no earlier than five Business Days before the Effective Date, confirming that as at the date thereof no pending insolvency procedure (*procedura concorsuale*) against such Obligor has been registered in the relevant Italian companies register (*Registro delle Imprese*).

#### Legal opinions

7. A legal opinion of Allen & Overy LLP, London office, English law legal advisers to the Arrangers and the Facilities Agent, addressed to the Finance Parties.

8. A legal opinion of Tapia, Linares y Alfaro Attorneys At Law, Panama law legal advisers, addressed to the Finance Parties.

9. A legal opinion of Allen & Overy LLP, New York office, New York state law legal advisers, addressed to the Finance Parties.

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10. A legal opinion of Morris James LLP, Delaware state law legal advisers, addressed to the Finance Parties.
11. A legal opinion of Allen & Overy LLP, Milan office, Italian law legal advisers, addressed to the Finance Parties.

**Carnival plc 2005 Employee Share Plan  
(the Plan)**

**Form of Executive Restricted Share Unit Award Certificate – Conditional Right to Receive**

This is to certify that the Compensation Committee of the Board of Carnival plc (the *Company*) has on [DATE] granted to you, [NAME], an award of [NUMBER] Restricted Share Units (the *Award*) pursuant to rule 9.1 of the Plan. The detailed terms governing the Award are set out below and in the rules of the Plan which are legally binding and are deemed to be incorporated in this Restricted Share Unit Award Certificate, including any special terms and conditions in the appendices attached hereto (together, the *Agreement*). In the event of any inconsistency, the rules of the Plan shall take precedence. Terms defined in the rules of the Plan have the same meaning in this Agreement.

**YOU WILL BE DEEMED TO HAVE ACCEPTED THE TERMS AND CONDITIONS OF THIS AGREEMENT IF YOU DO NOT OBJECT IN WRITING WITHIN TEN (10) DAYS FOLLOWING DELIVERY OF THIS CERTIFICATE.**

**Nature of Award**

Each Restricted Share Unit comprised in your Award is equivalent to a hypothetical investment in one ordinary share of \$1.66 each in the capital of the Company (a *Share*). Your Award is in the form of a conditional allocation of Shares that will be of no effect until expiry of the Restricted Period and attainment of certain vesting criteria.

You will have no beneficial interest in any Shares during the Restricted Period.

**Restricted Period and Effect of Termination of Employment**

Your Award is subject to a Restricted Period. In this case, the Restricted Period commenced on the Date of Grant of the Award and expires on the third anniversary of that date.

Generally, your Award will be forfeited automatically on you ceasing to be an employee of the plc Group (whether lawfully or unlawfully) before the expiry of the Restricted Period. However, upon the termination of your employment with the Combined Group or an Affiliate due to death, disability or Retirement, the Award shall be released according to the following, unless and until you engage in competition in violation of the Competition and Nondisclosure provisions below:

- (a) In the event you terminate by reason of death or disability, the Restricted Period shall lapse on the date of your death or disability.
- (b) In the event you terminate by reason of Retirement, the restrictions shall lapse in accordance with the rules of the Plan.
- (c) In the event you voluntarily terminate employment as a direct result of you being diagnosed with a terminal medical condition, the Restricted Period shall lapse on the earlier of your death or the third anniversary of the Date of Grant.
- (d) In the event a member of the Combined Group or an Affiliate terminates your employment with such company for a reason other than for Cause, as defined in the Plan, the Restricted Period shall lapse on the third anniversary of the Date of Grant.

Notwithstanding anything herein to the contrary, but subject to the above, no release of the Award shall be made, and all rights to this Award shall be forfeited, if any of the following events shall occur:

- (a) Your employment with the Combined Group or an Affiliate is terminated for Cause. For purposes of this Agreement, "Cause" shall be defined set forth in the Plan;
- (b) You voluntarily terminate employment with the Combined Group or an Affiliate prior to Retirement unless such voluntary termination is directly related to death, disability or you being diagnosed with a terminal medical condition;

(c) You engage in competition, as more particularly described below, either (i) during the term of your employment with the Combined Group or an Affiliate; (ii) following your voluntary termination of employment with the Combined Group or an Affiliate; or (iii) following the employing company's termination of your employment for any reason; or

(d) You violate the nondisclosure provisions set forth below.

#### **Release of Award**

Following expiration of the Restricted Period and attainment of the vesting criteria set out in the Vesting Schedule contained in Appendix A to this Agreement, the Company shall procure the delivery to you of one Share for each Restricted Share Unit which has vested, save where the release of the Award would be prohibited by law, the Model Code for Securities Transactions by Directors of Listed Companies or the Company's dealing rules, in which case the period during which the Award shall be released will be extended by an additional period equal to the length of the period of prohibition and the Award shall not be released until the expiry of such additional period. This Award may only be settled in Shares.

#### **Dividends**

The Compensation Committee has determined that on each occasion on which a dividend is paid in respect of one Share, a notional amount of cash and shares equal to the cash and share dividend paid in respect of one Share will be credited to each Restricted Share Unit comprised in your Award (the **Dividend Equivalents**). Dividend Equivalents will be withheld by the Company for your account and will be distributed to you in the form of additional Shares on settlement of your Award. If your Award is forfeited, you will have no entitlement to such Dividend Equivalents.

#### **Taxation**

You acknowledge that, regardless of any action taken by the Company or, if different, your employer (the **Employer**), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (**Tax-Related Items**), is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends and/or any Dividend Equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company or its agent to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer; or (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the Award either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); or (iii) withholding in Shares to be issued upon settlement of the Award.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, you agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that

cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if you fail to comply with your obligations in connection with the Tax-Related Items.

#### **Nature of Grant**

In accepting the grant, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of your Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Share Units, or benefits in lieu of Restricted Share Units, even if Restricted Share Units have been granted in the past;

(c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;

(d) the Award grant and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer, or any member of the Combined Group and its Affiliates and shall not interfere with the ability of the Company, the Employer or any member of the Combined Group and its Affiliates, as applicable, to terminate your employment or service relationship (if any);

(e) you are voluntarily participating in the Plan;

(f) the Award and the Shares subject to the Award are not intended to replace any pension rights or compensation;

(g) the Award and the Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the termination of your employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, the Employer, or any member of the Combined Group and its Affiliates, waive your ability, if any, to bring any such claim, and release the Company, the Employer, and any member of the Combined Group and its Affiliates from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(j) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(k) neither the Company, the Employer or any member of the Combined Group or its Affiliates shall be liable for any foreign exchange rate fluctuation between your local currency and the British Pound Sterling that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

#### **No Advice Regarding Grant**

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

#### **Data Privacy**

*You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Award grant materials (Data) by and among, as applicable, the Employer, the Company and any member of the Combined Group or its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

*You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan.*

*You understand that Data will be transferred to UBS AG, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting the Global Human Resources Department. You authorize the Company, UBS AG and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Global Human Resources Department. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Restricted Share Units or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact the Global Human Resources Department.*

#### **Competition**

The services you provide are unique, extraordinary and essential to the business of the Combined Group or its Affiliates, particularly in view of your access to the Combined Group or its Affiliates' confidential information and trade secrets. Accordingly, in consideration of the Award, you agree that you will not, without the prior written approval of the Board of Directors, at anytime during the term of your employment with the Combined Group or its Affiliates and (except as provided below) for the then remaining duration of the Restricted Period, if any, following the date on which your employment with the Combined Group or its Affiliates terminates, directly or indirectly, within the cruise industry wherever located, engage in any business activity directly or indirectly competitive with the business of the Combined Group or its Affiliates, or serve as an officer, director, owner, consultant, or employee of any organization then in competition with the Combined Group or its Affiliates. In addition, you agree that during such restricted period following your employment with the Combined Group or its Affiliates, you will not solicit, either directly or indirectly, any employee of the Combined Group or its Affiliates, its subsidiaries or division, who was such at the time of your separation from employment hereunder. In the event that this provision should ever be adjudicated to exceed the time, geographic or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic or other limitations permitted by applicable law.

**Nondisclosure**

You expressly agree and understand that the Combined Group or its Affiliates own and/or control information and material which is not generally available to third parties and which Combined Group or its Affiliates consider confidential, including, without limitation, methods, products, processes, customer lists, trade secrets and other information applicable to its business and that it may from time to time acquire, improve or produce additional methods, products, processes, customer lists, trade secrets and other information (collectively, the **Confidential Information**). You acknowledge that each element of the Confidential Information constitutes a unique and valuable asset of Combined Group or its Affiliates, and that certain items of the Confidential Information have been acquired from third parties upon the express condition that such items would not be disclosed to Combined Group or its Affiliates and its officers and agents other than in the ordinary course of business. You acknowledge that disclosure of Combined Group or its Affiliates' Confidential Information to and/or use by anyone other than in Combined Group or its Affiliates' ordinary course of business would result in irreparable and continuing damage to Combined Group or its Affiliates. Accordingly, you agree to hold the Confidential Information in the strictest secrecy, and covenant that, during the term of your employment with Combined Group or its Affiliates (or any member of the Combined Group or its Affiliates) or at any time thereafter, you will not, without the prior written consent of the Board of Directors, directly or indirectly, allow any element of the Confidential Information to be disclosed, published or used, nor permit the Confidential Information to be discussed, published or used, either by himself or by any third parties, except in effecting your duties for Combined Group or its Affiliates in the ordinary course of business. You agree to keep all such records in connection with your employment as Combined Group or its Affiliates may direct, and all such records shall be the sole and absolute property of Combined Group or its Affiliates. You further agree that, within five (5) days of Combined Group or its Affiliates' request, you shall surrender to Combined Group or its Affiliates any and all documents, memoranda, books, papers, letters, price lists, notebooks, reports, logbooks, code books, salesmen records, customer lists, activity reports, video or audio recordings, computer programs and any and all other data and information and any and all copies thereof relating to Combined Group or its Affiliates' business or any Confidential Information.

**Forfeiture**

If the Company is required by law to include an additional "clawback" or "forfeiture" provision to outstanding incentive compensation awards, then such clawback or forfeiture provision shall also apply to any such outstanding award, which may include this Award, as if it had been included on the Date of Grant hereof and the Company shall notify you of such additional provision.

**General**

The Award is not transferable otherwise than in the limited circumstances specified in rule 11 of the Plan.

**Compliance with Law**

Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon settlement of the Award prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (*SEC*) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares.

**Insider Trading/Market Abuse Laws**

Your country of residence may have insider trading and/or market abuse laws which may affect your ability to acquire or sell Shares under the Plan during such times you are considered to have “inside information” (as defined in the laws in your country). These laws may be the same or different from any Company insider trading policy. You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter.

**Governing Law**

The Award grant and the provisions of this Agreement are governed by, and subject to, the laws of England. All disputes arising out of or in connection with the rules shall be subject to the exclusive jurisdiction of the courts of England and Wales.

**Language**

If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**Electronic Delivery and Acceptance**

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

**Severability**

If any provision of the Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or Award, such provision shall be stricken as to such jurisdiction, person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

**Waiver**

You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of this Agreement.

**Appendix**

Notwithstanding any provisions in this Agreement, the Award shall be subject to the additional terms and conditions set forth in Appendix A to this Agreement and to any special terms and provisions as set forth in Appendix B for your country, if any. Moreover, if you relocate to one of the countries included in Appendix B, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. Appendices A and B constitute part of this Agreement.

**Imposition of Other Requirements**

The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

This Agreement is notice of your Award under the Plan and should be kept in a safe place.

**EXECUTED AND DELIVERED )  
AS A DEED BY CARNIVAL PLC)  
ACTING BY A DIRECTOR)  
AND A DIRECTOR)  
OR THE SECRETARY)**

/s/ Arnold W. Donald    /s/ Arnaldo Perez  
Arnold W. Donald, Director    Arnaldo Perez, Secretary

**APPENDIX A**  
**VESTING SCHEDULE**

Your Award is subject to a Restricted Period. In this case the Restricted Period commenced on the Date of Grant of the Award and expires on the third anniversary of that date. Vesting of the Award is subject to your being employed by the Combined Group or an Affiliate through the Restricted Period.

## APPENDIX B

### Country Specific Information

#### ***TERMS AND CONDITIONS***

This Appendix B includes additional terms and conditions that govern the Award granted to you if you reside in one of the countries listed herein. This Appendix B forms part of the Agreement. These terms and conditions are in addition to, or if so indicated, in place of, the terms and conditions in the Agreement.

If you are a citizen or resident of a country other than the one in which you are currently working, are considered a resident of another country for local law purposes or transfer employment and/or residency between countries after the Date of Grant, the Company shall, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to you under these circumstances.

#### ***NOTIFICATIONS***

This Appendix B also includes information regarding exchange controls, securities laws and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the exchange control, securities laws and other laws in effect in the respective countries as of December [YEAR]. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time you vest in the Award or when you sell the Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, are considered a resident of another country for local law purposes or transfer employment and/or residency between countries after the Date of Grant, the information contained herein may not be applicable in the same manner to you.

Capitalized terms not explicitly defined in this Appendix B but defined in the Agreement or Plan shall have the same definitions as in the Plan and/or the Agreement.

[Country Specific Terms]

**Carnival plc 2014 Employee Share Plan  
(the Plan)**

**Form of Executive Restricted Share Unit Award Agreement – Conditional Right to Receive**

This Restricted Share Unit Award Agreement (the *Agreement*), shall apply to any award of Restricted Share Units granted to Employees of Carnival plc (the *Company*), on or after [DATE] under the Carnival plc 2014 Employee Share Plan (the *Plan*) that is evidenced by a Grant Certificate specifically referring to this Agreement (the *Grant Certificate*).

The Company hereby grants to the individual named in the Grant Certificate (*you/your*) a restricted share unit award consisting of that number of restricted share units set forth in your Grant Certificate, on the terms and conditions set forth in the Grant Certificate, the Plan and this Agreement. In the event of any inconsistency, the rules of the Plan shall take precedence. Any capitalized terms not otherwise defined in this Agreement or the Grant Certificate shall have the definitions set forth in the Plan.

**Nature of Award**

Each Restricted Share Unit comprised in your Award is equivalent to a hypothetical investment in one ordinary share of \$1.66 each in the capital of the Company (a *Share*). Your Award is in the form of a conditional allocation of Shares that will be of no effect until expiry of the Restricted Period and attainment of certain vesting criteria.

You will have no beneficial interest in any Shares during the Restricted Period.

**Restricted Period**

Your Award is subject to a Restricted Period. In this case, the Restricted Period on the Restricted Share Units shall expire on the third anniversary of the Grant Date specified in the Grant Certificate (the *Grant Date*).

Generally, your Award will be forfeited automatically on you ceasing to be an employee of the plc Group (whether lawfully or unlawfully) before the expiry of the Restricted Period. However, upon the termination of your employment with the Combined Group or an Affiliate due to death, disability or Retirement, the Award shall be released according to the following, unless and until you engage in competition in violation of the Competition and Nondisclosure provisions below:

- a) In the event you terminate by reason of death or disability, the Restricted Period shall lapse on the date of your death or disability.
- b) In the event you terminate by reason of Retirement, the restrictions shall lapse in accordance with the rules of the Plan.
- c) In the event you voluntarily terminate employment as a direct result of you being diagnosed with a terminal medical condition, the Restricted Period shall lapse on the earlier of your death or the third anniversary of the Grant Date.
- d) In the event a member of the Combined Group or an Affiliate terminates your employment with such company for a reason other than for Cause, as defined in the Plan, the Restricted Period shall lapse on the third anniversary of the Grant Date.

Notwithstanding anything herein to the contrary, but subject to the above, no release of the Award shall be made, and all rights to this Award shall be forfeited, if any of the following events shall occur:

- a) Your employment with the Combined Group or an Affiliate is terminated for Cause. For purposes of this Agreement, "Cause" shall be defined set forth in the Plan;

b ) You voluntarily terminate employment with the Combined Group or an Affiliate prior to Retirement unless such voluntary termination is directly related to death, disability or you being diagnosed with a terminal medical condition;

c ) You engage in competition, as more particularly described below, either (i) during the term of your employment with the Combined Group or an Affiliate; (ii) following your voluntary termination of employment with the Combined Group or an Affiliate; or (iii) following the employing company's termination of your employment for any reason; or

d) You violate the nondisclosure provisions set forth below.

#### **Release of Award**

You will be deemed to have called for the release of your Award on the date on which your Award vests following expiration of the Restricted Period and attainment of the vesting criteria set out in the Vesting Schedule contained in Appendix A to this Agreement unless the release of your Award would be prohibited by law, the Model Code for Securities Transactions by Directors of Listed Companies or the Company's dealing code. In such a case you will be deemed to have called for the release of your Award on the first date following vesting of your Award on which the release of your Award would not be prohibited. This Award may only be settled in Shares.

#### **Dividends**

The Compensation Committee has determined that on each occasion on which a dividend is paid in respect of one Share, a notional amount of cash and shares equal to the cash and share dividend paid in respect of one Share will be credited to each Restricted Share Unit comprised in your Award (the *Dividend Equivalents*). Dividend Equivalents will be withheld by the Company for your account and will be distributed to you in the form of additional Shares on settlement of your Award. If your Award is forfeited, you will have no entitlement to such Dividend Equivalents.

#### **Taxation**

You acknowledge that, regardless of any action taken by the Company or, if different, your employer (the *Employer*), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (*Tax-Related Items*), is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends and/or any Dividend Equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company or its agent to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer; or (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the Award either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); or (iii) withholding in Shares to be issued upon settlement of the Award.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, you agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if you fail to comply with your obligations in connection with the Tax-Related Items.

#### **Nature of Grant**

In accepting the grant, you acknowledge, understand and agree that:

- a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- b) the grant of your Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Share Units, or benefits in lieu of Restricted Share Units, even if Restricted Share Units have been granted in the past;
- c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;
- d) the Award, Grant Certificate and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer, or any member of the Combined Group and its Affiliates and shall not interfere with the ability of the Company, the Employer or any member of the Combined Group and its Affiliates, as applicable, to terminate your employment or service relationship (if any);
- e) you are voluntarily participating in the Plan;
- f) the Award and the Shares subject to the Award, and the income and value of same, are not intended to replace any pension rights or compensation;
- g) the Award and the Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the termination of your employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, the Employer, or any member of the Combined Group and its Affiliates, waive your ability, if any, to bring any such claim, and release the Company, the Employer, and any member of the Combined Group and its Affiliates from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- j) unless otherwise agreed with the Company, the Award and the Shares, and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of the Company or any member of the Combined Group and its Affiliates;
- k) unless otherwise provided in the Plan or by the Company in its discretion, the Award, Grant Certificate and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

- l) neither the Company, the Employer or any member of the Combined Group or its Affiliates shall be liable for any foreign exchange rate fluctuation between your local currency and the British Pound Sterling that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

**No Advice Regarding Grant**

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

## **Data Privacy**

*You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Award grant materials (Data) by and among, as applicable, the Employer, the Company and any member of the Combined Group or its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

*You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan.*

*You understand that Data will be transferred to UBS AG, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting the Global Human Resources Department. You authorize the Company, UBS AG and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Global Human Resources Department. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Employer will not be adversely affected; the only consequence of refusing or withdrawing your consent is that the Company would not be able to grant Restricted Share Units or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact the Global Human Resources Department.*

## **Competition**

The services you provide are unique, extraordinary and essential to the business of the Combined Group or its Affiliates, particularly in view of your access to the Combined Group or its Affiliates' confidential information and trade secrets. Accordingly, in consideration of the Award, you agree that you will not, without the prior written approval of the Board of Directors, at anytime during the term of your employment with the Combined Group or its Affiliates and (except as provided below) for the then remaining duration of the Restricted Period, if any, following the date on which your employment with the Combined Group or its Affiliates terminates, directly or indirectly, within the cruise industry wherever located, engage in any business activity directly or indirectly competitive with the business of the Combined Group or its Affiliates, or serve as an officer, director, owner, consultant, or employee of any organization then in competition with the Combined Group or its Affiliates. In addition, you agree that during such restricted period following your employment with the Combined Group or its Affiliates, you will not solicit, either directly or indirectly, any employee of the Combined Group or its Affiliates, its subsidiaries or division, who was such at the time of your separation from employment hereunder. In the event that this provision should ever be adjudicated to exceed the time, geographic or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic or other limitations permitted by applicable law.

## **Nondisclosure**

You expressly agree and understand that the Combined Group or its Affiliates own and/or control information and material which is not generally available to third parties and which Combined Group or its Affiliates consider confidential, including, without limitation, methods, products, processes, customer lists, trade secrets and other information applicable to its business and that it may from time to time acquire, improve or produce

additional methods, products, processes, customers lists, trade secrets and other information (collectively, the **Confidential Information**). You acknowledge that each element of the Confidential Information constitutes a unique and valuable asset of Combined Group or its Affiliates, and that certain items of the Confidential Information have been acquired from third parties upon the express condition that such items would not be disclosed to Combined Group or its Affiliates and its officers and agents other than in the ordinary course of business. You acknowledge that disclosure of Combined Group or its Affiliates' Confidential Information to and/or use by anyone other than in Combined Group or its Affiliates' ordinary course of business would result in irreparable and continuing damage to Combined Group or its Affiliates. Accordingly, you agree to hold the Confidential Information in the strictest secrecy, and covenant that, during the term of your employment with Combined Group or its Affiliates (or any member of the Combined Group or its Affiliates) or at any time thereafter, you will not, without the prior written consent of the Board of Directors, directly or indirectly, allow any element of the Confidential Information to be disclosed, published or used, nor permit the Confidential Information to be discussed, published or used, either by himself or by any third parties, except in effecting your duties for Combined Group or its Affiliates in the ordinary course of business. You agree to keep all such records in connection with your employment as Combined Group or its Affiliates may direct, and all such records shall be the sole and absolute property of Combined Group or its Affiliates. You further agree that, within five (5) days of Combined Group or its Affiliates' request, you shall surrender to Combined Group or its Affiliates any and all documents, memoranda, books, papers, letters, price lists, notebooks, reports, logbooks, code books, salesmen records, customer lists, activity reports, video or audio recordings, computer programs and any and all other data and information and any and all copies thereof relating to Combined Group or its Affiliates' business or any Confidential Information.

#### **Clawback / Forfeiture**

- (a) In the case of fraud, negligence, intentional or gross misconduct or other wrongdoing on your part (or any other event or circumstance set forth in any clawback policy implemented by the Company, including, without limitation, any clawback policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) that results in a material restatement of the Company's issued financial statements, you will be required to reimburse the Company for all or a portion, as determined by the Committee in its sole discretion, of any income or gain realized on the settlement of the RSUs or the subsequent sale of Shares acquired upon settlement of the RSUs with respect to any fiscal year in which the Company's financial results are negatively impacted by such restatement. You agree to and shall be required to repay any such amount to the Company within 30 days after the Company demands repayment. In addition, if the Company is required by law to include an additional "clawback" or "forfeiture" provision to outstanding awards, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or forfeiture provision shall also apply to this Agreement as if it had been included on the Grant Date and the Company shall promptly notify you of such additional provision. In addition, if you have engaged or are engaged in Detrimental Activity after your employment or service with the Company or its subsidiaries has ceased, then, within 30 days after written demand by the Company, you shall return any income or gain realized on the settlement of the RSUs or the subsequent sale of Shares acquired upon settlement of the RSUs.
- (b) For purposes of this Agreement, "Detrimental Activity" means any of the following: (i) unauthorized disclosure of any confidential or proprietary information of the Combined Group, (ii) any activity that would be grounds to terminate a Participant's employment or service with the Combined Group for Cause, (iii) whether in writing or orally, maligning, denigrating or disparaging the Combined Group or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publishing (whether in writing or orally) statements that tend to portray any of the aforementioned persons or entities in an unfavorable light, or (iv) the breach of any noncompetition, nonsolicitation or other agreement containing restrictive covenants, with the Combined Group. For purposes of the preceding sentence the phrase "the Combined Group" shall mean "any member of the Combined Group or any Affiliate".

#### **General**

The Award is not transferable and may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered, other than in the limited circumstances specified in rule 14(b) of the Plan.

### **Sale or Transfer of Shares upon Death / Separation from Employment**

Following your death or termination of employment or service with the Company and its Affiliates for any reason, you (or your beneficiary, if applicable) must provide for all Shares underlying the released Award (including those issued under this Agreement as well as Shares underlying released Awards issued under any other similar agreement, whether on account of termination or previously released in connection with the vesting terms of such similar agreement) to be liquidated or transferred to a third party broker after all required documentation and tax withholding guidance is received no later than six months following the later of (i) your death or the date of termination, as applicable, or (ii) the latest Settlement Date (whether under this Agreement or a similar agreement) occurring following your death or termination. If you (or your beneficiary, as applicable) fail to liquidate or transfer the Shares prior to the end of the applicable six month period, the Company is hereby authorized and directed by you to either, in the Company's discretion: (i) sell any such remaining Shares on your (or your beneficiary's) behalf on the next trading date following the end of such period on which the Company is not prohibited from selling such Shares; or (ii) transfer such Shares to the Company's stock transfer agent for registration in your (or your beneficiary's) name. The Company will not be responsible for any gain or loss or taxes incurred with respect to the Shares underlying the released Awards in connection with such liquidation or transfer.

### **Compliance with Law**

Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon settlement of the Award prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (*SEC*) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares.

### **Insider Trading/Market Abuse Laws**

Your country of residence may have insider trading and/or market abuse laws which may affect your ability to acquire or sell Shares under the Plan during such times you are considered to have "inside information" (as defined in the laws in your country). These laws may be the same or different from any Company insider trading policy. You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you should speak to your personal advisor on this matter.

### **Foreign Asset/Account, Exchange Control and Tax Reporting**

You may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of Shares or cash (including dividends, Dividend Equivalents and the proceeds arising from the sale of Shares) derived from your participation in the Plan, to and/or from a brokerage/bank account or legal entity located outside your country. The applicable laws of your country may require that you report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. You acknowledge that you are responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and should consult your personal legal advisor on this matter.

**Governing Law**

The Award, Grant Certificate and the provisions of this Agreement are governed by, and subject to, the laws of England. All disputes arising out of or in connection with the rules shall be subject to the exclusive jurisdiction of the courts of England and Wales.

**Language**

If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**Electronic Delivery and Acceptance**

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

**Severability**

If any provision of the Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or Award, such provision shall be stricken as to such jurisdiction, person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

**Waiver**

You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of this Agreement.

**Appendix**

Notwithstanding any provisions in this Agreement, the Award shall be subject to the additional terms and conditions set forth in Appendix A to this Agreement and to any special terms and provisions as set forth in Appendix B for your country, if any. Moreover, if you relocate to one of the countries included in Appendix B, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. Appendices A and B constitute part of this Agreement.

**Imposition of Other Requirements**

The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

This Agreement is notice of your Award under the Plan and should be kept in a safe place.

**APPENDIX A**  
**VESTING SCHEDULE**

Your Award is subject to a Restricted Period. In this case the Restricted Period commenced on the Grant Date of the Award and expires on the third anniversary of the Grant Date specified in the Grant Certificate. Vesting of the Award is subject to your being employed by the Combined Group or an Affiliate through the Restricted Period.

## APPENDIX B

### Country Specific Information

#### ***TERMS AND CONDITIONS***

This Appendix B includes additional terms and conditions that govern the Award granted to you if you reside in one of the countries listed herein. This Appendix B forms part of the Agreement. These terms and conditions are in addition to, or if so indicated, in place of, the terms and conditions in the Agreement.

If you are a citizen or resident of a country other than the one in which you are currently working, are considered a resident of another country for local law purposes or transfer employment and/or residency between countries after the Grant Date, the Company shall, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to you under these circumstances.

#### ***NOTIFICATIONS***

This Appendix B also includes information regarding exchange controls, securities laws and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the exchange control, securities laws and other laws in effect in the respective countries as of December [YEAR]. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time you vest in the Award or when you sell the Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, are considered a resident of another country for local law purposes or transfer employment and/or residency between countries after the Grant Date, the information contained herein may not be applicable in the same manner to you.

Capitalized terms not explicitly defined in this Appendix B but defined in the Agreement or Plan shall have the same definitions as in the Plan and/or the Agreement.

[Country Specific Terms]

**CARNIVAL CORPORATION**  
**2011 STOCK PLAN**  
**FORM OF EXECUTIVE RESTRICTED STOCK AGREEMENT**

THIS EXECUTIVE RESTRICTED STOCK AGREEMENT (this "Agreement") shall apply to any award of Restricted Stock granted to employees of Carnival Corporation, a corporation organized under the laws of the Republic of Panama, (the "Company") or employees of an Affiliate, on or after [DATE] under the Carnival Corporation 2011 Stock Plan (the "Plan") that are evidenced by a Grant Certificate that specifically refers to this Agreement (the "Grant Certificate").

**1. Grant of Restricted Stock.**

Subject to the terms and conditions set forth in the Grant Certificate, the Plan and in this Agreement, the Company hereby grants to the individual named in the Grant Certificate ("Executive") a Restricted Stock Award consisting of that number of Shares set forth in the Grant Certificate (the "Restricted Stock"). The Restricted Stock is subject to the restrictions described herein, including forfeiture under the circumstances described in Section 5 hereof (the "Restrictions"). The Restrictions shall lapse and the Restricted Stock shall become nonforfeitable in accordance with Section 3 and Section 5 hereof.

**2. Incorporation by Reference, Etc.**

The provisions of the Plan and the Grant Certificate are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement and the Grant Certificate shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Any capitalized terms not otherwise defined in this Agreement or the Grant Certificate shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan, this Agreement and the Grant Certificate, and to make any and all determinations under them, and its decision shall be binding and conclusive upon Executive and his legal representative in respect of any questions arising under the Plan, this Agreement or the Grant Certificate.

**3. Lapse of Restriction.**

Except as otherwise provided in Section 5 hereof, the Restrictions with respect to the Restricted Stock shall lapse on the third anniversary of the Grant Date specified in the Grant Certificate (the "Grant Date"). Notwithstanding the foregoing, the Committee shall have the authority to remove the Restrictions on the Restricted Stock whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the Grant Date, such action is appropriate.

Any shares of Restricted Stock for which the Restrictions have lapsed or been removed shall be referred to hereunder as "released Restricted Stock."

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#### 4. Share Issuance.

Certificates or book entries evidencing the Restricted Stock shall be issued by the Company and shall be registered in Executive's name on the stock transfer books of the Company promptly after the date hereof. Subject to Section 6 hereof, the certificates or book-entry evidencing the Restricted Stock shall remain in the custody and/or subject to the control of the Company at all times prior to the date such Restricted Stock becomes released Restricted Stock. Pending the release of the Restrictions, the Committee may require Executive to additionally execute and deliver to the Company (i) an escrow agreement satisfactory to the Committee and (ii) the appropriate stock power (endorsed in blank) with respect to the Restricted Stock.

#### 5. Effect of Termination of Employment.

(a) Upon the termination of Executive's employment with the Combined Group or an Affiliate, the Restrictions on the unreleased Restricted Stock shall be released according to the following:

(i) In the event Executive's employment terminates by reason of death or Disability, the Restrictions on the Restricted Stock shall lapse on the date of Executive's death or Disability and the Restricted Stock shall become released Restricted Stock.

(ii) In the event Executive's employment is terminated by the Combined Group and its Affiliates other than for Cause (as defined below) (and other than by reason of Disability), the Restrictions on the Restricted Stock shall lapse (and the Restricted Stock shall vest and become released Restricted Stock) in accordance with the schedule set forth in Section 3 (without regard to the requirement that Executive remain employed by a member of the Combined Group or an Affiliate); provided, that all unreleased Restricted Stock issued hereunder and all rights under this Agreement shall be forfeited upon Executive's violation of the provisions of Section 10 (Non-competition) or Section 11 (Non-disclosure) of this Agreement.

(iii) In the event Executive voluntarily terminates employment as a direct result of Executive being diagnosed with a terminal medical condition, the Restrictions on the Restricted Stock shall lapse (and the Restricted Stock shall vest and become released Restricted Stock) on the earlier of Executive's death or the schedule set forth in Section 3; provided, that all unreleased Restricted Stock issued hereunder and all rights under this Agreement shall be forfeited upon Executive's violation of the provisions of Section 10 (Non-competition) or Section 11 (Non-disclosure) of this Agreement.

(b) In the event Executive attains Retirement Age while in the employ of the Combined Group or an Affiliate and becomes subject to income tax withholding obligations as a direct result thereof, the Restrictions on 50% of the Restricted Stock shall lapse (and such portion of the Restricted Stock shall vest and become released Restricted Stock) on the date Executive attains Retirement Age. The Restrictions on the remaining 50% of Restricted Stock shall lapse in accordance with the schedule set forth in Section 3.

(c) Notwithstanding anything herein to the contrary, but subject to Section 5(a) above, no release of Restricted Stock shall be made, and all unreleased Restricted Stock issued hereunder and all rights under this Agreement shall be forfeited, if any of the following events shall occur:

(i) Executive's employment with the Combined Group or an Affiliate is terminated for Cause;

(ii) Executive voluntarily terminates employment with the Combined Group and its Affiliates prior to attaining Retirement Age unless such voluntary termination is directly related to death, Disability or Executive being diagnosed with a terminal medical condition;

(iii) Executive shall engage in competition, as more particularly described in Section 10 hereof, in violation of the provisions of Section 10, either (A) during the term of his employment with the Combined Group and its Affiliates; (B) following Executive's voluntary termination of his employment with the Combined Group and its Affiliates; or (C) following the termination by the Combined Group and its Affiliates of Executive's employment for any reason; or

(iv) Executive violates the nondisclosure provisions set forth in Section 11 hereof.

(d) Following Executive's termination of employment with the Combined Group or an Affiliate for any reason, Executive (or Executive's beneficiary, if applicable) must provide for all released Restricted Stock (including those Shares released pursuant to this Agreement as well as any Shares released under any other similar agreement, whether on account of termination or previously released in connection with the vesting terms of such similar agreement) to be liquidated or transferred to a third party broker after all required documentation and tax withholding guidance is received no later than six months following the later of (i) Executive's date of termination or (ii) the latest date on which restrictions lapse with respect to the Shares (whether under this Agreement or a similar agreement) occurring following Executive's termination. If Executive (or Executive's beneficiary, as applicable) fails to liquidate or transfer the Shares prior to the end of the applicable six month period, the Company is hereby authorized and directed by Executive to either, in the Company's discretion: (i) sell any such remaining Shares on Executive's (or Executive's beneficiary's) behalf on the next trading date following the end of such period on which the Company is not prohibited from selling such Shares; or (ii) to transfer such Shares to the Company's stock transfer agent for registration in Executive's (or Executive's beneficiary's) name. The Company will not be responsible for any gain or loss or taxes incurred with respect to the released Restricted Stock in connection with such liquidation or transfer.

#### 6. Rights as a Shareholder.

Executive shall not be deemed for any purpose to be the owner of any Restricted Stock unless and until (i) the Company shall have issued the Restricted Stock in accordance with Section 4 hereof and (ii) Executive's name shall have been entered as a stockholder of record with respect to the Restricted Stock on the books of the Company. Upon the fulfillment of the conditions in (i) and (ii) of this Section 6, Executive shall be the record owner of the Restricted Stock unless and until such shares are forfeited pursuant to Section 5 hereof or sold or otherwise disposed of, and as record owner shall be entitled to all rights of a common stockholder of the Company, including, without limitation, voting rights and rights to receive currently the dividends, if any, with respect to the Restricted Stock; provided, that the Restricted Stock shall be subject to the limitations on transfer and encumbrance set forth in this Agreement. As soon as practicable following the lapse or removal of Restrictions on any Restricted Stock, the Company shall deliver the released Restricted Stock to Executive with the restrictive legend removed. In the event the Restricted Stock is forfeited pursuant to Section 5 hereof, Executive's

name shall be removed from the stock transfer books of the Company and all rights of Executive to such shares and as a stockholder with respect thereto, including, but not limited to, the right to any cash dividends and stock dividends, shall terminate without further obligation on the part of the Company.

7. Restrictive Legend; Compliance with Legal Requirements.

All certificates or book entries representing Restricted Stock shall have affixed thereto a legend in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

TRANSFER OF THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY IS RESTRICTED PURSUANT TO THE TERMS OF THE CARNIVAL CORPORATION 2011 STOCK PLAN, AS AMENDED FROM TIME TO TIME, A GRANT CERTIFICATE BETWEEN CARNIVAL CORPORATION AND EXECUTIVE, AND AN EXECUTIVE RESTRICTED STOCK AGREEMENT, COPIES OF SUCH PLAN, GRANT CERTIFICATE AND AGREEMENT ARE ON FILE AT THE OFFICES OF CARNIVAL CORPORATION.

The granting and delivery of the Restricted Stock, and any other obligations of the Company under this Agreement, shall be subject to all applicable federal, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. If the delivery of the Restricted Stock would be prohibited by law or the Company's dealing rules, the delivery shall be delayed until the earliest date on which the delivery would not be so prohibited. Upon the expiration of the Restricted Period of any Restricted Stock, Executive agrees to enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with the Plan or this Agreement.

8. Transferability.

The Restricted Stock may not, at any time prior to becoming released Restricted Stock, be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Executive, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company; provided, that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. Notwithstanding the foregoing, unreleased Restricted Stock may be transferred by Executive, without consideration, to a Permitted Transferee in accordance with Section 15(b) of the Plan.

9. Withholding; Section 83(b) Election.

All distributions under the Plan are subject to withholding of all applicable federal, state, local and foreign taxes, and the Committee may condition the grant and/or delivery of Restricted Stock on satisfaction of the applicable withholding obligations. The Company, Carnival plc or any Affiliate of the Company or Carnival plc has the right, but not the obligation, to withhold or retain any Restricted Stock or other property deliverable to Executive in connection with the Award of Restricted Stock or from any compensation or other amounts owing to Executive the amount (in cash, Shares or other property) of any required tax withholding in respect of the Restricted Stock and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Executive may make an election pursuant to Section 83(b) of the Code in respect of the Restricted Stock and, if he does so, he shall timely notify the Company of such election and send the Company a copy thereof.

Executive shall be solely responsible for properly and timely completing and filing any such election.

10. Non-Competition.

The services of Executive are unique, extraordinary and essential to the business of the Combined Group or its Affiliate, particularly in view of Executive's access to the Combined Group's or its Affiliates' confidential information and trade secrets. Accordingly, in consideration of the Restricted Stock awarded hereunder, Executive agrees that he will not, without the prior written approval of the Board, at any time during the term of his employment with the Combined Group or its Affiliates and (except as provided below) for the then remaining duration of the Restricted Period on the Restricted Stock, if any, following the date on which Executive's employment with the Combined Group and its Affiliates terminates, directly or indirectly, within the cruise industry wherever located, engage in any business activity directly or indirectly competitive with the business of the Combined Group or its Affiliates, or serve as an officer, director, owner, consultant, or employee of any organization then in competition with the Combined Group or its Affiliates. In addition, Executive agrees that during such Restricted Period following his employment with the Combined Group or its Affiliates, he will not solicit, either directly or indirectly, any employee of the Combined Group or its Affiliates, or their respective subsidiaries or divisions, who was such at the time of Executive's separation from employment. In the event that the provisions of this Section 10 should ever be adjudicated to exceed the time, geographic or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic or other limitations permitted by applicable law.

11. Non-Disclosure.

Executive expressly agrees and understands that the Combined Group or its Affiliates own and/or control information and material which is not generally available to third parties and which the Combined Group or its Affiliates consider confidential, including, without limitation, methods, products, processes, customer lists, trade secrets and other information applicable to its business and that it may from time to time acquire, improve or produce additional methods, products, processes, customers lists, trade secrets and other information (collectively, the "Confidential Information"). Executive hereby acknowledges that each element of the Confidential Information constitutes a unique and valuable asset of the Combined Group or its Affiliates, and that certain items of the Confidential Information have been acquired from third parties upon the express condition that such items would not be disclosed to the Combined Group or its Affiliates and its officers and agents other than in the ordinary course of business. Executive hereby acknowledges that disclosure of the Combined Group or its Affiliates' Confidential Information to and/or use by anyone other than in the Combined Group's or its Affiliates' ordinary course of business would result in irreparable and continuing damage to the Combined Group or its Affiliates. Accordingly, Executive agrees to hold the Confidential Information in the strictest secrecy, and covenants that, during the term of his employment with Combined Group and its Affiliates (or any member of the Combined Group or its Affiliates) or at any time thereafter, he will not, without the prior written consent of the Board, directly or indirectly, allow any element of the Confidential Information to be disclosed, published or used, nor permit the Confidential Information to be discussed, published or used, either by himself or by any third parties, except in effecting Executive's duties for the Combined Group or its Affiliates in the ordinary course of business. Executive agrees to keep all such records in

connection with Executive's employment as the Combined Group or its Affiliates may direct, and all such records shall be the sole and absolute property of the Combined Group or its Affiliates. Executive further agrees that, within five (5) days of the Combined Group or its Affiliates' request, he shall surrender to the Combined Group or its Affiliates any and all documents, memoranda, books, papers, letters, price lists, notebooks, reports, logbooks, code books, salesmen records, customer lists, activity reports, video or audio recordings, computer programs and any and all other data and information and any and all copies thereof relating to the Combined Group or its Affiliates' business or any Confidential Information. Notwithstanding the foregoing, nothing in this Agreement prohibits the Participant from voluntarily communicating, without notice to or approval by the Company, with any federal or state government agency about a potential violation of a federal or state law or regulation.

12. Clawback/Forfeiture.

Notwithstanding anything to the contrary contained herein, in the case of fraud, negligence, intentional or gross misconduct or other wrongdoing on the part of Executive (or any other event or circumstance set forth in any clawback policy implemented by the Company, including, without limitation, any clawback policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) that results in a material restatement of the Company's issued financial statements, such Executive will be required to reimburse the Company for all or a portion, as determined by the Committee in its sole discretion, of any income or gain realized on the released Restricted Stock or the subsequent sale of shares of released Restricted Stock with respect to any fiscal year in which the Company's financial results are negatively impacted by such restatement. The Executive agrees to and shall be required to repay any such amount to the Company within 30 days after the Company demands repayment. In addition, if the Company is required by law to include an additional "clawback" or "forfeiture" provision to outstanding awards, under the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, then such clawback or forfeiture provision shall also apply to this Agreement as if it had been included on the Date of Grant and the Company shall promptly notify the Executive of such additional provision. In addition, if an Executive has engaged or is engaged in Detrimental Activity after the Executive's employment or service with the Company or its subsidiaries has ceased, then the Executive, within 30 days after written demand by the Company, shall return any income or gain realized on the released Restricted Stock or the subsequent sale of shares of released Restricted Stocks.

13. Miscellaneous.

(a) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(b) Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to Executive, at Executive's address indicated by the Company's records, or if to the Company, at the Company's principal executive office.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(d) No Right to Continued Employment. Nothing in the Plan, the Grant Certificate or in this Agreement shall confer upon Executive any right to continue to serve in the employ of the Company or shall interfere with or restrict in any way the right of the Company, which are hereby expressly reserved, to remove, terminate or discharge Executive at any time for any reason whatsoever, with or without Cause. The rights and obligations of Executive under the terms and conditions of Executive's office or employment shall not be affected by this Agreement or the Grant Certificate. Executive waives all and any rights to compensation and damages in consequence of the termination of Executive's office or employment with any member of the Combined Group or any of its Affiliates for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise, or may arise, from Executive's ceasing to have rights under or Executive's entitlement to the Restricted Stock under this Agreement as a result of such termination or from the loss or diminution in value of such rights or entitlements. In the event of conflict between the terms of this Section 13(d) and the Participant's terms of employment, this Section will take precedence.

(e) Beneficiary. The Executive may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives Executive, Executive's estate shall be deemed to be Executive's beneficiary.

(f) Bound by Plan. By accepting the Restricted Stock award, Executive acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(g) Successors. The terms of this Agreement and the Grant Certificate shall be binding upon and inure to the benefit of the Company, its successors and assigns, and on Executive and the beneficiaries, executors, administrators, heirs and successors of Executive.

(h) Entire Agreement. This Agreement, the Grant Certificate and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter

contained herein and supersede all prior communications, representations and negotiations in respect thereto. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent in accordance with the Plan.

(i) Governing Law; JURY TRIAL WAIVER. This Agreement and the Grant Certificate shall be construed and interpreted in accordance with the laws of the State of Florida without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Florida. THE PARTIES EXPRESSLY AND KNOWINGLY WAIVE ANY RIGHT TO A JURY TRIAL IN THE EVENT ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT AND/OR THE GRANT CERTIFICATE IS LITIGATED OR HEARD IN ANY COURT.

(j) Data Protection. By accepting the grant of the Restricted Stock Executive agrees and consents:

(i) to the collection, use, processing and transfer by the Company of certain personal information about Executive, including Executive's name, home address and telephone number, date of birth, other employee information, details of the Restricted Stock granted to Executive ("Data"); and

(ii) to the Company transferring Data to any subsidiary or Affiliate of the Company for the purposes of implementing, administering and managing this Agreement; and

(iii) to the use of such Data by any person for such purposes; and

(iv) to the transfer to and retention of such Data by third parties in connection with such purposes.

(k) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

**CARNIVAL CORPORATION & PLC**  
**Ratio of Earnings to Fixed Charges**  
(in millions, except ratios)

	Six Months Ended	
	May 31,	
	2016	2015
Net income	\$ 747	\$ 271
Income tax expense, net	3	7
Income before income taxes	750	278
Fixed charges		
Interest expense, net	108	114
Interest portion of rent expense (a)	11	11
Capitalized interest	16	10
Total fixed charges	135	135
Fixed charges not affecting earnings		
Capitalized interest	(16)	(10)
Earnings before fixed charges	\$ 869	\$ 403
Ratio of earnings to fixed charges	6.4	3.0

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

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2016

By: /s/ Arnold W. Donald  
Arnold W. Donald  
President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2016

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer and Chief Accounting Officer

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2016

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2016

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer and Chief Accounting Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2016 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: July 1, 2016

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2016 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: July 1, 2016

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer and Chief Accounting Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2016 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: July 1, 2016

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2016 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: July 1, 2016

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer and Chief Accounting Officer

