



CARNIVAL
CORPORATION & PLC

2018 ANNUAL REPORT

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C O M P A N Y

Carnival Corporation & plc is the world’s largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries, with a portfolio of nine of the world’s leading cruise lines. We are also the largest cruise company, carrying nearly half of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, its portfolio features Carnival Cruise Line, Princess Cruises, Holland America Line, Seabourn, P&O Cruises (Australia), Costa Cruises, AIDA Cruises, P&O Cruises (UK) and Cunard.

Together, the corporation’s cruise lines operate 104 ships with 237,000 lower berths visiting over 700 ports around the world, with 21 new ships scheduled to be delivered through 2025. Carnival Corporation & plc also operates Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon. Traded on both the New York and London Stock Exchanges, Carnival Corporation & plc is the only group in the world to be included in both the S&P 500 and the FTSE 100 indices.

Our vision is “Together we deliver unmatched joyful vacation experiences and breakthrough shareholder returns by exceeding guest expectations and leveraging our scale.”

H I G H L I G H T S

| | November 30, | | | | |
|---|--------------|-----------|-----------|-----------|-----------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| <i>(in millions, except per share amounts and statistical data)</i> | | | | | |
| Revenues | \$ 18,881 | \$ 17,510 | \$ 16,389 | \$ 15,714 | \$ 15,884 |
| Net Income | \$ 3,152 | \$ 2,606 | \$ 2,779 | \$ 1,757 | \$ 1,216 |
| Adjusted Net Income ^(a) | \$ 3,029 | \$ 2,770 | \$ 2,580 | \$ 2,106 | \$ 1,504 |
| Earnings Per Share - Diluted | \$ 4.44 | \$ 3.59 | \$ 3.72 | \$ 2.26 | \$ 1.56 |
| Adjusted Earnings Per Share - Diluted ^(a) | \$ 4.26 | \$ 3.82 | \$ 3.45 | \$ 2.70 | \$ 1.93 |

Statistical Data

| | | | | | |
|-----------------------------------|---------|---------|---------|---------|---------|
| Passengers Carried (in thousands) | 12,400 | 12,100 | 11,500 | 10,800 | 10,600 |
| Passenger Capacity ^(b) | 237,000 | 232,000 | 226,000 | 216,000 | 212,000 |
| Number of Ships | 104 | 103 | 102 | 99 | 100 |

^(a) For a reconciliation to U.S. GAAP, see “Selected Financial Data.”

^(b) Passenger capacity is calculated based on two passengers per cabin.

CHIEF EXECUTIVE OFFICER'S LETTER TO SHAREHOLDERS

Dear Shareholders,

2018 was another strong year for our company. We achieved the highest full-year earnings in our company's history, our fifth consecutive year of adjusted earnings growth and third consecutive record year. More importantly, 2018 marked the return to double-digit return on invested capital. Back in 2013, we set an objective to transform our company and, within five years, to reach double-digit return on invested capital—the mark of a high-performing company.

I sincerely thank our more than 120,000 team members who went above and beyond, and by consistently exceeding our guest expectations, delivered for both our guests and our shareholders. In just five years, our team more than doubled our return on invested capital and nearly tripled our adjusted earnings per share, through executing our strategy to create demand in excess of measured capacity growth while leveraging our industry-leading scale.

It was their efforts that drove, over that time period, an \$11 billion increase in market capitalization and the return of \$11 billion to shareholders through strong dividend growth and opportunistic share repurchases. All of this was accomplished while also achieving an improvement to A- and A3 credit ratings from S&P and Moody's, respectively.

It was their passion and their commitment that enabled us to overcome a host of headwinds and still perform at these higher levels. And when combined with the strong support of our valued travel agent partners, underpinned our sustained earnings improvement.

Creating Demand in Excess of Measured Capacity Growth

While the journey to sustained double-digit return on invested capital is built on the foundation of exceeding guest expectations, we have many other notable accomplishments that helped pave the way.

Our proactive public relations efforts to increase consideration for cruise and reduce misperceptions about cruising have clearly had a positive impact on demand creation. The absolute number of positive media mentions is five times what they were just five years ago and today our brands consistently capture over 75 percent of all positive media in our industry.

Through our marketing efforts, our brands have shared the spotlight with many well-known personalities who brought with them a greater audience of potential new-to-cruise like, to name a few, Oprah Winfrey for Holland America Line, Shaquille O'Neal for Carnival Cruise Line, Shakira for Costa, and even Her Majesty the Queen for P&O Cruises (UK).

Our brands were featured on television programs all around the world including; *Good Morning America*, *The Today Show*, and *The Ellen DeGeneres Show* in the U.S., and in the UK, *Ant & Dec* and the ITV reality show, *The Cruise*.

In addition, we created our own original TV programming which has already reached more than 400 million views and counting, airing on major U.S. networks including ABC, NBC, Telemundo and Univision. Our proprietary shows -- Emmy-award winning *Ocean Treks with Jeff Corwin*, *The Voyager with Josh Garcia*, *Vacation Creation*, and for the fast growing Spanish-speaking market, *La Gran Sorpresa* -- are among the most popular travel series on TV, using authentic storytelling to share the powerful way travel by sea connects people, places and cultures around the world. All of these programs and more can also be found on our own "over the top" digital platform, OceanView, or our own mobile app, OceanView mobile.

Through our history-making voyage to Cuba in 2016, we captured over 55 billion highly positive media impressions, and became the first U.S. cruise operator in more than 40 years to bring cruise guests directly from the U.S. to Cuba. At the same time, our voyage opened an exciting new destination option in the Caribbean for our guests.

We made more global news through the historic signing of a joint venture agreement with China State Shipbuilding Corporation (CSSC), forming a local cruise operating company and forging a significant long-term relationship to help build the cruise industry in China.

And we made history with the debut of OceanMedallion, our patented guest experience innovation, which enabled us to become the first travel company ever to be asked to keynote at CES, the largest technology trade show in the world. We believe MedallionClass can elevate the guest experience by enabling the delivery of more personalized guest services including features like expedited frictionless embarkation; keyless and personalized stateroom access; on demand services, easy to follow wayfinding, the best Wi-Fi at sea, interactive entertainment and more. There is nothing like OceanMedallion in the travel industry today, and we are excited about its potential to further our mission of consistently exceeding our guests' expectations.

To date, OceanMedallion has received 36 billion favorable media impressions for our company and has won recognition globally as an innovation effort, including our company being recognized by *Fast Company* as one of the Top Ten Most Innovative Companies in the travel category.

These kinds of global exposures are all part of our continuous effort to keep cruising at the forefront of consumers' vacation consideration set.

Reinforcing Measured Capacity Growth

Of course, our ongoing fleet replenishment efforts are central to our strategy to create demand in excess of measured capacity growth. Over the last five years, we welcomed 12 state-of-the-art larger, more efficient vessels, while at the same time nine less efficient ships exited our fleet building an inherently more return-resilient fleet.

Going forward, we will continue to achieve greater economies. Over the next five years, we will welcome 17 more efficient ships, and continue to divest our less efficient ships, representing net capacity growth of roughly five percent compounded annually, in keeping with our philosophy of measured capacity growth. We expect this more efficient capacity to be a driver for earnings growth going forward.

Using Our Industry-Leading Scale to Create Greater Value

We continue to make meaningful progress on our cross-brand efforts to use our industry-leading scale to create greater value. We began rolling out new technology across our brands both onboard and shoreside including enhanced targeted marketing, improved CRM capabilities, new mobile apps and redesigned websites which collectively contribute to an enhanced guest experience. We deployed our new state-of-the-art revenue management system across six of our brands. We also accelerated progress on our cost containment efforts, delivering more than \$350 million of cost savings in just five years. We believe we have more runway ahead to continue the momentum.

Affirming Our Sustainability Commitment

Over the past five years, we also had many notable achievements in our sustainability efforts, including the opening of our significantly expanded Arison Maritime Center, home of the CSMART Academy in the Netherlands, to provide state of the art maritime training to nearly 7,000 deck and engineering officers annually, through cutting-edge bridge and engine room simulators and curriculum. And we opened three state-of-the-art Fleet Operations Centers around the globe to provide real-time support, ship-to-shore, 24 hours a day.

On the environmental front, we exceeded our target unit fuel consumption reduction of 25 percent -- three years ahead of schedule -- and we made history with the cruise industry's first ship able to be solely powered by liquefied natural gas, the world's cleanest burning fossil fuel. We are fully committed to continuous improvement in health, environment, safety and security.

Executing Along the Path to Sustainable Double-Digit ROIC

The last five years have been transformative, achieving breakthrough results against considerable odds. It is a solid foundation on which to build. In fact today, our business model is stronger than ever, having built into the fleet even greater return on investment resilience on top of an even stronger balance sheet.

As our journey continues, we will stay on much the same path -- creating demand in excess of measured capacity growth while leveraging our industry-leading scale to deliver a sustained and growing double-digit return on invested capital over time, while at the same time continuing to return cash to shareholders.

While we have accomplished much, we have much more work to do. We are ever mindful that there are headwinds and risks, and we are working hard to ensure that we mitigate and weather them.

Thank you for your continued confidence and your shared vision of building upon the great legacy that is Carnival Corporation & plc as we continue to exceed guest expectations while delivering lifelong memories through the world's greatest holiday experiences.

A handwritten signature in black ink, appearing to read 'Arnold W. Donald', with a stylized flourish at the end.

Arnold W. Donald
President and Chief Executive Officer
January 28, 2019



CARNIVAL CORPORATION & PLC

SHAREHOLDER BENEFIT

Carnival Corporation & plc is pleased to extend the following benefit to our shareholders:

| | NORTH AMERICA BRANDS | CONTINENTAL EUROPE BRANDS | UNITED KINGDOM BRANDS | AUSTRALIA BRANDS |
|---|---------------------------------|--------------------------------------|----------------------------------|-----------------------------|
| Onboard credit per stateroom on sailings of 14 days or longer | US \$250 | €200 | £150 | A\$250 |
| Onboard credit per stateroom on sailings of 7 to 13 days | US \$100 | € 75 | £ 60 | A\$100 |
| Onboard credit per stateroom on sailings of 6 days or less | US \$ 50 | € 40 | £ 30 | A\$ 50 |

The benefit is applicable on sailings through July 31, 2020 aboard the brands listed below. Certain restrictions apply. Applications to receive these benefits should be made at least three weeks prior to cruise departure date.

This benefit is available to shareholders holding a minimum of 100 shares of Carnival Corporation or Carnival plc. Employees, travel agents cruising at travel agent rates, tour conductors or anyone cruising on a reduced-rate or complimentary basis are excluded from this offer. This benefit is not transferable, cannot be exchanged for cash and, cannot be used for casino credits/charges and gratuities charged to your onboard account. Only one onboard credit per shareholder-occupied stateroom. Reservations must be made by February 28, 2020.

Please provide by fax or by mail your complete legal name, reservation/booking number, ship and sailing date, along with proof of ownership of Carnival Corporation or Carnival plc shares (for example, photocopy of shareholder proxy card, a dividend tax voucher or a current brokerage or nominee statement with your brokerage account number **blacked out**) no later than 3 weeks prior to your sail date to your travel agent or to the cruise line you have selected below.

NORTH AMERICA BRANDS **CARNIVAL CRUISE LINE***

Guest Administration
3655 N.W. 87th Avenue
Miami, FL 33178
Tel 800 438 6744 ext. 70450
Fax 305 406 6102

PRINCESS CRUISES*

Booking Support
24303 Town Center Drive, Suite 200
Santa Clarita, CA 91355
Tel 800 872 6779 ext. 30317
Fax 661 753 0180

HOLLAND AMERICA LINE

World Cruise Reservations
450 Third Ave. W.
Seattle, WA 98119
Tel 800 522 3399
Fax 206 201 2620

SEABOURN

Seabourn Reservations
450 Third Ave. W.
Seattle, WA 98119
Tel 800 929 9391
Fax 206 501 2900

CUNARD*

Booking Support
24303 Town Center Drive, Suite 200
Santa Clarita, CA 91355
Tel 800 728 6273 ext. 30317
Fax 661 753 0180

COSTA CRUISES*

Guest Services Administration
880 SW 145th Avenue, Suite 102
Pembroke Pines, FL 33027
Tel 800 462 6782
Fax 954 266 5868

CONTINENTAL EUROPE BRANDS **COSTA CRUISES***

Manager of Reservation
Piazza Piccapietra, 48
16121 Genoa, Italy
Tel 39 0 10 548 31
Fax 39 0 10 999 7019

AIDA CRUISES

Shareholder Guest Services
Am Strande 3d
18055 Rostock, Germany
Tel 49 0 381 2027 0805
Fax 49 0 381 2027 0804

UNITED KINGDOM BRANDS **P & O CRUISES (UK)**

Shareholders Guest Services
Carnival UK
Carnival House
100 Harbour Parade
Southampton SO15 1ST
United Kingdom
Tel 44 0 345 355 5111
Fax 44 0 238 065 7360

CUNARD*

Shareholders Guest Services
Tel 44 0 345 355 0300
Fax 44 0 238 065 7360

PRINCESS CRUISES (UK)*

Princess Cruises Military &
Shareholder Benefits Team
Tel 44 0 843 373 0333
Fax 44 0 238 065 7509

AUSTRALIA BRANDS

P & O CRUISES (AUSTRALIA)

PRINCESS CRUISES* **CARNIVAL CRUISE LINE***

Customer Service Manager
PO Box 1429
Chatswood NSW 2057
Tel 61 2 8 326 4000
Fax 61 2 8 326 4550

*The onboard credit for Carnival Cruise Line, Costa Cruises, Cunard and Princess Cruises is determined based on the operational currency onboard the vessel. Please visit our corporation website at www.carnivalcorp.com for updates.

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)

| | Years Ended November 30, | | |
|---|---------------------------------|-----------------|-----------------|
| | 2018 | 2017 | 2016 |
| Revenues | | | |
| Cruise | | | |
| Passenger ticket | \$ 13,930 | \$ 12,944 | \$ 12,090 |
| Onboard and other | 4,679 | 4,330 | 4,068 |
| Tour and other | 272 | 236 | 231 |
| | <u>18,881</u> | <u>17,510</u> | <u>16,389</u> |
| Operating Costs and Expenses | | | |
| Cruise | | | |
| Commissions, transportation and other | 2,590 | 2,359 | 2,240 |
| Onboard and other | 638 | 587 | 553 |
| Payroll and related | 2,190 | 2,107 | 1,993 |
| Fuel | 1,619 | 1,244 | 915 |
| Food | 1,066 | 1,031 | 1,005 |
| Other ship operating | 2,807 | 3,010 | 2,525 |
| Tour and other | 180 | 163 | 152 |
| | <u>11,089</u> | <u>10,501</u> | <u>9,383</u> |
| Selling and administrative | 2,450 | 2,265 | 2,197 |
| Depreciation and amortization | 2,017 | 1,846 | 1,738 |
| Goodwill and trademark impairment | — | 89 | — |
| | <u>15,556</u> | <u>14,701</u> | <u>13,318</u> |
| Operating Income | <u>3,325</u> | <u>2,809</u> | <u>3,071</u> |
| Nonoperating Income (Expense) | | | |
| Interest income | 14 | 9 | 6 |
| Interest expense, net of capitalized interest | (194) | (198) | (223) |
| Gains (losses) on fuel derivatives, net | 59 | 35 | (47) |
| Other income, net | 3 | 11 | 21 |
| | <u>(118)</u> | <u>(143)</u> | <u>(243)</u> |
| Income Before Income Taxes | 3,207 | 2,666 | 2,828 |
| Income Tax Expense, Net | <u>(54)</u> | <u>(60)</u> | <u>(49)</u> |
| Net Income | <u>\$ 3,152</u> | <u>\$ 2,606</u> | <u>\$ 2,779</u> |
| Earnings Per Share | | | |
| Basic | <u>\$ 4.45</u> | <u>\$ 3.61</u> | <u>\$ 3.73</u> |
| Diluted | <u>\$ 4.44</u> | <u>\$ 3.59</u> | <u>\$ 3.72</u> |
| Dividends Declared Per Share | <u>\$ 1.95</u> | <u>\$ 1.60</u> | <u>\$ 1.35</u> |

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

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

| | Years Ended November 30, | | |
|--|---------------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Net Income | \$ 3,152 | \$ 2,606 | \$ 2,779 |
| Items Included in Other Comprehensive (Loss) Income | | | |
| Change in foreign currency translation adjustment | (199) | 590 | (675) |
| Other | 32 | 82 | (38) |
| Other Comprehensive (Loss) Income | (167) | 672 | (713) |
| Total Comprehensive Income | \$ 2,986 | \$ 3,278 | \$ 2,066 |

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

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

| | November 30, | |
|---|---------------------|-------------|
| | 2018 | 2017 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 982 | \$ 395 |
| Trade and other receivables, net | 358 | 312 |
| Inventories | 450 | 387 |
| Prepaid expenses and other | 436 | 502 |
| Total current assets | 2,225 | 1,596 |
| Property and Equipment, Net | 35,336 | 34,430 |
| Goodwill | 2,925 | 2,967 |
| Other Intangibles | 1,176 | 1,200 |
| Other Assets | 738 | 585 |
| | \$ 42,401 | \$ 40,778 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings | \$ 848 | \$ 485 |
| Current portion of long-term debt | 1,578 | 1,717 |
| Accounts payable | 730 | 762 |
| Accrued liabilities and other | 1,654 | 1,877 |
| Customer deposits | 4,395 | 3,958 |
| Total current liabilities | 9,204 | 8,800 |
| Long-Term Debt | 7,897 | 6,993 |
| Other Long-Term Liabilities | 856 | 769 |
| Commitments and Contingencies | | |
| Shareholders' Equity | | |
| Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 656 shares at 2018 and 655 shares at 2017 issued | 7 | 7 |
| Ordinary shares of Carnival plc, \$1.66 par value; 217 shares at 2018 and 2017 issued | 358 | 358 |
| Additional paid-in capital | 8,756 | 8,690 |
| Retained earnings | 25,066 | 23,292 |
| Accumulated other comprehensive loss | (1,949) | (1,782) |
| Treasury stock, 129 shares at 2018 and 122 shares at 2017 of Carnival Corporation and 48 shares at 2018 and 32 shares at 2017 of Carnival plc, at cost | (7,795) | (6,349) |
| Total shareholders' equity | 24,443 | 24,216 |
| | \$ 42,401 | \$ 40,778 |

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

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

| | Years Ended November 30, | | |
|--|---------------------------------|----------------|----------------|
| | 2018 | 2017 | 2016 |
| OPERATING ACTIVITIES | | | |
| Net income | \$ 3,152 | \$ 2,606 | \$ 2,779 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation and amortization | 2,017 | 1,846 | 1,738 |
| Impairments | 16 | 392 | — |
| (Gains) losses on fuel derivatives, net | (59) | (35) | 47 |
| Share-based compensation | 65 | 63 | 55 |
| Other, net | (6) | 51 | 71 |
| | <u>5,186</u> | <u>4,923</u> | <u>4,690</u> |
| Changes in operating assets and liabilities | | | |
| Receivables | (58) | 6 | (22) |
| Inventories | (67) | (49) | 1 |
| Prepaid expenses and other | 74 | (13) | 11 |
| Accounts payable | (24) | 21 | 109 |
| Accrued and other liabilities | (100) | 73 | (21) |
| Customer deposits | 539 | 361 | 366 |
| Net cash provided by operating activities | <u>5,549</u> | <u>5,322</u> | <u>5,134</u> |
| INVESTING ACTIVITIES | | | |
| Purchases of property and equipment | (3,749) | (2,944) | (3,062) |
| Proceeds from sales of ships | 389 | — | 26 |
| Payments of fuel derivative settlements | (39) | (203) | (291) |
| Other, net | (102) | 58 | 4 |
| Net cash used in investing activities | <u>(3,502)</u> | <u>(3,089)</u> | <u>(3,323)</u> |
| FINANCING ACTIVITIES | | | |
| Proceeds from (repayments of) short-term borrowings, net | 417 | (29) | 447 |
| Principal repayments of long-term debt | (1,556) | (1,227) | (1,278) |
| Proceeds from issuance of long-term debt | 2,542 | 467 | 1,542 |
| Dividends paid | (1,355) | (1,087) | (977) |
| Purchases of treasury stock | (1,468) | (552) | (2,340) |
| Sales of treasury stock | — | — | 40 |
| Other, net | (39) | (24) | (25) |
| Net cash used in financing activities | <u>(1,460)</u> | <u>(2,452)</u> | <u>(2,591)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (1) | 11 | (12) |
| Net increase (decrease) in cash and cash equivalents | <u>587</u> | <u>(208)</u> | <u>(792)</u> |
| Cash and cash equivalents at beginning of year | 395 | 603 | 1,395 |
| Cash and cash equivalents at end of year | <u>\$ 982</u> | <u>\$ 395</u> | <u>\$ 603</u> |

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

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

| | Common stock | Ordinary shares | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Treasury stock | Total shareholders' equity |
|--|-----------------|--------------------|----------------------------------|----------------------|---|-------------------|----------------------------------|
| At November 30, 2015 | \$ 7 | \$ 358 | \$ 8,562 | \$20,060 | \$ (1,741) | \$(3,475) | \$ 23,771 |
| Net income | — | — | — | 2,779 | — | — | 2,779 |
| Other comprehensive loss | — | — | — | — | (713) | — | (713) |
| Cash dividends declared | — | — | — | (996) | — | — | (996) |
| Purchases and sales under the Stock Swap program, net | — | — | 14 | — | — | (13) | 1 |
| Purchases of treasury stock under the Repurchase Program and other | — | — | 56 | — | — | (2,301) | (2,245) |
| At November 30, 2016 | 7 | 358 | 8,632 | 21,843 | (2,454) | (5,789) | 22,597 |
| Change in accounting principle (a) | — | — | 2 | (2) | — | — | — |
| Net income | — | — | — | 2,606 | — | — | 2,606 |
| Other comprehensive income | — | — | — | — | 672 | — | 672 |
| Cash dividends declared | — | — | — | (1,155) | — | — | (1,155) |
| Purchases of treasury stock under the Repurchase Program and other | — | — | 56 | — | — | (560) | (504) |
| At November 30, 2017 | 7 | 358 | 8,690 | 23,292 | (1,782) | (6,349) | 24,216 |
| Net income | — | — | — | 3,152 | — | — | 3,152 |
| Other comprehensive loss | — | — | — | — | (167) | — | (167) |
| Cash dividends declared | — | — | — | (1,378) | — | — | (1,378) |
| Purchases of treasury stock under the Repurchase Program and other | — | — | 66 | — | — | (1,446) | (1,380) |
| At November 30, 2018 | \$ 7 | \$ 358 | \$ 8,756 | \$25,066 | \$ (1,949) | \$(7,795) | \$ 24,443 |

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

- (a) We elected to early adopt the provisions of ASU 2016-09, *Compensation - Stock Compensation - Improvements to Employee Share-Based Payment Accounting*, on December 1, 2016 using the modified retrospective approach. The impact primarily related to forfeitures.

CARNIVAL CORPORATION & PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – General

Description of Business

Carnival Corporation was incorporated in Panama in 1972 and Carnival plc was incorporated in England and Wales in 2000. Together with their consolidated subsidiaries, they are referred to collectively in these consolidated financial statements and elsewhere in this 2018 Annual Report as “Carnival Corporation & plc,” “our,” “us” and “we.” The consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries.

We are the world’s largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries. We are also the largest cruise company, carrying nearly half of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, we operate a portfolio of leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences on 104 cruise ships to the world’s most desirable destinations.

DLC Arrangement

Carnival Corporation and Carnival plc operate a dual listed company (“DLC”) arrangement, whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and provisions in Carnival Corporation’s Articles of Incorporation and By-Laws and Carnival plc’s Articles of Association. The two companies operate as a single economic enterprise with a single senior executive management team and identical Boards of Directors, but each has retained its separate legal identity. Each company’s shares are publicly traded; on the New York Stock Exchange (“NYSE”) for Carnival Corporation and the London Stock Exchange (“LSE”) for Carnival plc. The Carnival plc American Depositary Shares are traded on the NYSE.

The constitutional documents of each company provide that, on most matters, the holders of the common equity of both companies effectively vote as a single body. The Equalization and Governance Agreement between Carnival Corporation and Carnival plc provides for the equalization of dividends and liquidation distributions based on an equalization ratio and contains provisions relating to the governance of the DLC arrangement. Because the equalization ratio is 1 to 1, one share of Carnival Corporation common stock and one Carnival plc ordinary share are generally entitled to the same distributions.

Under deeds of guarantee executed in connection with the DLC arrangement, as well as stand-alone guarantees executed since that time, each of Carnival Corporation and Carnival plc have effectively cross guaranteed all indebtedness and certain other monetary obligations of each other. Once the written demand is made, the holders of indebtedness or other obligations may immediately commence an action against the relevant guarantor.

Under the terms of the DLC arrangement, Carnival Corporation and Carnival plc are permitted to transfer assets between the companies, make loans to or investments in each other and otherwise enter into intercompany transactions. In addition, the cash flows and assets of one company are required to be used to pay the obligations of the other company, if necessary.

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

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

We consolidate entities over which we have control, as typically evidenced by a voting control of greater than 50% or for which we are the primary beneficiary, whereby we have the power to direct the most significant activities and the obligation to absorb significant losses or receive significant benefits from the entity. We do not separately present our noncontrolling interests in the consolidated financial statements since the amounts are immaterial. For affiliates we do not control but where significant influence over financial and operating policies exists, as typically evidenced by a voting control of 20% to 50%, the investment is accounted for using the equity method.

Preparation of Financial Statements

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

Cash and Cash Equivalents

Cash and cash equivalents include investments with maturities of three months or less at acquisition, which are stated at cost and present insignificant risk of changes in value.

Inventories

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

Property and Equipment

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

| | <u>Years</u> | <u>Residual Values</u> |
|---|--|----------------------------|
| Ships | 30 | 15% |
| Ship improvements | 3-30 | 0% |
| Buildings and improvements | 10-40 | 0% or 10% |
| Computer hardware and software | 3-12 | 0% or 10% |
| Transportation equipment and other | 3-20 | 0% or 10% |
| Leasehold improvements, including port facilities | Shorter of the remaining lease term or related asset life (3-30) | 0% |

The cost of ships under construction include progress payments for the construction of new ships, as well as design and engineering fees, capitalized interest, construction oversight costs and various owner supplied items. We account for ship improvement costs by capitalizing those costs we believe add value to our ships and have a useful life greater than one year and depreciate those improvements over their estimated useful life. We have a capital program for the improvement of our ships and for asset replacements in order to enhance the effectiveness and efficiency of our operations; to comply with, or exceed all relevant legal and statutory requirements related to health, environment, safety, security and sustainability; and to gain strategic benefits or provide improved product innovations to our guests.

We capitalize interest as part of the cost of capital projects during their construction period. The specifically identified or estimated cost and accumulated depreciation of previously capitalized ship components are written-off upon retirement, which may result in a loss on disposal that is also included in other ship operating expenses. Liquidated damages received from shipyards as a result of late ship delivery are recorded as reductions to the cost basis of the ship.

The costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred and included in other ship operating expenses. Dry-dock expenses primarily represent planned major maintenance activities that are incurred when a ship is taken out-of-service for scheduled maintenance.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on our ability to recover the carrying value of our asset from the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value. The lowest level for which we maintain identifiable cash flows that are independent of the cash flows of other assets and liabilities is at the individual ship level. A significant amount of judgment is required in estimating the future cash flows and fair values of our cruise ships.

Goodwill and Other Intangibles

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business acquisition. We review our goodwill for impairment at least annually and as events or circumstances dictate. All of our goodwill has been allocated to our reporting units. The impairment review for goodwill allows us to first assess qualitative factors to determine whether it is necessary to perform the more detailed quantitative goodwill impairment test. We would perform the quantitative test if our qualitative assessment determined it is more-likely-than-not that a reporting unit's estimated fair value is less than its carrying amount. We may also elect to bypass the qualitative assessment and proceed directly to the quantitative test for any reporting unit. When performing the quantitative test, if the estimated fair value of the reporting unit exceeds its carrying value, no further analysis is required. However, if the estimated fair value of the reporting unit is less than the carrying value, goodwill is written down based on the difference between the reporting unit's carrying amount and its fair value, limited to the amount of goodwill allocated to the reporting unit.

Trademarks represent substantially all of our other intangibles. For certain acquisitions, we have allocated a portion of the purchase prices to the acquiree's identified trademarks. Trademarks are estimated to have an indefinite useful life and are not amortizable but are reviewed for impairment at least annually and as events or circumstances dictate. The impairment review for trademarks also allows us to first assess qualitative factors to determine whether it is necessary to perform a more detailed quantitative trademark impairment test. We would perform the quantitative test if our qualitative assessment determined it was more-likely-than-not that the trademarks are impaired. We may also elect to bypass the qualitative assessment and proceed directly to the quantitative test. Our trademarks would be considered impaired if their carrying value exceeds their estimated fair value.

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

Derivatives and Other Financial Instruments

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. Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. 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. Any ineffective portion is immediately recognized in earnings. For derivatives that do not qualify for hedge accounting treatment, the change in fair value is recognized in earnings.

We classify the fair value 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.

We measure our derivatives using valuations that are calibrated to the initial trade prices. Subsequent valuations are based on observable inputs and other variables included in the valuation model such as interest rate, 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, and interest rate swaps using observable market data for all significant inputs and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact.

Foreign Currency Translation and Transactions

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

We execute transactions in a number of different currencies. At the date that the transaction is recognized, each asset, liability, revenue, expense, gain or loss arising from the transaction is measured and recorded in the functional currency of the recording entity using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the functional currency are adjusted using the exchange rate at the balance sheet date, with gains or losses recorded in other income or other expense, unless such monetary balances have been designated as hedges of net investments in our foreign entities. The net gains or losses resulting from foreign currency transactions were insignificant in 2018, 2017 and 2016. In addition, the unrealized gains or losses on our long-term intercompany receivables and payables which are denominated in a non-functional currency and which are not expected to be repaid in the foreseeable future are recorded as foreign currency translation adjustments included as a component of AOCI.

Revenue and Expense Recognition

Guest cruise deposits represent unearned revenues and are initially included in customer deposit liabilities when received. Customer deposits are subsequently recognized as cruise revenues, together with revenues from onboard and other activities, and all associated direct costs and expenses of a voyage are recognized as cruise costs and expenses, upon completion of voyages with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. The impact of recognizing these shorter duration cruise revenues and costs and expenses on a completed voyage basis versus on a pro rata basis is not significant. Future travel discount

vouchers are included as a reduction of cruise passenger ticket revenues when such vouchers are utilized. Guest cancellation fees are recognized in cruise passenger ticket revenues at the time of cancellation. Revenue is recognized net of expected discounts.

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

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. A portion of these fees, taxes and charges vary with guest head counts and are directly imposed on a revenue-producing arrangement. This portion of the fees, taxes and charges is expensed in commissions, transportation and other costs when the corresponding revenues are recognized. These fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were \$615 million in 2018, \$579 million in 2017 and \$540 million in 2016. The remaining portion of fees, taxes and charges are also included in cruise passenger ticket revenues and are expensed in other ship operating expenses when the corresponding revenues are recognized.

Revenues and expenses from our hotel and transportation operations, which are included in our Tour and Other segment, are recognized at the time the services are performed or expenses are incurred. Revenues from the long-term leasing of ships, which are also included in our Tour and Other segment, are recognized ratably over the term of the agreement.

Insurance

We maintain insurance to cover a number of risks including illness and injury to crew, guest injuries, pollution, other third-party claims in connection with our cruise activities, damage to hull and machinery for each of our ships, war risks, workers' compensation, directors' and officers' liability, property damage and general liability for shoreside third-party claims. We recognize insurance recoverables from third-party insurers up to the amount of recorded losses at the time the recovery is probable and upon settlement for amounts in excess of the recorded losses. All of our insurance policies are subject to coverage limits, exclusions and deductible levels. The liabilities associated with crew illnesses and crew and guest injury claims, including all legal costs, are estimated based on the specific merits of the individual claims or actuarially estimated based on historical claims experience, loss development factors and other assumptions.

Selling and Administrative Expenses

Selling expenses include a broad range of advertising, marketing and promotional expenses. Advertising is charged to expense as incurred, except for media production costs, which are expensed upon the first airing of the advertisement. Selling expenses totaled \$673 million in 2018, \$645 million in 2017 and \$630 million in 2016. Administrative expenses represent the costs of our shoreside ship support, reservations and other administrative functions, and include salaries and related benefits, professional fees and building occupancy costs, which are typically expensed as incurred.

Share-Based Compensation

We recognize compensation expense for all share-based compensation awards using the fair value method. For time-based share awards, we recognize compensation cost ratably using the straight-line attribution method over the expected vesting period or to the retirement eligibility date, if earlier than the vesting period. For performance-based share awards, we estimate compensation cost based on the probability of the performance condition being achieved and recognize expense ratably using the straight-line attribution method over the

expected vesting period. If all or a portion of the performance condition is not expected to be met, the appropriate amount of previously recognized compensation expense is reversed and future compensation expense is adjusted accordingly. For market-based share awards, we recognize compensation cost ratably using the straight-line attribution method over the expected vesting period. If the target market conditions are not expected to be met, compensation expense will still be recognized. We account for forfeitures as they occur.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares and common stock equivalents outstanding during each period. For earnings per share purposes, Carnival Corporation common stock and Carnival plc ordinary shares are considered a single class of shares since they have equivalent rights.

Accounting Pronouncements

The Financial Accounting Standards Board (the “FASB”) issued amended guidance, *Compensation - Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires the bifurcation of service costs and other components of net benefit cost. The presentation of the other components of net benefit cost have been recorded in other income. On December 1, 2017, we adopted this guidance using the retrospective transition method for the presentation of the service cost component and other components of net benefit cost. The impact of adopting this guidance was immaterial to our consolidated financial statements, and as such, prior period information was not revised.

The FASB issued guidance, *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. 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 2019. We have elected the modified retrospective adoption method which requires entities to apply the new revenue standard only to the current period consolidated financial statements and record a cumulative-effect adjustment to the December 1, 2018 opening balance of retained earnings, if any. We have completed our preliminary evaluation of changes to our revenues using the five step model supported by the new revenue standard. The impact of the adoption of ASC 606 on our consolidated financial statements relates to the gross presentation of prepaid travel agent commissions, shore excursions and other onboard revenues and costs which were historically presented net. The adoption of this guidance will not have a material impact to the timing of our recognition of revenues and will require additional disclosures.

The FASB issued amended guidance, *Business Combinations - Clarifying the Definition of a Business*, which assists entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This guidance is required to be adopted by us in the first quarter of 2019 on a prospective basis. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

The FASB issued amended guidance, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are aimed at reducing the existing diversity in practice. This guidance is required to be adopted by us in the first quarter of 2019 and must be applied using a retrospective approach for each period presented. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

The FASB issued amended guidance, *Statement of Cash Flows - Restricted Cash*, which requires restricted cash to be presented with cash and cash equivalents in the statement of cash flows. This guidance is required to be

adopted by us in the first quarter of 2019 and must be applied using a retrospective approach to each period presented. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

The FASB issued amended guidance, *Service Concession Arrangements*, which clarifies that the grantor in a service arrangement should be considered the customer of the operating entity in all cases. This guidance is required to be adopted by us in the first quarter of 2019 and can be applied using either a retrospective or a modified retrospective approach. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

The FASB issued guidance, *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 2020 and must be applied using a modified retrospective approach which allows entities to either apply the new lease standard to the beginning of the earliest period presented or only to the current period consolidated financial statement. Early adoption is permitted. The initial adoption of this guidance is expected to increase both our total assets and total liabilities, reflecting the lease rights and obligations arising from our lease arrangements, and will require additional disclosures. We are evaluating certain contractual arrangements to determine if they contain an implicit right to use an asset that would qualify as a leasing arrangement under the new guidance.

The FASB issued guidance, *Derivatives and Hedging*, which targeted improvements to accounting for hedging activities such as hedging strategies, effectiveness assessments, and recognition of derivative gains or losses. This guidance is required to be adopted by us in the first quarter of 2020 and must be applied using a modified retrospective approach. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

The FASB issued guidance, *Intangibles - Goodwill and Other - Internal-Use Software*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. The expense related to deferred implementation costs is required to be presented in the same income statement line item as the related hosting fees. Additionally, the payments for deferred implementation costs are required to be presented in the same line item in the statement of cash flows as payments for the related hosting fees. This guidance is required to be adopted by us in the first quarter of 2021 and must be applied using either a prospective or a retrospective approach. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statement.

NOTE 3 – Property and Equipment

| <i>(in millions)</i> | November 30, | |
|-------------------------------|------------------|------------------|
| | 2018 | 2017 |
| Ships and ship improvements | \$ 46,957 | \$ 46,744 |
| Ships under construction | 2,004 | 790 |
| Other property and equipment | 3,661 | 3,331 |
| Total property and equipment | 52,622 | 50,865 |
| Less accumulated depreciation | (17,286) | (16,435) |
| | <u>\$ 35,336</u> | <u>\$ 34,430</u> |

Capitalized interest amounted to \$36 million in 2018, \$28 million in 2017 and \$26 million in 2016.

Sales of Ships

In March 2018, we entered into an agreement to sell an NAA segment 1,260-passenger capacity ship. The ship will be transferred to the buyer in April 2019.

In March 2018, we sold and transferred an EA segment 700-passenger capacity ship.

In April 2018, we sold and transferred an EA segment 1,300-passenger capacity ship.

In June 2018, we sold a NAA segment 840-passenger capacity ship. The ship will be transferred to the buyer in July 2019.

In June 2018, we sold an EA segment 1,880-passenger capacity ship. The ship will be transferred to the buyer in August 2019.

In August 2018, we entered into an agreement to sell an NAA segment 1,680-passenger capacity ship. The ship will be transferred to the buyer in March 2019.

In November 2018, we entered into an agreement to sell an EA segment 2,210-passenger capacity ship. The ship will be transferred to the buyer by the end of 2019.

In November 2018, we entered into an agreement to sell an EA segment 2,110-passenger capacity ship. The ship will be transferred to the buyer at a date still to be determined.

NOTE 4 – Other Assets

We have a minority interest in Grand Bahama Shipyard Ltd. (“Grand Bahama”), a ship repair and maintenance facility. Grand Bahama provided services to us of \$89 million in 2018, \$97 million in 2017 and \$58 million in 2016.

In July 2018, we acquired a minority interest in the White Pass & Yukon Route (“White Pass”) division of TWC Enterprises Ltd. that includes White Pass’ port, railroad and retail operations in Skagway, Alaska.

In October 2018, we acquired a minority interest in CSSC Carnival Cruise Shipping Limited (“CSSC-Carnival”), a China-based cruise company which will operate its own fleet designed to serve the Chinese market. In November 2018, we entered into an agreement to sell two EA segment ships to CSSC-Carnival.

NOTE 5 – Unsecured Debt

| <i>(in millions)</i> | November 30, 2018 | | November 30, | |
|---|-------------------|-----------------------|--------------|----------|
| | Interest Rates | Maturities Through | 2018 | 2017 |
| Long-Term Debt | | | | |
| Export Credit Facilities | | | | |
| Fixed rate | 2.4% to 5.0% | 2030 | \$ 1,819 | \$ 860 |
| EUR fixed rate | 3.8% to 4.5% | 2025 | 189 | 229 |
| Floating rate | 3.0% to 3.3% | 2022 | 240 | 307 |
| EUR floating rate | 0.0% to 0.7% | 2027 | 1,297 | 1,596 |
| Bank Loans | | | | |
| EUR fixed rate | 0.5% to 3.9% | 2021 | 257 | 653 |
| Floating rate | 3.2% to 3.6% | 2025 | 495 | 500 |
| EUR floating rate | 0.3% to 0.7% | 2023 | 1,193 | 355 |
| GBP floating rate | 1.3% to 1.7% | 2023 | 848 | 415 |
| Private Placement Notes | | | | |
| EUR fixed rate | — | — | — | 57 |
| Publicly-Traded Notes | | | | |
| Fixed rate | 4.0% to 7.2% | 2028 | 1,217 | 1,717 |
| EUR fixed rate | 1.1% to 1.9% | 2022 | 1,989 | 2,072 |
| Short-Term Borrowings | | | | |
| Floating rate commercial paper | — | — | — | 420 |
| EUR floating rate commercial paper | (0.2)% | 2019 | 621 | 65 |
| EUR fixed rate bank loans | (0.2)% | 2019 | 227 | — |
| Total Debt | | | 10,394 | 9,246 |
| Less: Unamortized debt issuance costs | | | (71) | (51) |
| Total Debt, net of unamortized debt issuance costs | | | 10,323 | 9,195 |
| Less: Short-term borrowings | | | (848) | (485) |
| Less: Current portion of long-term debt | | | (1,578) | (1,717) |
| Long-Term Debt | | | \$ 7,897 | \$ 6,993 |

The debt table does not include the impact of our foreign currency and interest rate swaps. The interest rates on some of our debt, and in the case of our main revolving credit facility, fluctuate based on the applicable rating of senior unsecured long-term securities of Carnival Corporation or Carnival plc. For the twelve months ended November 30, 2018 and 2017, we had borrowings of \$2 million and \$111 million and repayments of \$2 million and \$364 million of commercial paper with original maturities greater than three months.

Interest-bearing debt is recorded at initial fair value, which normally reflects the proceeds received by us, net of debt issuance costs, and is subsequently stated at amortized cost. Debt issuance costs are generally amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the debt. In addition, all debt issue discounts and premiums are amortized to interest expense using the effective interest rate method over the term of the notes.

Substantially all of our fixed rate debt can be called or prepaid by incurring additional costs. In addition, substantially all of our debt agreements, including our main revolving credit facility, contain one or more financial covenants that require us to:

- Maintain minimum debt service coverage
- Maintain minimum shareholders' equity
- Limit our debt to capital and debt to equity ratios
- Limit the amounts of our secured assets as well as secured and other indebtedness

Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated. At November 30, 2018, we were in compliance with all of our debt covenants.

The scheduled annual maturities of our debt were as follows:

| <i>(in millions)</i> | | |
|----------------------|--|--------------------------|
| Fiscal | | November 30, 2018 |
| 2019 | | \$ 2,426 |
| 2020 | | 2,143 |
| 2021 | | 1,101 |
| 2022 | | 1,081 |
| 2023 | | 1,776 |
| Thereafter | | 1,868 |
| | | <u>\$ 10,394</u> |

Committed Ship Financings

We have unsecured euro and U.S. dollar long-term export credit committed ship financings. These commitments, if drawn at the time of ship delivery, are generally repayable semi-annually over 12 years. We have the option to cancel each one at specified dates prior to the underlying ship's delivery date.

Revolving Credit Facilities

At November 30, 2018, we had \$2.9 billion of total revolving credit facilities comprised of a \$2.6 billion (\$1.9 billion, €500 million and £169 million) multi-currency revolving credit facility that expires in 2021 (the "Facility") and a \$300 million revolving credit facility that expires in 2020. A total of \$2.3 billion of this capacity was available for drawing, which is net of outstanding commercial paper. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 30 basis points ("bps"). The margin varies based on changes to Carnival Corporation's and Carnival plc's long-term senior unsecured credit ratings. We are required to pay a commitment fee on any undrawn portion.

NOTE 6 – Commitments

| <i>(in millions)</i> | Fiscal | | | | | | Total |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | |
| New ship growth capital | \$ 4,935 | \$ 3,849 | \$ 3,887 | \$ 3,117 | \$ 2,110 | \$ 1,132 | \$ 19,029 |
| Operating leases | 70 | 48 | 46 | 36 | 35 | 180 | 415 |
| Port facilities and other | 311 | 292 | 249 | 172 | 132 | 1,097 | 2,253 |
| | <u>\$ 5,316</u> | <u>\$ 4,189</u> | <u>\$ 4,182</u> | <u>\$ 3,325</u> | <u>\$ 2,277</u> | <u>\$ 2,409</u> | <u>\$ 21,697</u> |

NOTE 7 – Contingencies

Litigation

In the normal course of our business, various claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits, or any settlement of 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, lawsuits, and settlements, as applicable, each and in the aggregate, will not have a material impact on our consolidated financial statements.

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 changes in laws which increase our lenders' costs. 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.

NOTE 8 – Taxation

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

U.S. Income Tax

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

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

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

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

Regulations under Section 883 list certain activities that the Internal Revenue Service ("IRS") does not consider to be incidental to the international operation of ships and, therefore, the income attributable to such activities, to the extent such income is U.S. source, does not qualify for the Section 883 exemption. Among the activities identified as not incidental are income from the sale of air transportation, transfers, shore excursions and pre- and post-cruise land packages to the extent earned from sources within the U.S.

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

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

UK and Australian Income Tax

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

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

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

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

Italian and German Income Tax

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

Most of Costa's and AIDA's earnings that are not eligible for taxation under the Italian tonnage tax regime will be taxed at an effective tax rate of 4.8%.

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

Asian Countries Income Taxes

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

Other

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

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

NOTE 9 – Shareholders’ Equity

Under a share repurchase program effective 2004, we are authorized to repurchase Carnival Corporation common stock and Carnival plc ordinary shares (the “Repurchase Program”). Effective April 10 and August 27, 2018, the company approved modifications of the general authorization under the Repurchase Program, which replenished the remaining authorized repurchases at the time of the approvals to \$1.0 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

| <i>(in millions)</i> | Carnival Corporation | | Carnival plc | |
|----------------------|-------------------------------------|--|-------------------------------------|--|
| | Number of Shares Repurchased | Dollar Amount Paid for Shares Repurchased | Number of Shares Repurchased | Dollar Amount Paid for Shares Repurchased |
| 2018 | 7.8 | \$ 476 | 16.3 | \$ 985 |
| 2017 | 3.3 | \$ 223 | 5.6 | \$ 335 |
| 2016 | 47.8 | \$ 2,264 | 0.7 | \$ 35 |

In addition to the Repurchase Program, we have programs that allow us to obtain an economic benefit when either Carnival Corporation common stock is trading at a premium to the price of Carnival plc ordinary shares or Carnival plc ordinary shares are trading at a premium to Carnival Corporation common stock (the “Stock Swap Programs”).

During 2016, under the Stock Swap Programs, a subsidiary of Carnival Corporation sold 0.9 million of Carnival plc ordinary shares for net proceeds of \$40 million. Substantially all of the net proceeds from these sales were used to purchase 0.9 million shares of Carnival Corporation common stock. Carnival Corporation sold these Carnival plc ordinary shares owned by the subsidiary only to the extent it was able to repurchase an equivalent number of shares of Carnival Corporation common stock in the U.S.

During 2018 and 2017, there were no sales or repurchases under the Stock Swap Programs. During 2016, there were no sales of Carnival Corporation common stock or repurchases of Carnival plc ordinary shares under the Stock Swap Programs.

| <i>(in millions)</i> | Accumulated Other Comprehensive Loss | |
|--|---|-------------------|
| | November 30, | |
| | 2018 | 2017 |
| Cumulative foreign currency translation adjustments, net | \$ (1,875) | \$ (1,675) |
| Unrecognized pension expenses | (56) | (94) |
| Net losses on cash flow derivative hedges | (19) | (13) |
| | <u>\$ (1,949)</u> | <u>\$ (1,782)</u> |

During 2018, 2017 and 2016, there were \$5 million, \$18 million and \$7 million of unrecognized pension expenses that were reclassified out of accumulated other comprehensive loss and were included within payroll and related expenses and selling and administrative expenses.

We declared quarterly cash dividends on all of our common stock and ordinary shares as follows:

| <i>(in millions, except per share data)</i> | Quarters Ended | | | |
|---|-----------------------|---------------|------------------|--------------------|
| | February 28/29 | May 31 | August 31 | November 30 |
| 2018 | | | | |
| Dividends declared per share | \$ 0.45 | \$ 0.50 | \$ 0.50 | \$ 0.50 |
| Dividends declared | \$ 322 | \$ 357 | \$ 350 | \$ 349 |
| 2017 | | | | |
| Dividends declared per share | \$ 0.35 | \$ 0.40 | \$ 0.40 | \$ 0.45 |
| Dividends declared | \$ 251 | \$ 291 | \$ 289 | \$ 324 |
| 2016 | | | | |
| Dividends declared per share | \$ 0.30 | \$ 0.35 | \$ 0.35 | \$ 0.35 |
| Dividends declared | \$ 225 | \$ 261 | \$ 256 | \$ 254 |

Carnival Corporation's Articles of Incorporation authorize its Board of Directors, at its discretion, to issue up to \$40 million shares of preferred stock. At November 30, 2018 and 2017, no Carnival Corporation preferred stock had been issued and a nominal amount of Carnival plc preference shares had been issued.

NOTE 10 – Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risk

Fair Value Measurements

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured using inputs in one of the following three categories:

- 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.

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

| <i>(in millions)</i> | November 30, 2018 | | | | November 30, 2017 | | | |
|----------------------------|-------------------|------------|-----------|---------|-------------------|------------|----------|---------|
| | Carrying Value | Fair Value | | | Carrying Value | Fair Value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| Assets | | | | | | | | |
| Long-term other assets (a) | \$ 127 | \$ — | \$ 30 | \$ 95 | \$ 126 | \$ — | \$ 49 | \$ 75 |
| Total | \$ 127 | \$ — | \$ 30 | \$ 95 | \$ 126 | \$ — | \$ 49 | \$ 75 |
| Liabilities | | | | | | | | |
| Fixed rate debt (b) | \$ 5,699 | \$ — | \$ 5,799 | \$ — | \$ 5,588 | \$ — | \$ 5,892 | \$ — |
| Floating rate debt (b) | 4,695 | — | 4,727 | — | 3,658 | — | 3,697 | — |
| Total | \$ 10,394 | \$ — | \$ 10,526 | \$ — | \$ 9,246 | \$ — | \$ 9,589 | \$ — |

- (a) Long-term other assets are comprised of notes receivable. The fair values of our Level 2 notes 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.
- (b) The debt amounts above do not include the impact of interest rate swaps or debt issuance costs. 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 current market interest rates being applied to this debt.

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

| <i>(in millions)</i> | November 30, 2018 | | | November 30, 2017 | | |
|--|-------------------|---------|---------|-------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 982 | \$ — | \$ — | \$ 395 | \$ — | \$ — |
| Restricted cash | 14 | — | — | 26 | — | — |
| Marketable securities held in rabbi trusts (a) | 9 | — | — | 97 | — | — |
| Derivative financial instruments | — | — | — | — | 15 | — |
| Total | \$ 1,005 | \$ — | \$ — | \$ 518 | \$ 15 | \$ — |
| Liabilities | | | | | | |
| Derivative financial instruments | \$ — | \$ 29 | \$ — | \$ — | \$ 161 | \$ — |
| Total | \$ — | \$ 29 | \$ — | \$ — | \$ 161 | \$ — |

- (a) The use of marketable securities held in rabbi trusts is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.

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

Valuation of Goodwill and Trademarks

As of July 31, 2018, we performed our annual goodwill and trademark impairment reviews and we determined there was no impairment for goodwill or trademarks.

During 2017, we made a decision to strategically realign our business in Australia, which includes reducing capacity in P&O Cruises (Australia). We performed discounted cash flow analyses and determined that the estimated fair values of the P&O Cruises (Australia) reporting unit and its trademark no longer exceeded their

carrying values. We recognized a goodwill impairment charge of \$38 million and a trademark impairment charge of \$50 million for the year ended November 30, 2017.

The determination of our reporting unit goodwill and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions, all of which are considered Level 3 inputs, used in our cash flow analyses consisted of:

- Forecasted operating results, including net revenue yields and net cruise costs including fuel prices
- Capacity changes and the expected rotation of vessels into or out of each of these cruise brands, including decisions about the allocation of new ships amongst brands, the transfer of ships between brands and the timing of ship dispositions
- Weighted-average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate
- Capital expenditures, proceeds from forecasted dispositions of ships and terminal values

We believe that we have made reasonable estimates and judgments. Changes in the conditions or circumstances may result in a need to recognize an additional impairment charge.

| | Goodwill | | |
|---|--------------------|-------------------|--------------|
| <i>(in millions)</i> | NAA Segment | EA Segment | Total |
| At November 30, 2016 | \$ 1,934 | \$ 976 | \$ 2,910 |
| Impairment charge | (38) | — | (38) |
| Foreign currency translation adjustment | 2 | 93 | 95 |
| At November 30, 2017 | 1,898 | 1,069 | 2,967 |
| Foreign currency translation adjustment | — | (42) | (42) |
| At November 30, 2018 | \$ 1,898 | \$ 1,027 | \$ 2,925 |

| | Trademarks | | |
|---|--------------------|-------------------|--------------|
| <i>(in millions)</i> | NAA Segment | EA Segment | Total |
| At November 30, 2016 | \$ 975 | \$ 231 | \$ 1,206 |
| Impairment charge | (50) | — | (50) |
| Foreign currency translation adjustment | 3 | 20 | 23 |
| At November 30, 2017 | 928 | 251 | 1,179 |
| Foreign currency translation adjustment | — | (10) | (10) |
| At November 30, 2018 | \$ 927 | \$ 242 | \$ 1,169 |

Impairments of Ships

We review our long-lived assets for impairment whenever events or circumstances indicate potential impairment. Primarily as a result of our decision during 2017 to strategically realign our business in Australia, which includes reducing capacity in P&O Cruises (Australia), we performed undiscounted cash flow analyses on certain ships as of July 31, 2017. Based on these undiscounted cash flow analyses, we determined that some of these ships had net carrying values that exceeded their estimated undiscounted future cash flows. We estimated the July 31, 2017 fair values of these ships based on their discounted cash flows and comparable market transactions. We then compared these estimated fair values to the net carrying values and, as a result, we recognized \$162 million and \$142 million of ship impairment charges in the NAA and EA segments, respectively, for the year end

November 30, 2017. The impairment is included in other ship operating expenses in our consolidated statements of income.

The principal assumptions used in our analyses consisted of forecasted future operating results, including net revenue yields and net cruise costs including fuel prices, estimated ship sale proceeds, and changes in strategy, including decisions about the transfer of ships between brands. All principal assumptions are considered Level 3 inputs.

Derivative Instruments and Hedging Activities

| <i>(in millions)</i> | Balance Sheet Location | November 30, | |
|---|-------------------------------|---------------------|---------------|
| | | 2018 | 2017 |
| Derivative assets | | | |
| Derivatives designated as hedging instruments | | | |
| Cross currency swaps (a) | Prepaid expenses and other | \$ — | \$ 3 |
| Foreign currency zero cost collars (b) | Prepaid expenses and other | — | 12 |
| Total derivative assets | | <u>\$ —</u> | <u>\$ 15</u> |
| Derivative liabilities | | | |
| Derivatives designated as hedging instruments | | | |
| Cross currency swaps (a) | Accrued liabilities and other | \$ 5 | \$ 13 |
| | Other long-term liabilities | — | 17 |
| Interest rate swaps (c) | Accrued liabilities and other | 8 | 10 |
| | Other long-term liabilities | 11 | 17 |
| | | <u>23</u> | <u>57</u> |
| Derivatives not designated as hedging instruments | | | |
| Fuel (d) | Accrued liabilities and other | 6 | 95 |
| | Other long-term liabilities | — | 9 |
| | | <u>6</u> | <u>104</u> |
| Total derivative liabilities | | <u>\$ 29</u> | <u>\$ 161</u> |

- (a) At November 30, 2018 and 2017, we had cross currency swaps totaling \$156 million and \$324 million, respectively, that are designated as hedges of our net investments in foreign operations with a euro-denominated functional currency. At November 30, 2018, this cross currency swap settles through September 2019.
- (b) At November 30, 2017, 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.
- (c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed \$385 million at November 30, 2018 and \$479 million at November 30, 2017 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At November 30, 2018, these interest rate swaps settle through March 2025.
- (d) At November 30, 2017, 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.

Our derivative contracts include rights of offset with our counterparties. We have elected to net certain of our derivative assets and liabilities within counterparties.

| November 30, 2018 | | | | | |
|--------------------------|----------------------|--|---|--|--------------------|
| <i>(in millions)</i> | 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 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Liabilities | \$ 29 | \$ — | \$ 29 | \$ — | \$ 29 |

| November 30, 2017 | | | | | |
|--------------------------|----------------------|--|---|--|--------------------|
| <i>(in millions)</i> | 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 | \$ 15 | \$ — | \$ 15 | \$ (8) | \$ 7 |
| Liabilities | \$ 161 | \$ — | \$ 161 | \$ (8) | \$ 153 |

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

| <i>(in millions)</i> | November 30, | | |
|---|---------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Cross currency swaps - net investment hedges | \$ 18 | \$ (31) | \$ (33) |
| Foreign currency zero cost collars – cash flow hedges | \$ (12) | \$ 45 | \$ (8) |
| Interest rate swaps – cash flow hedges | \$ 6 | \$ 8 | \$ 8 |

At November 30, 2018 and 2017, no collateral was required to be posted to or received from our fuel derivative counterparties.

The amount of estimated cash flow hedges' unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant.

Financial Risk

Fuel Price Risks

We manage our exposure to fuel price risk by managing our consumption of fuel. Substantially all of our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We manage fuel consumption through ship maintenance practices, modifying our itineraries and implementing innovative technologies. We are also adding new, more fuel efficient ships to our fleet and are strategically disposing of smaller, less fuel efficient ships.

| <i>(in millions)</i> | November 30, | | |
|---|---------------------|--------------|----------------|
| | 2018 | 2017 | 2016 |
| Unrealized gains on fuel derivatives, net | \$ 94 | \$ 227 | \$ 236 |
| Realized losses on fuel derivatives, net | (35) | (192) | (283) |
| Gains (losses) on fuel derivatives, net | <u>\$ 59</u> | <u>\$ 35</u> | <u>\$ (47)</u> |

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 monitor our exposure to, and manage, the economic foreign currency exchange risks faced by our operations and realized if we exchange one currency for another. 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 operations primarily utilize the U.S. dollar, Australian dollar, euro or sterling as their functional currencies. Our operations also have revenue and expenses denominated in non-functional currencies. Movements in foreign currency exchange rates will affect our financial statements.

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 have \$5.9 billion and \$848 million of euro- and sterling-denominated debt, respectively, including the effect of cross currency swaps, which provides an economic offset for our operations with euro and sterling functional currency. We also partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations' functional currencies.

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 to manage foreign currency exchange rate risk for some of our ship construction payments. At November 30, 2018 we had no outstanding foreign currency derivative contracts used to manage shipyard payments.

At November 30, 2018, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments to non-euro functional currency brands, which represent a total unhedged commitment of \$10.1 billion for newbuilds scheduled to be delivered from 2019 through 2025.

The cost of shipbuilding orders that we may place in the future that is denominated in a different currency than our cruise brands' will be affected by foreign currency exchange rate fluctuations. These foreign currency exchange rate fluctuations may affect our decision 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, issuance of new debt, amendment of existing debt or early retirement of existing debt.

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. 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:

- Conducting business with large, well-established financial institutions, insurance companies and export credit agencies
- Diversifying our counterparties
- Having guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimize risk
- Generally requiring collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards

We believe the risk of nonperformance by any of our significant counterparties is remote. At November 30, 2018, our exposures under foreign currency contracts and interest rate swap agreements were not material. 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. 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, the nature of these contingent obligations and their short maturities. We have not experienced significant 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 11 – Segment Information

Beginning in the first quarter of 2018, we revised our operating segments due to changes in our internal reporting as a result of the recent strategic realignment of our business in Australia. The presentation of prior period segment information has been revised to reflect this change. Our operating 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 four reportable segments are comprised of (1) NAA cruise operations, (2) EA cruise operations, (3) Cruise Support and (4) Tour and Other.

The operating segments within each of our NAA and EA reportable segments have been aggregated based on the similarity of their economic and other characteristics. Our Cruise Support segment includes our portfolio of leading port destinations and other services, all of which are operated for the benefit of our cruise brands. Our Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours and other operations.

As of and for the years ended November 30,

| <i>(in millions)</i> | <u>Revenues</u> | <u>Operating costs and expenses</u> | <u>Selling and administrative</u> | <u>Depreciation and amortization</u> | <u>Operating income (loss)</u> | <u>Capital expenditures</u> | <u>Total assets</u> |
|----------------------|------------------|-------------------------------------|-----------------------------------|--------------------------------------|--------------------------------|-----------------------------|---------------------|
| 2018 | | | | | | | |
| NAA | \$ 12,236 | \$ 7,180 | \$ 1,403 | \$ 1,264 | \$ 2,389 | \$ 2,614 | \$ 25,613 |
| EA | 6,243 | 3,676 | 751 | 611 | 1,205 | 945 | 13,825 |
| Cruise Support | 129 | 53 | 268 | 103 | (296) | 38 | 2,303 |
| Tour and Other | 272 | 180 | 28 | 39 | 26 | 152 | 660 |
| | <u>\$ 18,881</u> | <u>\$ 11,089</u> | <u>\$ 2,450</u> | <u>\$ 2,017</u> | <u>\$ 3,325</u> | <u>\$ 3,749</u> | <u>\$ 42,401</u> |
| 2017 | | | | | | | |
| NAA | \$ 11,442 | \$ 6,704 | \$ 1,337 | \$ 1,195 | \$ 2,117 (a) | \$ 1,715 | \$ 24,430 |
| EA | 5,703 | 3,568 | 667 | 561 | 907 | 793 | 14,149 |
| Cruise Support | 129 | 66 | 246 | 53 | (235) | 431 | 1,739 |
| Tour and Other | 236 | 163 | 15 | 37 | 20 | 5 | 459 |
| | <u>\$ 17,510</u> | <u>\$ 10,501</u> | <u>\$ 2,265</u> | <u>\$ 1,846</u> | <u>\$ 2,809</u> | <u>\$ 2,944</u> | <u>\$ 40,778</u> |
| 2016 | | | | | | | |
| NAA | \$ 10,563 | \$ 5,961 | \$ 1,273 | \$ 1,117 | \$ 2,211 | \$ 2,114 | \$ 24,066 |
| EA | 5,464 | 3,203 | 638 | 538 | 1,086 | 622 | 12,844 |
| Cruise Support | 131 | 67 | 278 | 42 | (256) | 310 | 1,513 |
| Tour and Other | 231 | 152 | 8 | 41 | 30 | 16 | 458 |
| | <u>\$ 16,389</u> | <u>\$ 9,383</u> | <u>\$ 2,197</u> | <u>\$ 1,738</u> | <u>\$ 3,071</u> | <u>\$ 3,062</u> | <u>\$ 38,881</u> |

(a) Includes \$89 million of impairment charges related to NAA's goodwill and trademarks.

Revenues by geographic areas, which are based on where our guests are sourced, were as follows:

| <i>(in millions)</i> | Years Ended November 30, | | |
|----------------------|---------------------------------|------------------|------------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| North America | \$ 10,066 | \$ 9,195 | \$ 8,327 |
| Europe | 5,957 | 5,414 | 5,254 |
| Australia and Asia | 2,530 | 2,604 | 2,506 |
| Other | 327 | 297 | 302 |
| | <u>\$ 18,881</u> | <u>\$ 17,510</u> | <u>\$ 16,389</u> |

Substantially all of our long-lived assets consist of our ships and move between geographic areas.

NOTE 12 – Compensation Plans

Equity Plans

We issue our share-based compensation awards, which at November 30, 2018 included time-based share awards (restricted stock awards and restricted stock units), performance-based share awards and market-based share awards (collectively “equity awards”), under the Carnival Corporation and Carnival plc stock plans. Equity awards are principally granted to management level employees and members of our Boards of Directors. The

plans are administered by the Compensation Committee which is made up of independent directors who determine which employees are eligible to participate, the monetary value or number of shares for which equity awards are to be granted and the amounts that may be exercised or sold within a specified term. We had an aggregate of 13.5 million shares available for future grant at November 30, 2018. We fulfill our equity award obligations using shares purchased in the open market or with unissued shares or treasury shares. Our equity awards generally vest over a three-year period, subject to earlier vesting under certain conditions.

| | <u>Shares</u> | <u>Weighted-Average Grant Date Fair Value</u> |
|----------------------------------|------------------|---|
| Outstanding at November 30, 2015 | 3,609,395 | \$ 42.84 |
| Granted | 1,451,917 | \$ 53.98 |
| Vested | (1,454,381) | \$ 38.18 |
| Forfeited | <u>(193,806)</u> | \$ 47.76 |
| Outstanding at November 30, 2016 | 3,413,125 | \$ 48.03 |
| Granted | 1,116,314 | \$ 54.79 |
| Vested | (1,466,690) | \$ 38.95 |
| Forfeited | <u>(112,781)</u> | \$ 51.72 |
| Outstanding at November 30, 2017 | 2,949,968 | \$ 51.82 |
| Granted | 951,906 | \$ 66.68 |
| Vested | (1,419,218) | \$ 45.45 |
| Forfeited | <u>(202,139)</u> | \$ 56.57 |
| Outstanding at November 30, 2018 | <u>2,280,517</u> | \$ 61.57 |

As of November 30, 2018, there was \$65 million of total unrecognized compensation cost related to equity awards, which is expected to be recognized over a weighted-average period of 1.4 years.

Defined Benefit Pension Plans

We have several single-employer defined benefit pension plans, which cover some of our shipboard and shoreside employees. The U.S. and UK shoreside employee plans are closed to new membership and are funded at or above the level required by U.S. or UK regulations. The remaining defined benefit plans are primarily unfunded. In determining all of our plans' benefit obligations at November 30, 2018 and 2017, we assumed a weighted-average discount rate of 3.4% for 2018 and 2.7% for 2017.

In addition, we participate in two multiemployer defined benefit pension plans in the UK, the British Merchant Navy Officers Pension Fund (registration number 10005645) ("MNOFP"), which is divided into two sections, the "New Section" and the "Old Section" and the British Merchant Navy Ratings Pension Fund (registration number 10005646) ("MNRPF"). Collectively, we refer to these as "the multiemployer plans." The multiemployer plans are maintained for the benefit of the employees of the participating employers who make contributions to the plans. However, contributions made by employers, including us, may be used to provide benefits to employees of other participating employers, and if any of the participating employers withdraw from the multiemployer plans or fail to make their required contributions, any unfunded obligations would be the responsibility of the remaining participating employers. We are contractually obligated to make all required contributions as determined by the plans' trustees. All of our multiemployer plans are closed to new membership and future benefit accrual. The MNOFP Old Section is fully funded.

We expense our portion of the MNOFP New Section deficit as amounts are invoiced by, and become due and payable to, the trustees. We accrue and expense our portion of the MNRPF deficit based on our estimated probable obligation from the most recent actuarial review. Total expense for all defined benefit pension plans, including the multiemployer plans, was \$36 million in 2018, \$53 million in 2017 and \$27 million in 2016.

Based on the most recent valuation at March 31, 2015 of the MNOF New Section, it was determined that this plan was 90% funded. In 2018, 2017 and 2016, our contributions to the MNOF New Section did not exceed 5% of total contributions to the fund. Based on the most recent valuation at March 31, 2017 of the MNRPF, it was determined that this plan was 84% funded. In 2018, 2017 and 2016 our contributions to the MNRPF did not exceed 5% of total contributions to the fund. It is possible that we will be required to fund and expense additional amounts for the multiemployer plans in the future; however, such amounts are not expected to be material to our consolidated financial statements.

Defined Contribution Plans

We have several defined contribution plans available to most of our employees. We contribute to these plans based on employee contributions, salary levels and length of service. Total expense for these plans was \$39 million in 2018, \$37 million in 2017 and \$30 million in 2016.

NOTE 13 – Earnings Per Share

(in millions, except per share data)

Net income for basic and diluted earnings per share
 Weighted-average shares outstanding
 Dilutive effect of equity plans
 Diluted weighted-average shares outstanding
 Basic earnings per share
 Diluted earnings per share

| | Years Ended November 30, | | |
|--|---------------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| | \$ 3,152 | \$ 2,606 | \$ 2,779 |
| | 709 | 722 | 745 |
| | 2 | 3 | 2 |
| | 710 | 725 | 747 |
| | \$ 4.45 | \$ 3.61 | \$ 3.73 |
| | \$ 4.44 | \$ 3.59 | \$ 3.72 |

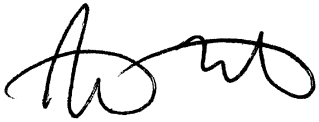
NOTE 14 – Supplemental Cash Flow Information

Cash paid for interest, net of capitalized interest, was \$182 million in 2018, \$191 million in 2017 and \$211 million in 2016. In addition, cash paid for income taxes, net of recoveries, was \$58 million in 2018, \$43 million in 2017 and \$48 million in 2016.

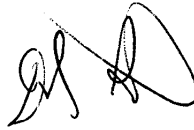
MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer and Chief Accounting Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 Internal Control – Integrated Framework (the “COSO Framework”). Based on this evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective as of November 30, 2018.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited our consolidated financial statements, has also audited the effectiveness of our internal control over financial reporting as of November 30, 2018 as stated in their report, which is included in this 2018 Annual Report.



Arnold W. Donald
President and
Chief Executive Officer
January 28, 2019



David Bernstein
Chief Financial Officer and
Chief Accounting Officer
January 28, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Carnival Corporation & plc (comprising Carnival Corporation and Carnival plc and their respective subsidiaries, the “Company”) as of November 30, 2018 and 2017, and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for each of the three years in the period ended November 30, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of November 30, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

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

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

PricewaterhouseCoopers, LLP

Miami, Florida
January 28, 2019

We have served as the Company's auditors since 2003. Prior to that, we served as Carnival Corporation's auditors since at least 1986. We have not been able to determine the specific year we began serving as auditor of Carnival Corporation.

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 document 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," "outlook," and similar expressions of future intent or the negative of such terms.

Forward-looking statements include those statements that relate to our outlook and financial position including, but not limited to, statements regarding:

- Net revenue yields
- Booking levels
- Pricing and occupancy
- Interest, tax and fuel expenses
- Currency exchange rates
- Net cruise costs, excluding fuel per available lower berth day
- Estimates of ship depreciable lives and residual values
- Goodwill, ship and trademark fair values
- Liquidity
- 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 by our forward looking statements. 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:

- Adverse world events impacting the ability or desire of people to travel may lead to a decline in demand for cruises
- Incidents concerning our ships, guests or the cruise vacation industry as well as adverse weather conditions and other natural disasters may impact the satisfaction of our guests and crew and lead to reputational damage
- Changes in and non-compliance with laws and regulations under which we operate, such as those relating to health, environment, safety and security, data privacy and protection, anti-corruption, economic sanctions, trade protection and tax may lead to litigation, enforcement actions, fines, penalties, and reputational damage
- Breaches in data security and lapses in data privacy as well as disruptions and other damages to our principal offices, information technology operations and system networks and failure to keep pace with developments in technology may adversely impact our business operations, the satisfaction of our guests and crew and lead to reputational damage
- Ability to recruit, develop and retain qualified shipboard personnel who live away from home for extended periods of time may adversely impact our business operations, guest services and satisfaction
- Increases in fuel prices and availability of fuel supply may adversely impact our scheduled itineraries and costs

- Fluctuations in foreign currency exchange rates may adversely impact our financial results
- Overcapacity and competition in the cruise and land-based vacation industry may lead to a decline in our cruise sales and pricing
- Geographic regions in which we try to expand our business may be slow to develop or ultimately not develop how we expect
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests

The ordering of the risk factors set forth above is not intended to reflect our indication of priority or likelihood. 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 document, 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.

2018 Executive Overview

2018 marked another strong financial performance, achieving double-digit ROIC and the highest full year earnings in the company's history.

Key information for 2018 compared to the prior year (see "Key Performance Non-GAAP Financial Indicators" for definitions and reconciliations):

- Net income increased 21% to \$3.2 billion from \$2.6 billion in 2017 and diluted earnings per share increased to \$4.44 from \$3.59 in 2017.
- Adjusted net income increased 9.3% to \$3.0 billion from \$2.8 billion in 2017 and adjusted diluted earnings per share increased to \$4.26 from \$3.82 in 2017. Adjusted net income excludes for the full year 2018 unrealized gains and losses on fuel derivatives and other net gains, totaling \$123 million in net gains and for the full year 2017 unrealized gains and losses on fuel derivatives of \$227 million in net gains and impairments and other net charges of \$390 million.
- Revenues increased \$1.4 billion to \$18.9 billion from \$17.5 billion in 2017.
- Gross cruise revenues increased 7.7% to \$18.6 billion from \$17.3 billion in 2017. In constant currency, net cruise revenues increased 5.7% to \$15.1 billion from \$14.3 billion in 2017.
- Gross revenue yields increased 5.7%. In constant currency, net revenue yields increased 3.7%, comprised of a 3.2% increase in net passenger ticket revenue yields and a 5.1% increase in net onboard and other revenue yields.
- Gross cruise costs including fuel per ALBD increased 3.9%. Net cruise costs excluding fuel per ALBD in constant currency increased 1.6%.
- Changes in fuel prices (including realized fuel derivatives) and currency exchange rates decreased earnings by \$0.21 per share.

We achieved double-digit ROIC and the highest full year earnings in our company's history, our fifth consecutive year of adjusted earnings growth and third consecutive record year. Our 120,000 team members went above and beyond to deliver a more than doubling in ROIC and near tripling of adjusted earnings per share, in just five years, by executing on our strategy to create demand in excess of measured capacity growth while leveraging our industry leading scale, despite numerous headwinds. Their efforts, combined with the strong support of our valued travel agent partners, enabled our record breaking results.

While the journey over the last five years to sustained double-digit ROIC was built on the foundation of exceeding guest expectations every single day, we had many other contributions that helped pave the way.

- Our proactive public relations effort to increase understanding and reduce misconceptions has clearly had a positive impact. The absolute number of positive media mentions are multiples of what they were five years ago and our brands consistently capture over 75 percent of all positive media in our industry.

- Our brands marketing efforts have shared the spotlight with many well-known personalities who brought with them a greater audience of potential new-to-cruise to our respective brands, including Oprah Winfrey for Holland America Line, Shaquille O'Neal for Carnival Cruise Line, Shakira for Costa, and Her Majesty the Queen for P&O Cruises (UK).
- Our brands were featured on television programs all around the world including The New Celebrity Apprentice, The Ellen DeGeneres Show, ITV reality show, The Cruise, in its 6th season in the UK, and Ant & Dec, also in the UK. We created our own original content TV programs which have already reached more than 400 million views airing on major U.S. networks. Our proprietary shows, which include the Voyager with Josh Garcia, Ocean Treks with Jeff Corwin, Vacation Creation, and La Gran Sorpresa, are among the most popular travel series on TV.
- With our history making voyage to Cuba in 2016, we became the first U.S. cruise operator in over 40 years to bring U.S. cruise guests directly from the U.S. to Cuba, and opened up an exciting new destination option for guests of Carnival Cruise Line, Holland America Line and Seabourn. Our cruise brands continue to further the guest experience through new destinations like Cuba and Amber Cove and new terminals like Barcelona and Dubai.

Our ongoing fleet replenishment efforts are central to our strategy to create demand in excess of measured capacity growth. Over the last five years, we welcomed 12 state-of-the-art, larger, more efficient vessels and exited nine less efficient ships from our fleet, building a more return resilient fleet. We leveraged our scale to reduce costs, achieving cumulative savings of over \$350 million in just five years.

We also created many innovations and made other investments along the way.

- OceanMedallion debuted onboard *Caribbean Princess* and has received 36 billion favorable media impressions. We have been recognized globally for our innovation efforts, including being recognized by Fast Company as one of the Top Ten Most Innovative Companies in the travel category.
- Our state-of-the-art revenue management tool has been deployed across half the company to facilitate further yield growth.
- Across many of our brands, we are in the process of rolling out new technology both onboard and shoreside. This includes enhanced targeted marketing, improved CRM capabilities, new mobile apps and redesigned websites, which collectively contribute to an enhanced guest experience, added empowerment to our travel agent partners, increased revenues and reduced cost of sales.
- We underwent multibillion dollar fleet wide reinvestment efforts, including Funship 2.0 for Carnival Cruise Line and Signature of Excellence for Holland America Line.
- We signed a historic joint venture agreement with CSSC, China State Shipbuilding Corporation, forming a local cruise operating company and forging a significant long-term relationship to help build the cruise industry in China.

Over the past five years, we also had many notable achievements in our sustainability efforts including the opening of our significantly expanded Arison Maritime Center in the Netherlands, delivering state of the art maritime training through cutting-edge bridge and engine room simulators and curriculum. We also opened three state-of-the-art Fleet Operations Centers around the globe to provide real time support, ship to shore. On the environmental front, we exceeded our target unit fuel consumption reduction of 25 percent, three years ahead of schedule. We are fully committed to continuous improvement in health, environment, safety and security.

Our strong and growing cash from operations, which reached \$5.5 billion in 2018, allows us to internally fund our capital improvements, debt maturities and dividend payments. In addition, we have \$11.5 billion of committed export credit facilities available at attractive rates to fund the vast majority of our new ship growth capital.

Going forward, our fleet replenishment efforts are purposely designed to achieve greater economies. Over the next five years, we expect net capacity growth of approximately five percent compounded annually. The higher rate of capacity growth will enable us to better contain costs, leaving us less reliant on revenue yield growth to produce double-digit earnings growth over time. This, in combination with our strategy of creating demand in excess of measured capacity growth, will allow us to continue to grow our earnings and to deliver sustainable and growing double-digit ROIC over time.

New Accounting Pronouncements

Refer to our consolidated financial statements for further information on *Accounting Pronouncements*.

Critical Accounting Estimates

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

Ship Accounting

Our most significant assets are our ships, including ship improvements and ships under construction, which represent 78% of our total assets at November 30, 2018. We make several critical accounting estimates with respect to our ship accounting. First, in order to compute our ships' depreciation expense, which represented 11% of our cruise costs and expenses in 2018, we have to estimate the useful life of each of our ships as well as their residual values. Secondly, we account for ship improvement costs by capitalizing those costs we believe add value to our ships and have a useful life greater than one year and depreciate those improvements over its estimated remaining useful life. The costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred. When we record the retirement of a ship component included within the ship's cost basis, we may have to estimate the net book value of the asset being retired in order to remove it from the ship's cost basis.

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

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

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

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense

could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs. Our 2018 ship depreciation expense would have increased by approximately \$42 million assuming we had reduced our estimated 30-year ship useful life estimate by one year at the time we took delivery or acquired each of our ships. In addition, our 2018 ship depreciation expense would have increased by approximately \$213 million assuming we had estimated our ships to have no residual value at the time of their delivery or acquisition.

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

Asset Impairments

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

For our cruise ships, we perform our impairment reviews, if required, at the individual cruise ship level, which is the lowest level for which we have identifiable cash flows independent of the cash flows of other assets and liabilities. Refer to our consolidated financial statements for additional discussion of ship impairment reviews.

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

As of July 31, 2018, we performed our annual goodwill and trademark impairment reviews. Refer to our consolidated financial statements for additional discussion of our goodwill and trademark impairment reviews.

The determination of our reporting unit goodwill and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions, all of which are considered Level 3 inputs, used in our cash flow analyses consisted of:

- Forecasted operating results, including net revenue yields and net cruise costs including fuel prices
- Capacity changes and the expected rotation of vessels into or out of each of these cruise brands, including decisions about the allocation of new ships amongst brands, the transfer of ships between brands and the timing of ship dispositions
- Weighted-average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate
- Capital expenditures, proceeds from forecasted dispositions of ships and terminal values

We believe that we have made reasonable estimates and judgments. Changes in the conditions or circumstances may result in a need to recognize an additional impairment charge.

Contingencies

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, regulatory, guest and crew and tax matters. In

addition, we periodically assess the recoverability of our trade and other receivables and our charter-hire and other counterparty credit exposures, by financial and other institutions with which we conduct significant business. Our credit exposure also includes contingent obligations related to our guests' cash payments received directly by travel agents and tour operators in Australia and Europe. In most of Europe, we are obligated to honor our guests' cruise payments made to their travel agents and tour operators regardless of whether we have received these payments. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine if it is probable, or more likely than not ("MLTN") for income tax matters, that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable or MLTN loss, if any, can be made. In assessing probable losses, we make estimates of the amount of probable insurance recoveries, if any, which are recorded as assets where appropriate. We accrue a liability and establish a reserve when we believe a loss is probable or MLTN for income tax matters, and the amount of the loss can be reasonably estimated in accordance with U.S. GAAP. Such accruals and reserves are typically based on developments to date, management's estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar non-income tax matters, historical claims experience, actuarially determined estimates of liabilities and any related insurance coverages.

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

Results of Operations

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

- Sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from airports near our ships' home ports and cancellation fees. We also collect fees, taxes and other charges from our guests
- The cruise ticket price typically includes the following:
 - Accommodations
 - Most meals, including snacks at numerous venues
 - Access to amenities such as swimming pools, water slides, water parks, whirlpools, a health club and sun decks
 - Supervised youth programs
 - Entertainment, such as theatrical and comedy shows, live music and nightclubs
 - Visits to multiple destinations
- Sales of goods and services not included in the cruise ticket price are generally the following:
 - Substantially all liquor and some non-alcoholic beverage sales
 - Casino gaming
 - Shore excursions
 - Gift shop sales
 - Photo sales
 - Internet and communication services
 - Full service spas
 - Specialty restaurants
 - Art sales
 - Laundry and dry cleaning services

These goods and services are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee.

We incur cruise operating costs and expenses for the following:

- The costs of passenger cruise bookings, which represent costs that are directly associated with passenger cruise ticket revenues, and include travel agent commissions, cost of air and other transportation and credit and debit card fees

- Onboard and other cruise costs, which represent costs that are directly associated with onboard and other revenues, and include the costs of liquor and some non-alcoholic beverages, costs of tangible goods sold by us in our gift shops and from our photo packages, communication costs, costs of cruise vacation protection programs, costs of pre- and post-cruise land packages and credit and debit card fees
- Fuel costs, which include fuel delivery costs
- Payroll and related costs, which represent all costs related to our shipboard personnel, including bridge and engineering officers and crew and hotel and administrative employees, while costs associated with our shoreside personnel are included in selling and administrative expenses
- Food costs, which include both our guest and crew food costs
- Other ship operating expenses, which include port costs that do not vary with guest head counts; repairs and maintenance, including minor improvements and dry-dock expenses; hotel costs; entertainment; gains and losses on ship sales; ship impairments; freight and logistics; insurance premiums and all other ship operating expenses

Concession revenues do not have significant associated expenses because the costs and services incurred for concession revenues are borne by our concessionaires.

Statistical Information

| | Years Ended November 30, | | |
|--|--------------------------|---------|---------|
| | 2018 | 2017 | 2016 |
| ALBDs (in thousands) (a) (b) | 83,872 | 82,303 | 80,002 |
| Occupancy percentage (c) | 106.9% | 105.9% | 105.9% |
| Passengers carried (in thousands) | 12,407 | 12,130 | 11,520 |
| Fuel consumption in metric tons (in thousands) | 3,296 | 3,286 | 3,233 |
| Fuel consumption in metric tons per thousand ALBDs | 39.3 | 39.9 | 40.4 |
| Fuel cost per metric ton consumed | \$ 491 | \$ 378 | \$ 283 |
| Currencies (USD to 1) | | | |
| AUD | \$ 0.75 | \$ 0.77 | \$ 0.74 |
| CAD | \$ 0.78 | \$ 0.77 | \$ 0.75 |
| EUR | \$ 1.18 | \$ 1.12 | \$ 1.11 |
| GBP | \$ 1.34 | \$ 1.28 | \$ 1.37 |
| RMB | \$ 0.15 | \$ 0.15 | \$ 0.15 |

- (a) ALBD is a standard measure of passenger capacity for the period that we use to approximate rate and capacity variances, based on consistently applied formulas that we use to perform analyses to determine the main non-capacity driven factors that cause our cruise revenues and expenses to vary. ALBDs assume that each cabin we offer for sale accommodates two passengers and is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.
- (b) In 2018 compared to 2017, we had a 1.9% capacity increase in ALBDs comprised of a 2.9% capacity increase in our NAA segment and a 0.2% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Partial period impact from one Princess Cruises 3,560-passenger capacity ship that entered into service in April 2017

- Partial period impact from one Carnival Cruise Line 3,960-passenger capacity ship that entered into service in April 2018
- Partial period impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018

These increases were partially offset by the partial period impact from one P&O Cruises (Australia) 1,550-passenger capacity ship removed from service in April 2017.

Our EA segment's capacity increase was caused by:

- Partial period impact from one AIDA 3,290-passenger capacity ship that entered into service in June 2017

This increase was partially offset by

- Partial period impact from one P&O Cruises (UK) 700-passenger capacity ship removed from service in March 2018
- Partial period impact from one Costa Cruises 1,300-passenger capacity ship removed from service in April 2018

In 2017 compared to 2016, we had a 2.9% capacity increase in ALBDs comprised of a 2.8% capacity increase in our NAA segment and a 3.0% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Full period impact from one Seabourn 600-passenger capacity ship that entered into service in December 2016
- Partial period impact from one Holland America Line 2,650-passenger capacity ship that entered into service in April 2016
- Partial period impact from one Carnival Cruise Line 3,930-passenger capacity ship that entered into service in May 2016
- Partial period impact from one Princess Cruises 3,560-passenger capacity ship that entered into service in April 2017

These increases were partially offset by the partial period impact from one P&O Cruises (Australia) 1,550-passenger capacity ship removed from service in April 2017.

Our EA segment's capacity increase was caused by:

- Partial period impact from one AIDA 3,290-passenger capacity ship that entered into service in April 2016
- Partial period impact from one AIDA 3,290-passenger capacity ship that entered into service in June 2017

- (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.

2018 Compared to 2017

Revenues

Consolidated

Cruise passenger ticket revenues made up 74% of our 2018 total revenues. Cruise passenger ticket revenues increased by \$986 million, or 7.6%, to \$13.9 billion in 2018 from \$12.9 billion in 2017.

This increase was caused by:

- \$264 million - increase in cruise ticket revenues, driven primarily by price improvements in our European, Australian, China and various other programs and net favorable foreign currency transactional impacts
- \$247 million - 1.9% capacity increase in ALBDs
- \$246 million - foreign currency translational impact from a weaker U.S. dollar against the functional currencies of our foreign operations (“foreign currency translational impact”)
- \$119 million - increase in occupancy
- \$81 million - increase in air transportation revenues
- \$29 million - increase in other passenger revenue

The remaining 26% of 2018 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$349 million, or 8.1%, to \$4.7 billion in 2018 from \$4.3 billion in 2017.

This increase was caused by:

- \$132 million - higher onboard spending by our guests
- \$83 million - 1.9% capacity increase in ALBDs
- \$52 million - foreign currency translational impact
- \$42 million - increase in other revenues
- \$40 million - increase in occupancy

Concession revenues, which are included in onboard and other revenues, increased by \$83 million, or 7.9%, to \$1.1 billion in 2018 from \$1.1 billion in 2017.

NAA Segment

Cruise passenger ticket revenues made up 72% of our NAA segment’s 2018 total revenues. Cruise passenger ticket revenues increased by \$562 million, or 6.8% to \$8.8 billion in 2018 from \$8.3 billion in 2017.

This increase was driven by:

- \$239 million - 2.9% capacity increase in ALBDs
- \$229 million - increase in cruise ticket revenues, driven primarily by price improvements in the European, Australian and China programs and net favorable foreign currency transactional impacts
- \$70 million - increase in air transportation revenues
- \$21 million - increase in occupancy

The remaining 28% of our NAA segment’s 2018 total revenues were comprised of onboard and other cruise revenues, which increased by \$232 million, or 7.3%, to \$3.4 billion in 2018 from \$3.2 billion in 2017.

This increase was driven by:

- \$100 million - higher onboard spending by our guests
- \$92 million - 2.9% capacity increase in ALBDs
- \$35 million - increase in other revenues

Concession revenues, which are included in onboard and other revenues, increased by \$57 million, or 7.5%, to \$807 million in 2018 from \$751 million in 2017.

EA Segment

Cruise passenger ticket revenues made up 82% of our EA segment’s 2018 total revenues. Cruise passenger ticket revenues increased by \$442 million, or 9.4%, to \$5.1 billion in 2018 from \$4.7 billion in 2017.

This increase was driven by:

- \$251 million - foreign currency translational impact

- \$96 million - increase in occupancy
- \$69 million - increase in cruise ticket revenues, driven primarily by price improvements in the European, China and various other programs, partially offset by decrease in the Caribbean programs and net unfavorable foreign currency transactional impacts

The remaining 18% of our EA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by \$98 million, or 9.7%, to \$1.1 billion in 2018 from \$1.0 billion in 2017.

This increase was driven by:

- \$55 million - foreign currency translational impact
- \$21 million - increase in occupancy

Concession revenues, which are included in onboard and other revenues, increased by \$26 million, or 8.7%, to \$328 million in 2018 from \$301 million in 2017.

Costs and Expenses

Consolidated

Operating costs and expenses increased by \$588 million or 5.6%, to \$11.1 billion in 2018 from \$10.5 billion in 2017.

This increase was caused by:

- \$371 million - higher fuel prices
- \$197 million - 1.9% capacity increase in ALBDs
- \$169 million - foreign currency translational impact
- \$100 million - higher commissions, transportation and other expenses
- \$37 million - increase in occupancy
- \$27 million - higher onboard and other expenses
- \$21 million - higher dry-dock expenses and repair and maintenance expenses

These increases were partially offset by:

- \$304 million - ship impairments in 2017
- \$51 million - gains on ship sales in 2018
- \$20 million - improved fuel consumption

Selling and administrative expenses increased by \$185 million, or 8.2%, to \$2.5 billion in 2018 from \$2.3 billion in 2017.

Depreciation and amortization expenses increased by \$171 million, or 9.3%, to \$2.0 billion in 2018 from \$1.8 billion in 2017.

Goodwill and trademark impairment charges of \$89 million include a goodwill impairment charge of \$38 million and a trademark impairment charge of \$50 million during 2017.

NAA Segment

Operating costs and expenses increased by \$476 million, or 7.1%, to \$7.2 billion in 2018 from \$6.7 billion in 2017.

This increase was caused by:

- \$253 million - higher fuel prices
- \$194 million - 2.9% capacity increase in ALBDs
- \$102 million - higher commissions, transportation and other

- \$31 million - higher dry-dock expenses and repair and maintenance expenses
- \$30 million - higher port expenses
- \$24 million - higher cruise payroll and related expenses
- \$24 million - higher onboard and other expenses

These increases were partially offset by impairment of ships of \$162 million recorded in 2017.

Selling and administrative expenses increased by \$66 million, or 4.9%, to \$1.4 billion in 2018 from \$1.3 billion in 2017.

Depreciation and amortization expenses increased by \$70 million, or 5.8%, to \$1.3 billion in 2018 from \$1.2 billion in 2017.

Goodwill and trademark impairment charges of \$89 million include a goodwill impairment charge of \$38 million and a trademark impairment charge of \$50 million during 2017.

EA Segment

Operating costs and expenses increased by \$108 million, or 3.0%, to \$3.7 billion in 2018 from 3.6 billion in 2017.

This increase was caused by:

- \$174 million - foreign currency translational impact
- \$117 million - higher fuel prices
- \$29 million - increase in occupancy

These increases were partially offset by:

- \$141 million - ship impairments in 2017
- \$39 million - gains on ship sales in 2018
- \$21 million - lower cruise payroll and related expenses

Selling and administrative expenses increased by \$84 million, or 13%, to \$751 million in 2018 from \$667 million in 2017.

This increase was driven by:

- \$39 million - foreign currency translational impact
- \$27 million - higher administrative expenses

Depreciation and amortization expenses increased by \$50 million, or 9.0%, to \$611 million in 2018 from \$561 million in 2017.

Operating Income

Our consolidated operating income increased by \$516 million, or 18%, to \$3.3 billion in 2018 from \$2.8 billion in 2017. Our NAA segment's operating income increased by \$272 million, or 13%, to \$2.4 billion in 2018 from \$2.1 billion in 2017, and our EA segment's operating income increased by \$298 million, or 33%, to \$1.2 billion in 2018 from \$0.9 billion in 2017. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

| <i>(in millions)</i> | Years Ended November 30, | |
|--|---------------------------------|-------------|
| | 2018 | 2017 |
| Unrealized gains on fuel derivatives | \$ 94 | \$ 227 |
| Realized (losses) on fuel derivatives, net | (35) | (192) |
| Gains on fuel derivatives, net | \$ 59 | \$ 35 |

Explanations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

We use net cruise revenues per ALBD (“net revenue yields”), net cruise costs excluding fuel per ALBD, adjusted net income and adjusted earnings per share as non-GAAP financial measures of our cruise segments’ and the company’s financial performance. These non-GAAP financial measures are provided along with U.S. GAAP gross cruise revenues per ALBD (“gross revenue yields”), gross cruise costs per ALBD and U.S. GAAP net income and U.S. GAAP earnings per share.

Net revenue yields and net cruise costs excluding fuel per ALBD enable us to separate the impact of predictable capacity or ALBD changes from price and other changes that affect our business. We believe these non-GAAP measures provide useful information to investors and expanded insight to measure our revenue and cost performance as a supplement to our U.S. GAAP consolidated financial statements.

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.

We believe that gains and losses on ship sales, impairment charges, restructuring and other expenses are not part of our core operating business and are not an indication of our future earnings performance. Therefore, we believe it is more meaningful for gains and losses on ship sales, impairment charges, and restructuring and other non-core gains and charges 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.

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.

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.

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 cruise costs excluding fuel per ALBD is the measure 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 as well as fuel expense to calculate net cruise costs without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. Substantially all of our net cruise costs excluding fuel are largely fixed, except for the impact of changing prices once the number of ALBDs has been determined.

Reconciliation of Forecasted Data

We have not provided a reconciliation of forecasted gross cruise revenues to forecasted net cruise revenues or forecasted gross cruise costs to forecasted net cruise costs without fuel or forecasted U.S. GAAP net income to forecasted adjusted net income or forecasted U.S. GAAP earnings per share to forecasted adjusted earnings per share because preparation of meaningful U.S. GAAP forecasts of gross cruise revenues, gross cruise costs, net income and earnings per share would require unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates and fuel prices. 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. We are unable to determine the future impact of gains or losses on ships sales, restructuring expenses and other non-core gains and charges.

Constant Dollar and Constant Currency

Our operations primarily utilize the U.S. dollar, Australian dollar, euro and sterling as functional currencies to measure results and financial condition. Functional currencies other than the U.S. dollar subject us to foreign currency translational risk. Our operations also have revenues and expenses that are in currencies other than their functional currency, which subject us to foreign currency transactional risk.

We report net revenue yields, net passenger revenue yields, net onboard and other revenue yields and net cruise costs excluding fuel per ALBD on a “constant dollar” and “constant currency” basis assuming the 2018 and 2017 periods’ currency exchange rates have remained constant with the 2017 and 2016 periods’ rates. These metrics facilitate a comparative view for the changes in our business in an environment with fluctuating exchange rates.

Constant dollar reporting removes only the impact of changes in exchange rates on the translation of our operations.

Constant currency reporting removes the impact of changes in exchange rates on the translation of our 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.

Examples:

- The translation of our operations with functional currencies other than U.S. dollar 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 operations 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.

Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues by ALBDs as follows:

| | Years Ended November 30, | | | | |
|---|--------------------------|----------------------------|-------------------|----------------------------|-------------------|
| | 2018 | 2018 Constant Dollar | 2017 | 2017 Constant Dollar | 2016 |
| <i>(dollars in millions, except yields)</i> | | | | | |
| Passenger ticket revenues | \$ 13,930 | \$ 13,684 | \$ 12,944 | \$ 12,998 | \$ 12,090 |
| Onboard and other revenues | 4,679 | 4,627 | 4,330 | 4,338 | 4,068 |
| Gross cruise revenues | 18,609 | 18,311 | 17,274 | 17,336 | 16,158 |
| Less cruise costs | | | | | |
| Commissions, transportation and other | (2,590) | (2,526) | (2,359) | (2,371) | (2,240) |
| Onboard and other | (638) | (630) | (587) | (589) | (553) |
| | <u>(3,228)</u> | <u>(3,156)</u> | <u>(2,946)</u> | <u>(2,960)</u> | <u>(2,793)</u> |
| Net passenger ticket revenues | 11,340 | 11,158 | 10,585 | 10,627 | 9,850 |
| Net onboard and other revenues | 4,041 | 3,997 | 3,744 | 3,749 | 3,515 |
| Net cruise revenues | \$ 15,381 | \$ 15,155 | \$ 14,329 | \$ 14,376 | \$ 13,365 |
| ALBDs | 83,872,441 | 83,872,441 | 82,302,887 | 82,302,887 | 80,002,092 |
| Gross revenue yields | \$ 221.87 | \$ 218.32 | \$ 209.88 | \$ 210.63 | \$ 201.97 |
| % increase | 5.7% | 4.0% | 3.9% | 4.3% | |
| Net revenue yields | \$ 183.38 | \$ 180.69 | \$ 174.10 | \$ 174.67 | \$ 167.06 |
| % increase | 5.3% | 3.8% | 4.2% | 4.6% | |
| Net passenger ticket revenue yields | \$ 135.21 | \$ 133.03 | \$ 128.62 | \$ 129.12 | \$ 123.11 |
| % increase | 5.1% | 3.4% | 4.5% | 4.9% | |
| Net onboard and other revenue yields | \$ 48.17 | \$ 47.65 | \$ 45.48 | \$ 45.55 | \$ 43.95 |
| % increase | 5.9% | 4.8% | 3.5% | 3.6% | |

| | Years Ended November 30, | | | | |
|---|--------------------------|------------------------------|-------------------|------------------------------|-------------------|
| | 2018 | 2018 Constant Currency | 2017 | 2017 Constant Currency | 2016 |
| <i>(dollars in millions, except yields)</i> | | | | | |
| Net passenger ticket revenues | \$ 11,340 | \$ 11,137 | \$ 10,585 | \$ 10,632 | \$ 9,850 |
| Net onboard and other revenues | 4,041 | 4,008 | 3,744 | 3,741 | 3,515 |
| Net cruise revenues | \$ 15,381 | \$ 15,145 | \$ 14,329 | \$ 14,373 | \$ 13,365 |
| ALBDs | 83,872,441 | 83,872,441 | 82,302,887 | 82,302,887 | 80,002,092 |
| Net revenue yields | \$ 183.38 | \$ 180.57 | \$ 174.10 | \$ 174.63 | \$ 167.06 |
| % increase | 5.3% | 3.7% | 4.2% | 4.5% | |
| Net passenger ticket revenue yields | \$ 135.21 | \$ 132.79 | \$ 128.62 | \$ 129.18 | \$ 123.11 |
| % increase | 5.1% | 3.2% | 4.5% | 4.9% | |
| Net onboard and other revenue yields | \$ 48.17 | \$ 47.78 | \$ 45.48 | \$ 45.45 | \$ 43.95 |
| % increase | 5.9% | 5.1% | 3.5% | 3.4% | |

Consolidated gross and net cruise costs and net cruise costs excluding fuel per ALBD were computed by dividing the gross and net cruise costs and net cruise costs excluding fuel by ALBDs as follows:

| <i>(dollars in millions, except costs per ALBD)</i> | Years Ended November 30, | | | | |
|---|---------------------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2018 | 2018 Constant Dollar | 2017 | 2017 Constant Dollar | 2016 |
| Cruise operating expenses | \$ 10,910 | \$ 10,740 | \$ 10,338 | \$ 10,372 | \$ 9,231 |
| Cruise selling and administrative expenses | 2,422 | 2,385 | 2,250 | 2,259 | 2,188 |
| Gross cruise costs | 13,332 | 13,125 | 12,588 | 12,631 | 11,419 |
| Less cruise costs included above | | | | | |
| Commissions, transportation and other | (2,590) | (2,526) | (2,359) | (2,371) | (2,240) |
| Onboard and other | (638) | (630) | (587) | (589) | (553) |
| Gains (losses) on ship sales and impairments | 38 | 34 | (298) | (288) | 2 |
| Restructuring expenses | (1) | (1) | (3) | (3) | (2) |
| Other | (2) | (2) | — | — | (41) |
| Net cruise costs | 10,139 | 10,000 | 9,341 | 9,380 | 8,585 |
| Less fuel | (1,619) | (1,619) | (1,244) | (1,244) | (915) |
| Net cruise costs excluding fuel | \$ 8,521 | \$ 8,382 | \$ 8,097 | \$ 8,136 | \$ 7,670 |
| ALBDs | 83,872,441 | 83,872,441 | 82,302,887 | 82,302,887 | 80,002,092 |
| Gross cruise costs per ALBD | \$ 158.96 | \$ 156.49 | \$ 152.94 | \$ 153.46 | \$ 142.73 |
| % increase | 3.9% | 2.3% | 7.2% | 7.5% | |
| Net cruise costs excluding fuel per ALBD | \$ 101.59 | \$ 99.93 | \$ 98.37 | \$ 98.84 | \$ 95.87 |
| % increase | 3.3% | 1.6% | 2.6% | 3.1% | |

| <i>(dollars in millions, except costs per ALBD)</i> | Years Ended November 30, | | | | |
|---|---------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
| | 2018 | 2018 Constant Currency | 2017 | 2017 Constant Currency | 2016 |
| Net cruise costs excluding fuel | \$ 8,521 | \$ 8,385 | \$ 8,097 | \$ 8,108 | \$ 7,670 |
| ALBDs | 83,872,441 | 83,872,441 | 82,302,887 | 82,302,887 | 80,002,092 |
| Net cruise costs excluding fuel per ALBD | \$ 101.59 | \$ 99.98 | \$ 98.37 | \$ 98.51 | \$ 95.87 |
| % increase | 3.3% | 1.6% | 2.6% | 2.7% | |

| <i>(dollars in millions, except per share data)</i> | Years Ended November 30, | | |
|---|---------------------------------|----------------|----------------|
| | 2018 | 2017 | 2016 |
| Net income | | | |
| U.S. GAAP net income | \$3,152 | \$2,606 | \$2,779 |
| Unrealized (gains) losses on fuel derivatives, net | (94) | (227) | (236) |
| (Gains) losses on ship sales and impairments | (38) | 387 | (2) |
| Restructuring expenses | 1 | 3 | 2 |
| Other | 8 | — | 37 |
| Adjusted net income | <u>\$3,029</u> | <u>\$2,770</u> | <u>\$2,580</u> |
| Weighted-average shares outstanding | <u>710</u> | <u>725</u> | <u>747</u> |
| Earnings per share | | | |
| U.S. GAAP earnings per share | \$ 4.44 | \$ 3.59 | \$ 3.72 |
| Unrealized (gains) losses on fuel derivatives, net | (0.13) | (0.31) | (0.32) |
| (Gains) losses on ship sales and impairments | (0.05) | 0.53 | — |
| Restructuring expenses | — | — | — |
| Other | 0.01 | — | 0.05 |
| Adjusted earnings per share | <u>\$ 4.26</u> | <u>\$ 3.82</u> | <u>\$ 3.45</u> |

Net cruise revenues increased by \$1.1 billion, or 7.3%, to \$15.4 billion in 2018 from \$14.3 billion in 2017.

The increase was caused by:

- \$545 million - 3.7% increase in constant currency net revenue yields
- \$271 million - 1.9% capacity increase in ALBDs
- \$236 million - foreign currency impacts (including both foreign currency translational and transactional impacts)

The 3.7% increase in net revenue yields on a constant currency basis was due to a 3.2% increase in net passenger ticket revenue yields and a 5.1% increase in net onboard and other revenue yields.

The 3.2% increase in net passenger ticket revenue yields was driven primarily by price improvements in our European, Australian, China and various other programs. This 3.2% increase in net passenger ticket revenue yields was comprised of a 2.4% increase from our NAA segment and a 4.8% increase from our EA segment.

The 5.1% increase in net onboard and other revenue yields was caused by similar increases in our NAA and EA segments.

Net cruise costs excluding fuel increased by \$425 million, or 5.2%, to \$8.5 billion in 2018 from \$8.1 billion in 2017.

The increase was caused by:

- \$155 million - 1.9% capacity increase in ALBDs
- \$135 million - foreign currency impacts (including both foreign currency translational and transactional impacts)
- \$134 million - 1.6% increase in constant currency net cruise costs excluding fuel

Fuel costs increased by \$374 million, or 30%, to \$1.6 billion in 2018 from \$1.2 billion in 2017. This was driven by higher fuel prices, which accounted for \$370 million.

2017 Compared to 2016

Revenues

Consolidated

Cruise passenger ticket revenues made up 74% of our 2017 total revenues. Cruise passenger ticket revenues increased by \$854 million, or 7.1%, to \$12.9 billion in 2017 from \$12.1 billion in 2016.

This increase was caused by:

- \$517 million - increase in cruise ticket revenues, driven primarily by price improvements in our Caribbean, European and Alaska programs, partially offset by decrease in our China programs
- \$348 million - 2.9% capacity increase in ALBDs
- \$55 million - increase in other passenger revenue

These increases were partially offset by:

- \$54 million - foreign currency translational impact
- \$20 million - decrease in air transportation revenues

The remaining 26% of 2017 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$262 million, or 6.4%, to \$4.3 billion in 2017 from \$4.1 billion in 2016.

This increase was driven by:

- \$124 million - higher onboard spending by our guests
- \$117 million - 2.9% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, increased by \$18 million, or 1.8%, to \$1.1 billion in 2017 from \$1.0 billion in 2016.

NAA Segment

Cruise passenger ticket revenues made up 72% of our NAA segment's 2017 total revenues. Cruise passenger ticket revenues increased by \$666 million, or 8.8% to \$8.3 billion in 2017 from \$7.6 billion in 2016.

This increase was driven by:

- \$390 million - increase in cruise ticket revenues, driven primarily by price improvements in the Caribbean, European and Alaska programs, partially offset by decrease in the China programs
- \$214 million - 2.8% capacity increase in ALBDs
- \$29 million - increase in other passenger revenue
- \$26 million - increase in occupancy

The remaining 28% of our NAA segment's 2017 total revenues were comprised of onboard and other cruise revenues, which increased by \$213 million, or 7.2%, to \$3.2 billion in 2017 from \$3.0 billion in 2016.

The increase was driven by:

- \$96 million - higher onboard spending by our guests
- \$83 million - 2.8% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, increased by \$19 million, or 3.0%, to \$751 million in 2017 from \$732 million in 2016.

EA Segment

Cruise passenger ticket revenues made up 82% of our EA segment's 2017 total revenues. Cruise passenger ticket revenues increased by \$178 million, or 4.0%, to \$4.7 billion in 2017 from \$4.5 billion in 2016.

This increase was caused by:

- \$135 million - 3.0% capacity increase in ALBDs
- \$123 million - increase in cruise ticket revenues, driven primarily by price improvements in the European programs, partially offset by decrease in the China programs

These increases were partially offset by:

- \$63 million - foreign currency translational impact

The remaining 18% of our EA segment's 2017 total revenues were comprised of onboard and other cruise revenues, which increased by \$60 million, or 6.3%, to \$1.0 billion in 2017 from \$0.9 billion in 2016.

The increase was caused by:

- \$42 million - higher onboard spending by our guests
- \$28 million - 3.0% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, remained flat at \$301 million in 2017 and 2016.

Costs and Expenses

Consolidated

Operating costs and expenses increased by \$1.1 billion or 12%, to \$10.5 billion in 2017 from \$9.4 billion in 2016.

This increase was caused by:

- \$314 million - higher fuel prices
- \$304 million - impairment of ships
- \$265 million - 2.9% capacity increase in ALBDs
- \$68 million - higher cruise payroll and related expenses
- \$67 million - higher port expenses
- \$65 million - higher commissions, transportation and other expenses
- \$64 million - higher dry-dock expenses and repair and maintenance expenses

These increases were partially offset by foreign currency translational impact, which accounted for \$34 million.

Selling and administrative expenses increased by \$68 million, or 3.1%, to \$2.3 billion in 2017 from \$2.2 billion in 2016.

Depreciation and amortization expenses increased by \$108 million, or 6.2%, to \$1.8 billion in 2017 from \$1.7 billion in 2016.

Goodwill and trademark impairment charges of \$89 million include a goodwill impairment charge of \$38 million and a trademark impairment charge of \$50 million during the third quarter of 2017.

NAA Segment

Operating costs and expenses increased by \$743 million, or 13%, to \$6.7 billion in 2017 from \$6.0 billion in 2016.

This increase was driven by:

- \$207 million - higher fuel prices
- \$168 million - 2.8% capacity increase in ALBDs
- \$162 million - impairment of ships

- \$80 million - higher commissions, transportation and other expenses
- \$42 million - higher port expenses
- \$41 million - higher cruise payroll and related expenses
- \$24 million - higher dry-dock expenses and repair and maintenance expenses

Selling and administrative expenses increased by \$64 million, or 5.1%, and were \$1.3 billion in 2017 and 2016.

Depreciation and amortization expenses increased by \$77 million, or 6.9%, to \$1.2 billion in 2017 from \$1.1 billion in 2016.

Goodwill and trademark impairment charges of \$89 million include a goodwill impairment charge of \$38 million and a trademark impairment charge of \$50 million during the third quarter of 2017.

EA Segment

Operating costs and expenses increased by \$365 million, or 11%, to \$3.6 billion in 2017 from \$3.2 billion in 2016.

This increase was caused by:

- \$141 million - impairment of ships
- \$107 million - higher fuel prices
- \$95 million - 3.0% capacity increase in ALBDs
- \$43 million - higher dry-dock expenses and repair and maintenance expenses
- \$26 million - higher port expenses
- \$21 million - higher cruise payroll and related expenses

These increases were partially offset by:

- \$49 million - foreign currency translational impact
- \$23 million - decrease in air transportation costs

Selling and administrative expenses increased by \$29 million, or 4.5%, to \$667 million in 2017 from \$638 million in 2016.

Depreciation and amortization expenses increased by \$23 million, or 4.3%, to \$561 million in 2017 from \$538 million in 2016.

Operating Income

Our consolidated operating income decreased by \$262 million, or 8.5%, to \$2.8 billion in 2017 from \$3.1 billion in 2016. Our NAA segment's operating income decreased by \$94 million, or 4.3%, to \$2.1 billion in 2017 from \$2.2 billion in 2016, and our EA segment's operating income decreased by \$179 million, or 16%, to \$0.9 billion in 2017 from \$1.1 billion in 2016. These changes were primarily due to the reasons discussed above.

Nonoperating Expense

| | Years Ended November 30, | |
|--|---------------------------------|-------------|
| | 2017 | 2016 |
| <i>(in millions)</i> | | |
| Unrealized gains on fuel derivatives | \$ 227 | \$ 236 |
| Realized losses on fuel derivatives, net | (192) | (283) |
| Gains (losses) on fuel derivatives, net | \$ 35 | \$ (47) |

Non-GAAP Financial Measures

Net cruise revenues increased by \$964 million, or 7.2%, to \$14.3 billion in 2017 from \$13.4 billion in 2016.

The increase was caused by:

- \$626 million - 4.5% increase in constant currency net revenue yields
- \$381 million - 2.9% capacity increase in ALBDs

These increases were partially offset by foreign currency impacts (including both foreign currency translational and transactional impacts), which accounted for \$44 million.

The 4.5% increase in net revenue yields on a constant currency basis was due to a 4.9% increase in net passenger ticket revenue yields and a 3.4% increase in net onboard and other revenue yields.

The 4.9% increase in net passenger ticket revenue yields was driven primarily by price improvements in our Caribbean, European and Alaska programs for our NAA segment and European programs for our EA segment, partially offset by decreases in our China programs. This 4.9% increase in net passenger ticket revenue yields was comprised of a 5.7% increase from our NAA segment and a 3.2% increase from our EA segment.

The 3.4% increase in net onboard and other revenue yields was caused by similar increases in our NAA and EA segments.

Gross cruise revenues increased by \$1.1 billion, or 6.9%, to \$17.3 billion in 2017 from \$16.2 billion in 2016 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$427 million, or 5.6%, to \$8.1 billion in 2017 from \$7.7 billion in 2016.

The increase was caused by:

- \$222 million - 2.9% capacity increase in ALBDs
- \$216 million - 2.7% increase in constant currency net cruise costs excluding fuel

These increases were partially offset by:

- \$12 million - foreign currency impacts (including both foreign currency translational and transactional impacts)

Fuel costs increased by \$329 million, or 36%, to \$1.2 billion in 2017 from \$0.9 billion in 2016. This was driven by higher fuel prices, which accounted for \$313 million.

Gross cruise costs increased, by \$1.2 billion, or 10%, to \$12.6 billion in 2017 from \$11.4 billion in 2016 for largely the same reasons as discussed above and the impairment of ships, which accounted for \$304 million.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and sustain and grow our double-digit ROIC, 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 flow allows us to internally fund our capital improvements, debt maturities and dividend payments. We have \$11.5 billion of committed export credit facilities available to fund the vast majority of our new ship growth capital. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity through our available cash and cash equivalents and committed financings for immediate and future liquidity needs and to maintain a reasonable debt maturity profile.

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 improvements, new ship growth capital, debt maturities and dividend payments 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 strong investment grade credit ratings, provide us with the ability, in most financial credit market environments, to obtain debt financing.

We had a working capital deficit of \$7.0 billion as of November 30, 2018 compared to a working capital deficit of \$7.2 billion as of November 30, 2017. The decrease in working capital deficit was driven by the increase in our cash and cash equivalents, partially offset by an increase in customer deposits and short-term borrowings. We operate with a substantial working capital deficit. This deficit is mainly attributable to the fact that, under our business model, substantially all of our passenger ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts remain a current liability until the sailing date. The cash generated from these advance receipts is used interchangeably with cash on hand from other sources, such as our borrowings and other cash from operations. The cash received as advanced receipts can be used to fund operating expenses, pay down our debt, make long-term investments or any other use of cash. Included within our working capital deficit are \$4.4 billion and \$4.0 billion of customer deposits as of November 30, 2018 and 2017, respectively. In addition, we have a relatively low-level of accounts receivable and limited investment in inventories. We generate substantial cash flows from operations and our business model has historically allowed us to maintain this working capital deficit and still meet our operating, investing and financing needs. We expect that we will continue to have working capital deficits in the future.

Sources and Uses of Cash

Operating Activities

Our business provided \$5.5 billion of net cash from operations during 2018, an increase of \$227 million, or 4.3%, compared to \$5.3 billion in 2017. This increase was driven by an increase in customer deposits. During 2017, our business provided \$5.3 billion of net cash from operations, an increase of \$188 million, or 3.7%, compared to \$5.1 billion in 2016. This increase was caused by an increase in our revenues less expenses settled in cash.

Investing Activities

During 2018, net cash used in investing activities was \$3.5 billion. This was caused by:

- Capital expenditures of \$2.1 billion for our ongoing new shipbuilding program
- Capital expenditures of \$1.7 billion for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sale of ships of \$389 million
- Purchase of minority interest of \$135 million
- Payments of \$39 million of fuel derivative settlements

During 2017, net cash used in investing activities was \$3.1 billion. This was caused by:

- Capital expenditures of \$1.4 billion for our ongoing new shipbuilding program
- Capital expenditures of \$1.5 billion for ship improvements and replacements, information technology and buildings and improvements
- Payments of \$203 million of fuel derivative settlements

During 2016, net cash used in investing activities was \$3.3 billion. This was caused by:

- Capital expenditures of \$1.9 billion for our ongoing new shipbuilding program
- Capital expenditures of \$1.2 billion for ship improvements and replacements, information technology and buildings and improvements
- Payments of \$291 million of fuel derivative settlements
- Proceeds from sale of ships of \$26 million

Financing Activities

During 2018, net cash used in financing activities of \$1.5 billion was substantially all due to the following:

- Net proceeds of short-term borrowings of \$417 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of \$1.6 billion of long-term debt
- Issuances of \$2.5 billion of long-term debt
- Payments of cash dividends of \$1.4 billion
- Purchases of \$1.5 billion of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions under our Repurchase Program

During 2017, net cash used in financing activities of \$2.5 billion was substantially all due to the following:

- Net repayments of short-term borrowings of \$29 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of \$1.2 billion of long-term debt
- Issuances of \$100 million of long-term debt under a term loan
- Proceeds of \$367 million of long-term debt under an export credit facility
- Payments of cash dividends of \$1.1 billion
- Purchases of \$552 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions under our Repurchase Program

During 2016, net cash used in financing activities of \$2.6 billion was substantially all due to the following:

- Net proceeds from short-term borrowings of \$447 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of \$1.3 billion of long-term debt
- Issuances of \$555 million of euro-denominated publicly-traded notes, which net proceeds were used for general corporate purposes
- Proceeds of \$987 million of long-term debt
- Payments of cash dividends of \$977 million
- Purchases of \$2.3 billion of shares of Carnival Corporation common stock and \$35 million of Carnival plc ordinary shares in open market transactions under our Repurchase Program

Future Commitments

| <i>(in millions)</i> | Payments Due by | | | | | | Total |
|--|------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | |
| Debt (a) | \$ 2,633 | \$ 2,320 | \$ 1,243 | \$ 1,203 | \$ 1,867 | \$ 2,095 | \$ 11,360 |
| Other long-term liabilities reflected on the balance sheet (b) | — | 135 | 90 | 73 | 59 | 178 | 535 |
| New ship growth capital | 4,935 | 3,849 | 3,887 | 3,117 | 2,110 | 1,132 | 19,029 |
| Operating leases | 70 | 48 | 46 | 36 | 35 | 180 | 415 |
| Port facilities and other | 311 | 292 | 249 | 172 | 132 | 1,097 | 2,253 |
| Purchase obligations | 451 | — | — | — | — | — | 451 |
| Total Contractual Cash Obligations | \$ 8,400 | \$ 6,644 | \$ 5,514 | \$ 4,600 | \$ 4,203 | \$ 4,682 | \$ 34,044 |

(a) Includes principal as well as estimated interest payments.

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

Capital Expenditure and Capacity Forecast

Our annual capital expenditure forecast consists of contracted new ship growth capital, estimated payments for planned new ship growth capital and capital improvements.

| | | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| <i>(in billions)</i> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Annual capital expenditure forecast | \$ 6.8 | \$ 5.7 | \$ 5.9 | \$ 5.4 |

Our annual capacity forecast consists of contracted new ships and announced dispositions.

| | | | | |
|--------------------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Annual capacity forecast | 4.6% | 5.5% | 7.2% | 5.2% |

Share Repurchase Program and Stock Swap Programs

Under a share repurchase program effective 2004, we are authorized to repurchase Carnival Corporation common stock and Carnival plc ordinary shares (the “Repurchase Program”). Effective April 10 and August 27, 2018, the company approved modifications of the general authorization under the Repurchase Program, which replenished the remaining authorized repurchases at the time of the approvals to \$1.0 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

In addition to the Repurchase Program, we have programs that allow us to obtain an economic benefit when either Carnival Corporation common stock is trading at a premium to the price of Carnival plc ordinary shares or Carnival plc ordinary shares are trading at a premium to Carnival Corporation common stock (the “Stock Swap Programs”). For example:

- In the event Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to sell shares of Carnival Corporation common stock, at prevailing market prices in ordinary brokers’ transactions and repurchase an equivalent number of Carnival plc ordinary shares in the UK market.
- In the event Carnival plc ordinary shares trade at a premium to Carnival Corporation common stock, we may elect to sell ordinary shares of Carnival plc, at prevailing market prices in ordinary brokers’ transactions and repurchase an equivalent number of shares of Carnival Corporation common stock in the U.S. market.

During 2018 and 2017, there were no sales or repurchases under the Stock Swap Programs. During 2016, under the Stock Swap Programs, a subsidiary of Carnival Corporation sold 0.9 million of Carnival plc ordinary shares for net proceeds of \$40 million. Substantially all of the net proceeds from these sales were used to purchase 0.9 million shares of Carnival Corporation common stock. Any sales of Carnival Corporation common stock and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

Funding Sources

At November 30, 2018, we had liquidity of \$14.6 billion. Our liquidity consisted of \$710 million of cash and cash equivalents, which excludes \$271 million of cash used for current operations, \$2.3 billion available for borrowing under our revolving credit facilities, net of our outstanding commercial paper borrowing, and \$11.5 billion under our committed future financings, which are comprised of ship export credit facilities. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

| | | | | |
|---|-------------|-------------|-------------|-------------|
| <i>(in billions)</i> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Availability of committed future financing at November 30, 2018 | \$ 3.4 | \$ 2.9 | \$ 2.8 | \$ 2.4 |

At November 30, 2018, all of our revolving credit facilities are scheduled to mature in 2021, except for \$300 million which matures in 2020.

Substantially all of our debt agreements contain financial covenants as described in the consolidated financial statements. At November 30, 2018, we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our hedging strategies and market risks, see the discussion below and the consolidated financial statements.

Foreign Currency Exchange Rate Risks

Operational Currency Risks

Our operations primarily utilize the U.S. dollar, Australian dollar, euro or sterling as their functional currencies. Our operations also have revenue and expenses denominated in non-functional currencies. Movements in foreign currency exchange rates will affect our financial statements.

Based on a 10% change in all currency exchange rates that were used in our December 20, 2018 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- \$0.27 per share on an annualized basis for 2019
- \$0.01 per share for the first quarter of 2019

Investment Currency Risks

The foreign currency exchange rates were as follows:

| | November 30, | |
|-----------|---------------------|-------------|
| | 2018 | 2017 |
| USD to 1: | | |
| AUD | \$ 0.73 | \$ 0.76 |
| CAD | \$ 0.75 | \$ 0.78 |
| EUR | \$ 1.14 | \$ 1.18 |
| GBP | \$ 1.28 | \$ 1.33 |
| RMB | \$ 0.14 | \$ 0.15 |

If the November 30, 2017 currency exchange rates had been used to translate our November 30, 2018 non-U.S. dollar functional currency operations' assets and liabilities (instead of the November 30, 2018 U.S. dollar exchange rates), our total assets would have been higher by \$615 million and our total liabilities would have been higher by \$308 million.

As of November 30, 2018, we have a cross currency swap of \$156 million which settles in September 2019. This cross currency swap is designated as a hedge of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting the foreign currency exchange rate risk. Based on a 10% change in the U.S. dollar to euro exchange rate as of November 30, 2018, we estimate that this cross currency swap's fair value and offsetting change in U.S. dollar value of our net investments would change by \$16 million.

Newbuild Currency Risks

At November 30, 2018, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of \$10.1 billion and substantially all relates to newbuilds scheduled to be delivered from 2019 through 2025 to non-euro functional currency brands. The functional currency cost of each of these ships will increase or decrease based on changes in the exchange rates until the unhedged payments are made under the shipbuilding contract. We may enter into additional foreign currency derivatives to mitigate some of this foreign currency exchange rate risk. Based on a 10% change in euro to U.S. dollar exchange rates as of November 30, 2018, the remaining unhedged cost of these ships would have a corresponding change of \$1 billion.

Interest Rate Risks

The composition of our debt, including the effect of cross currency swaps and interest rate swaps, was as follows:

| | <u>November 30, 2018</u> |
|-------------------|--------------------------|
| Fixed rate | 29% |
| EUR fixed rate | 29% |
| Floating rate | 6% |
| EUR floating rate | 28% |
| GBP floating rate | 8% |

At November 30, 2018, we had interest rate swaps that have effectively changed \$385 million of EURIBOR-based floating rate euro debt to fixed rate euro debt. Based on a 10% change in the November 30, 2018 market interest rates, our annual interest expense on floating rate debt, including the effect of our interest rate swaps, would change by an insignificant amount. Substantially all of our fixed rate debt can only be called or prepaid by incurring additional costs.

Fuel Price Risks

Substantially all our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We have been installing advanced air quality systems on our ships. These efforts are mitigating much of the impact from the ECA requirements. Given the installation schedule, we expect to use a greater percentage of low sulfur fuel in 2020, which may increase our fuel costs.

Based on a 10% change in fuel prices versus the current spot price that was used to calculate fuel expense in our December 20, 2018 guidance, we estimate that our adjusted diluted earnings per share December 20, 2018 guidance would change by the following:

- \$0.21 per share on an annualized basis for 2019
- \$0.05 per share for the first quarter of 2019

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for 2014 through 2018 and as of the end of each such year, except for the statistical data, are derived from our consolidated financial statements and should be read in conjunction with those consolidated financial statements and the related notes.

| <i>(in millions, except per share, per ton and currency data)</i> | Years Ended November 30, | | | | |
|---|---------------------------------|-------------|-------------|-------------|-------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Statements of Income Data | | | | | |
| Revenues | \$ 18,881 | \$ 17,510 | \$ 16,389 | \$ 15,714 | \$ 15,884 |
| Operating income | \$ 3,325 | \$ 2,809 | \$ 3,071 | \$ 2,574 | \$ 1,772 |
| Net income | \$ 3,152 | \$ 2,606 | \$ 2,779 | \$ 1,757 | \$ 1,216 |
| Earnings per share | | | | | |
| Basic | \$ 4.45 | \$ 3.61 | \$ 3.73 | \$ 2.26 | \$ 1.57 |
| Diluted | \$ 4.44 | \$ 3.59 | \$ 3.72 | \$ 2.26 | \$ 1.56 |
| Adjusted net income | \$ 3,029 | \$ 2,770 | \$ 2,580 | \$ 2,106 | \$ 1,504 |
| Adjusted earnings per share - diluted | \$ 4.26 | \$ 3.82 | \$ 3.45 | \$ 2.70 | \$ 1.93 |
| Dividends declared per share | \$ 1.95 | \$ 1.60 | \$ 1.35 | \$ 1.10 | \$ 1.00 |
| Statistical Data | | | | | |
| ALBDs (in thousands) | 83,872 | 82,303 | 80,002 | 77,307 | 76,000 |
| Occupancy percentage | 106.9% | 105.9% | 105.9% | 104.8% | 104.1% |
| Passengers carried (in thousands) | 12,407 | 12,130 | 11,520 | 10,840 | 10,570 |
| Fuel consumption in metric tons (in thousands) | 3,296 | 3,286 | 3,233 | 3,181 | 3,194 |
| Fuel consumption in metric tons per thousand ALBDs | 39.3 | 39.9 | 40.4 | 41.2 | 42.0 |
| Fuel cost per metric ton consumed | \$ 491 | \$ 378 | \$ 283 | \$ 393 | \$ 636 |
| Currencies (USD to 1) | | | | | |
| AUD | \$ 0.75 | \$ 0.77 | \$ 0.74 | \$ 0.76 | \$ 0.91 |
| CAD | \$ 0.78 | \$ 0.77 | \$ 0.75 | \$ 0.79 | \$ 0.91 |
| EUR | \$ 1.18 | \$ 1.12 | \$ 1.11 | \$ 1.12 | \$ 1.34 |
| GBP | \$ 1.34 | \$ 1.28 | \$ 1.37 | \$ 1.54 | \$ 1.66 |
| RMB | \$ 0.15 | \$ 0.15 | \$ 0.15 | \$ 0.16 | \$ 0.16 |
| | As of November 30, | | | | |
| <i>(in millions)</i> | 2018 | 2017 | 2016 | 2015 | 2014 |
| Balance Sheet | | | | | |
| Total assets (a) | \$ 42,401 | \$ 40,778 | \$ 38,881 | \$ 39,237 | \$ 39,448 |
| Total debt (a) | \$ 10,323 | \$ 9,195 | \$ 9,399 | \$ 8,787 | \$ 9,088 |

(a) Total assets and total debt for years 2015 and 2014 have not been updated to reflect the changes as a result of adopting ASU 2015-03 - *Debt Issuance Cost*

| <i>(in millions, except for per share data):</i> | Years Ended November 30, | | | | |
|--|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net income | | | | | |
| U.S. GAAP net income | \$ 3,152 | \$ 2,606 | \$ 2,779 | \$ 1,757 | \$ 1,216 |
| Unrealized (gains) losses on fuel derivatives, net | (94) | (227) | (236) | 332 | 268 |
| (Gains) losses on ship sales and impairments | (38) | 387 | (2) | (8) | 2 |
| Restructuring expenses | 1 | 3 | 2 | 25 | 18 |
| Other | 8 | — | 37 | — | — |
| Adjusted net income | <u>\$ 3,029</u> | <u>\$ 2,770</u> | <u>\$ 2,580</u> | <u>\$ 2,106</u> | <u>\$ 1,504</u> |
| Weighted-average shares outstanding | <u>710</u> | <u>725</u> | <u>747</u> | <u>779</u> | <u>778</u> |
| Earnings per share | | | | | |
| U.S. GAAP earnings per share | \$ 4.44 | \$ 3.59 | \$ 3.72 | \$ 2.26 | \$ 1.56 |
| Unrealized (gains) losses on fuel derivatives, net | (0.13) | (0.31) | (0.32) | 0.42 | 0.35 |
| (Gains) losses on ship sales and impairments | (0.05) | 0.53 | — | (0.01) | — |
| Restructuring expenses | — | — | — | 0.03 | 0.02 |
| Other | 0.01 | — | 0.05 | — | — |
| Adjusted earnings per share | <u>\$ 4.26</u> | <u>\$ 3.82</u> | <u>\$ 3.45</u> | <u>\$ 2.70</u> | <u>\$ 1.93</u> |

COMMON STOCK AND ORDINARY SHARES

Carnival Corporation's common stock, together with paired trust shares of beneficial interest in the P&O Princess Special Voting Trust, which holds a Special Voting Share of Carnival plc, is traded on the NYSE under the symbol "CCL." Carnival plc's ordinary shares trade on the London Stock Exchange under the symbol "CCL." Carnival plc's American Depositary Shares ("ADSs"), each one of which represents one Carnival plc ordinary share, are traded on the NYSE under the symbol "CUK." The depository for the ADSs is JPMorgan Chase Bank.

As of November 30, 2018, there were 3,024 holders of record of Carnival Corporation common stock and 29,330 holders of record of Carnival plc ordinary shares and 113 holders of record of Carnival plc ADSs. The past performance of our share prices cannot be relied on as a guide to their future performance.

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

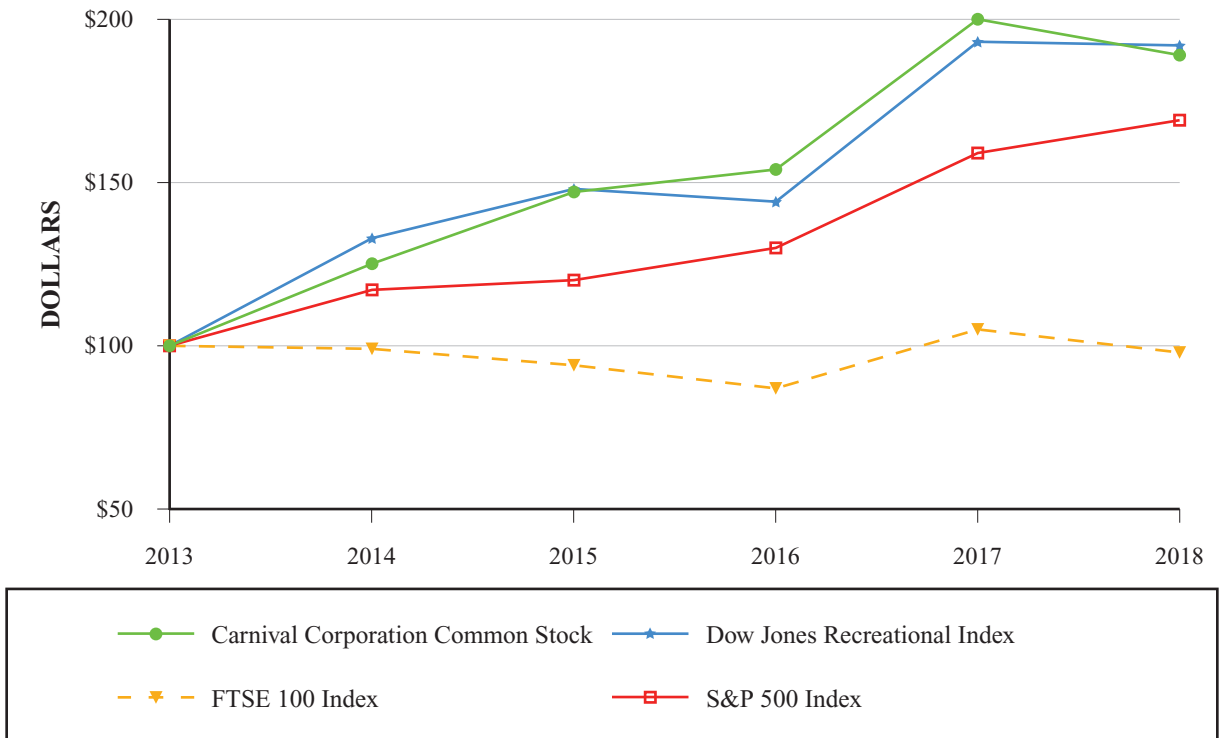
The payment and amount of any future dividend is within the discretion of the Boards of Directors. Our dividends were and will be based on a number of factors, including our earnings, liquidity position, financial condition, tone of business, capital requirements, credit ratings and the availability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

STOCK PERFORMANCE GRAPHS

Carnival Corporation

The following graph compares the Price Performance of \$100 if invested in Carnival Corporation common stock with the Price Performance of \$100 if invested in each of the Dow Jones U.S. Recreational Services Index (the “Dow Jones Recreational Index”), the FTSE 100 Index and the S&P 500 Index. The Price Performance, as used in the Performance Graph, is calculated by assuming \$100 is invested at the beginning of the period in Carnival Corporation common stock at a price equal to the market value. At the end of each year, the total value of the investment is computed by taking the number of shares owned, assuming Carnival Corporation dividends are reinvested, multiplied by the market price of the shares.

5-Year Cumulative Total Returns

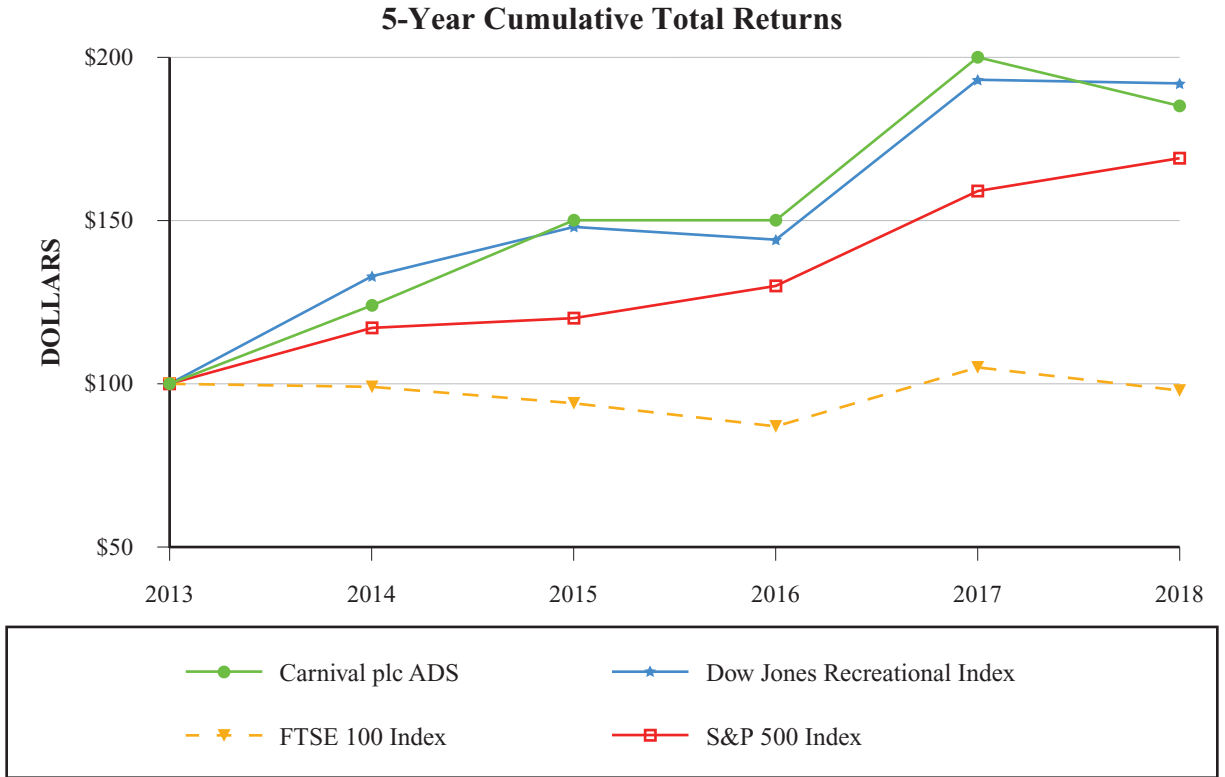


**Assumes \$100 Invested on November 30, 2013
Assumes Dividends Reinvested
Years Ended November 30,**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Carnival Corporation Common Stock | \$ 100 | \$ 125 | \$ 147 | \$ 154 | \$ 200 | \$ 189 |
| Dow Jones Recreational Index | \$ 100 | \$ 133 | \$ 148 | \$ 144 | \$ 193 | \$ 192 |
| FTSE 100 Index | \$ 100 | \$ 99 | \$ 94 | \$ 87 | \$ 105 | \$ 98 |
| S&P 500 Index | \$ 100 | \$ 117 | \$ 120 | \$ 130 | \$ 159 | \$ 169 |

Carnival plc

The following graph compares the Price Performance of \$100 invested in Carnival plc ADSs, each representing one ordinary share of Carnival plc, with the Price Performance of \$100 invested in each of the indexes noted below. The Price Performance is calculated in the same manner as previously discussed.



**Assumes \$100 Invested on November 30, 2013
Assumes Dividends Reinvested
Years Ended November 30,**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------|--------|--------|--------|--------|--------|--------|
| Carnival plc ADS | \$ 100 | \$ 124 | \$ 150 | \$ 150 | \$ 200 | \$ 185 |
| Dow Jones Recreational Index | \$ 100 | \$ 133 | \$ 148 | \$ 144 | \$ 193 | \$ 192 |
| FTSE 100 Index | \$ 100 | \$ 99 | \$ 94 | \$ 87 | \$ 105 | \$ 98 |
| S&P 500 Index | \$ 100 | \$ 117 | \$ 120 | \$ 130 | \$ 159 | \$ 169 |

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

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

| <i>(in millions, except per share data)</i> | 2018 Quarters Ended | | | |
|---|---------------------|----------|-----------|-------------|
| | February 28 | May 31 | August 31 | November 30 |
| Revenues | \$ 4,232 | \$ 4,357 | \$ 5,836 | \$ 4,456 |
| Operating income | \$ 419 | \$ 559 | \$ 1,794 | \$ 552 |
| Net income | \$ 391 | \$ 561 | \$ 1,707 | \$ 494 |
| Earnings per share | | | | |
| Basic | \$ 0.54 | \$ 0.79 | \$ 2.42 | \$ 0.71 |
| Diluted | \$ 0.54 | \$ 0.78 | \$ 2.41 | \$ 0.71 |
| Adjusted net income (a) | \$ 375 | \$ 489 | \$ 1,673 | \$ 492 |
| Adjusted earnings per share - diluted (a) | \$ 0.52 | \$ 0.68 | \$ 2.36 | \$ 0.70 |
| Dividends declared per share | \$ 0.45 | \$ 0.50 | \$ 0.50 | \$ 0.50 |

(a) Adjusted net income and adjusted fully diluted earnings per share were computed as follows:

| <i>(in millions, except per share data)</i> | 2018 Quarters Ended | | | |
|--|---------------------|---------|-----------|-------------|
| | February 28 | May 31 | August 31 | November 30 |
| Net income | | | | |
| U.S. GAAP net income | \$ 391 | \$ 561 | \$ 1,707 | \$ 494 |
| Unrealized (gains) losses on fuel derivatives, net | (32) | (50) | (8) | (4) |
| (Gains) losses on ship sales and impairments | 16 | (28) | (27) | — |
| Restructuring expenses | — | — | — | 1 |
| Other | — | 6 | — | 1 |
| Adjusted net income | \$ 375 | \$ 489 | \$ 1,673 | \$ 492 |
| Weighted-average shares outstanding | 719 | 715 | 707 | 699 |
| Earnings per share | | | | |
| U.S. GAAP earnings per share | \$ 0.54 | \$ 0.78 | \$ 2.41 | \$ 0.71 |
| Unrealized (gains) losses on fuel derivatives, net | (0.05) | (0.07) | (0.01) | (0.01) |
| (Gains) losses on ship sales and impairments | 0.02 | (0.04) | (0.04) | — |
| Restructuring expenses | — | — | — | — |
| Other | — | 0.01 | — | — |
| Adjusted earnings per share | \$ 0.52 | \$ 0.68 | \$ 2.36 | \$ 0.70 |

| | 2017 Quarters Ended | | | |
|---|----------------------------|---------------|------------------|--------------------|
| | February 28 | May 31 | August 31 | November 30 |
| <i>(in millions, except per share data)</i> | | | | |
| Revenues | \$ 3,791 | \$ 3,945 | \$ 5,515 | \$ 4,259 |
| Operating income | \$ 368 | \$ 500 | \$ 1,393 | \$ 548 |
| Net income | \$ 352 | \$ 379 | \$ 1,329 | \$ 546 |
| Earnings per share | | | | |
| Basic | \$ 0.48 | \$ 0.52 | \$ 1.84 | \$ 0.76 |
| Diluted | \$ 0.48 | \$ 0.52 | \$ 1.83 | \$ 0.76 |
| Adjusted net income (a) | \$ 279 | \$ 378 | \$ 1,659 | \$ 452 |
| Adjusted earnings per share - diluted (a) | \$ 0.38 | \$ 0.52 | \$ 2.29 | \$ 0.63 |
| Dividends declared per share | \$ 0.35 | \$ 0.40 | \$ 0.40 | \$ 0.45 |

(a) Adjusted net income and adjusted fully diluted earnings per share were computed as follows:

| | 2017 Quarters Ended | | | |
|--|----------------------------|----------------|------------------|--------------------|
| | February 28 | May 31 | August 31 | November 30 |
| <i>(in millions, except per share data)</i> | | | | |
| Net income | | | | |
| U.S. GAAP net income | \$ 352 | \$ 379 | \$ 1,329 | \$ 546 |
| Unrealized losses (gains) on fuel derivatives, net | (72) | 2 | (65) | (93) |
| (Gains) losses on ship sales and impairments | — | (4) | 392 | (1) |
| Restructuring expenses | — | — | 3 | — |
| Other | (1) | 1 | — | — |
| Adjusted net income | <u>\$ 279</u> | <u>\$ 378</u> | <u>\$ 1,659</u> | <u>\$ 452</u> |
| Weighted-average shares outstanding | <u>728</u> | <u>727</u> | <u>726</u> | <u>722</u> |
| Earnings per share | | | | |
| U.S. GAAP earnings per share | \$ 0.48 | \$ 0.52 | \$ 1.83 | \$ 0.76 |
| Unrealized (gains) losses on fuel derivatives, net | (0.10) | — | (0.09) | (0.13) |
| (Gains) losses on ship sales and impairments | — | — | 0.55 | — |
| Restructuring expenses | — | — | — | — |
| Other | — | — | — | — |
| Adjusted earnings per share | <u>\$ 0.38</u> | <u>\$ 0.52</u> | <u>\$ 2.29</u> | <u>\$ 0.63</u> |

CORPORATE AND OTHER INFORMATION

SENIOR OFFICERS

CARNIVAL CORPORATION & PLC

Micky Arison

Chairman of the Boards of Directors

Arnold W. Donald

President and Chief Executive Officer and Director

David Bernstein

Chief Financial Officer and Chief Accounting Officer

Arnaldo Perez

General Counsel and Secretary

COSTA GROUP and CARNIVAL ASIA

Michael Thamm

Group Chief Executive Officer

HOLLAND AMERICA GROUP and CARNIVAL UK

Stein Kruse

Group Chief Executive Officer

BOARDS OF DIRECTORS

Micky Arison³

Chairman of the Board
Carnival Corporation & plc

Sir Jonathon Band^{4,5}

Former First Sea Lord and
Chief of Naval Staff
British Navy

Jason Glen Cahilly¹

Founder and Chief Executive Officer
Dragon Group LLC

Helen Deeble⁴

Former Chief Executive Officer
P&O Ferries Division Holdings Ltd.

Arnold W. Donald³

President and Chief Executive Officer
Carnival Corporation & plc

Richard J. Glasier^{1,2,5}

Former President and Chief Executive Officer
Argosy Gaming Company

Debra Kelly-Ennis⁴

Former President and Chief Executive Officer
Diageo Canada, Inc.

Katie Lahey¹

Chairman
Korn Ferry Australasia

Sir John Parker^{4,5}

Non-Executive Chairman
Laing O'Rourke and Pennon Group plc

Stuart Subotnick^{1,3,5}

President and Chief Executive Officer
Metromedia Company

Laura Weil^{1,2}

Founder and Managing Partner
Village Lane Advisory LLC

Randall J. Weisenburger^{1,2,5}

Managing Member
Mile26 Capital LLC

- 1 Audit Committees
- 2 Compensation Committees
- 3 Executive Committees
- 4 Health, Environmental, Safety & Security Committees
- 5 Nominating & Governance Committees

DIRECTORS EMERITUS AND LIFE PRESIDENTS

Ted Arison (1924-1999)

Chairman Emeritus, Carnival Corporation

Maks Birnbach (1920-2007)

Director Emeritus, Carnival Corporation

A. Kirk Lanterman

Chairman Emeritus
Holland America Line Inc.

Meshulam Zonis (1933-2009)

Director Emeritus, Carnival Corporation

Uzi Zucker

Director Emeritus, Carnival Corporation & plc

Horst Rahe

Life President of AIDA Cruises

The Lord Sterling of

Plaistow GCVO, CBE

Life President of P&O Cruises

OTHER INFORMATION

Corporate Headquarters

Carnival Corporation
Carnival Place
3655 N.W. 87th Avenue
Miami, Florida 33178-2428 U.S.A.
305 599 2600

Registered Office

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Carnival House
100 Harbour Parade
Southampton SO15 1ST UK
44 (0) 23 8065 5000

Independent Registered

Public Accounting Firm

PricewaterhouseCoopers LLP
333 SE 2nd Avenue, Suite 3000
Miami, Florida 33131-2330 U.S.A.

Registrars, Stock Transfer Agents and

Dividend Reinvestment Plan

Administrators

Carnival Corporation
Computershare Investor Services
P.O. Box 505000
Louisville, Kentucky 40233-5000 U.S.A.
800 568 3476 (U.S.A., U.S.A Territories and Canada)
781 575 2879 (Outside U.S.A., U.S.A Territories and Canada)

Carnival plc

Equiniti Limited

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Lancing, West Sussex BN99 6DA UK
0371 384 2665 (UK)
44 121 415 7107 (Outside UK)

Legal Counsel

Gibson, Dunn & Crutcher LLP
1050 Connecticut Avenue, N.W.
Washington D.C. 20036-5306 U.S.A.

Other Shareholder Information

Copies of our joint Annual Report on Form 10-K, joint Quarterly Reports on Form 10-Q, joint Current Reports on Form 8-K, Carnival plc Annual Accounts and all amendments to those reports, press releases and other documents, as well as information on our cruise brands are available through our website at www.carnivalcorp.com or www.carnivalplc.com.



CARNIVAL
CORPORATION & PLC

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