

# Tops Guidance Achieving Highest-Ever Second Quarter Operating Results Exceeding 2026 SEA Change Financial Targets 18 Months Early

## Second Quarter 2025 Earnings Presentation





# Disclaimers, Forward Looking Statements And Responsibility

This presentation includes certain financial measures not presented in accordance with generally accepted accounting principles ("GAAP") including, but not limited to, cruise costs without fuel, Adjusted EBITDA, Adjusted Net Income (loss), ROIC, and certain ratios and metrics derived therefrom. These non-GAAP measures are supplemental measures that are not required by, and are not presented in accordance with, GAAP and we have presented these measures because we believe they are useful to investors in evaluating a company's performance and/or ability to service and/or incur indebtedness. The items excluded from these measures are significant in assessing Carnival Corporation & PLC's operating results and liquidity and should not be construed as an inference that its future results will be unaffected by any such adjustments. Certain adjustments that are made in calculating these measures are based on assumptions and estimates that may prove to have been inaccurate. Therefore, these measures have limitations as analytical tools and should not be considered in isolation or as an alternative to net income, cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that Carnival's presentation of these measures may not be comparable to similarly-titled measures used by other companies.

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 statements concerning future results, operations, strategy, outlooks, plans, goals, reputation, cash flows, liquidity, our fleet and exclusive destinations, 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, as amended. 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," "aspiration," "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, but are not limited to, statements that relate to our outlook and financial position, as well as, statements regarding:

- Pricing
- Booking levels
- Occupancy
- Interest, tax and fuel expenses
- Currency exchange rates
- Goodwill, ship and trademark fair values
- Liquidity and credit ratings
- Investment grade leverage metrics
- Estimates of ship depreciable lives and residual values
- Adjusted net income (loss)
- Adjusted EBITDA
- Adjusted EBITDA per ALBD
- Adjusted EBITDA margin
- Adjusted earnings per share
- Net debt to adjusted EBITDA
- Net yields
- Adjusted cruise costs per ALBD
- Adjusted cruise costs excluding fuel per ALBD
- Adjusted ROIC

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. These factors include, but are not limited to, the following:

- Events and conditions around the world, including geopolitical uncertainty, war and other military actions, pandemics, inflation, higher fuel prices, higher interest rates and other general concerns impacting the ability or desire of people to travel could lead to a decline in demand for cruises as well as have significant negative impacts on our financial condition and operations.
- Incidents concerning our ships, guests or the cruise industry may negatively 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-money laundering, anti-corruption, economic sanctions, trade protection, labor and employment, and tax may be costly and lead to litigation, enforcement actions, fines, penalties and reputational damage.
- Factors associated with climate change, including evolving and increasing regulations, increasing concerns about climate change and the shift in climate conscious consumerism and stakeholder scrutiny, and increasing frequency and/or severity of adverse weather conditions could have a material impact on our business.
- Inability to meet or achieve our targets, goals, aspirations, initiatives, and our public statements and disclosures regarding them, including those related to sustainability matters, may expose us to risks that may adversely impact our business.
- Cybersecurity incidents and data privacy breaches, 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 have adversely impacted and may in the future materially adversely impact our business operations, the satisfaction of our guests and crew and may lead to fines, penalties and reputational damage.
- The loss of key team members, our inability to recruit or retain qualified shoreside and shipboard team members and increased labor costs could have an adverse effect on our business and results of operations.
- Increases in fuel prices, changes in the types of fuel consumed and availability of fuel supply may adversely impact our scheduled itineraries and costs.
- We rely on suppliers who are integral to the operations of our businesses. These suppliers and service providers may be unable to deliver on their commitments, which could negatively impact our business.
- Fluctuations in foreign currency exchange rates may adversely impact our financial results.
- Overcapacity and competition in the cruise and land-based vacation industry may negatively impact our cruise sales, pricing and destination options.
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests.
- We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors, including those beyond our control, and we may not be able to generate cash required to service our debt and sustain our operations.
- Our substantial debt could adversely affect our financial health and operating flexibility.

The ordering of the risk factors set forth above is not intended to reflect our indication of priority or likelihood. Additionally, many of these risks and uncertainties are currently, and in the future may continue to be, amplified by our substantial debt balance incurred during the pause of our guest cruise operations. There may be additional risks that we consider immaterial or which are unknown.

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.

Forward-looking and other statements in this document may also address our sustainability progress, plans, and goals (including climate change- and environmental-related matters). In addition, historical, current, and forward-looking sustainability- and climate-related statements may be based on standards and tools for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions and predictions that are subject to change in the future and may not be generally shared.



# Record Breaking Second Quarter

- ✓ Record Revenues
- ✓ Record Net Yields
- ✓ Record Adj. EBITDA
- ✓ Record Adj. EBITDA per ALBD
- ✓ Record Operating Income
- ✓ All-Time High Customer Deposits



## Outperformed Second Quarter March Guidance On Every Measure

2Q 2025	Guidance	Actual
Net yields vs 2024	Approx. 4.4%	6.4%
Adj. cruise costs excl. fuel per ALBD vs 2024	Approx. 5.5%	3.5%
Adj. EBITDA	Approx. \$1.32B	\$1.51B
Adj. net income	Approx. \$285M	\$470M
Adj. earnings per share - diluted	Approx. \$0.22	\$0.35

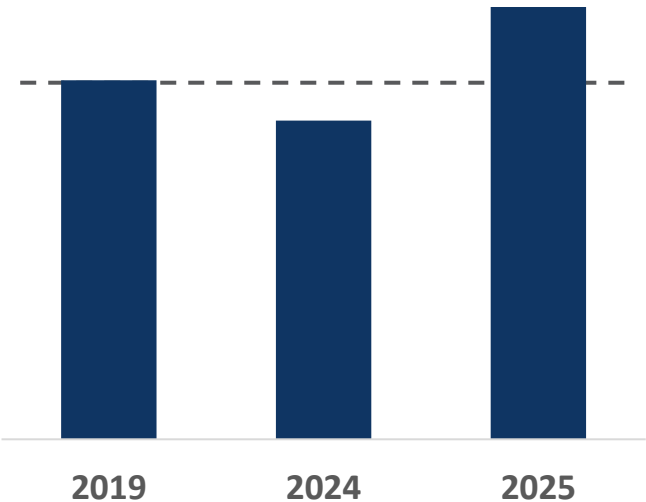
**Record 2Q net yields on top of last year's record 2Q levels which were up 12%**

**Adj. Net Income more than tripled compared to 2Q 2024**

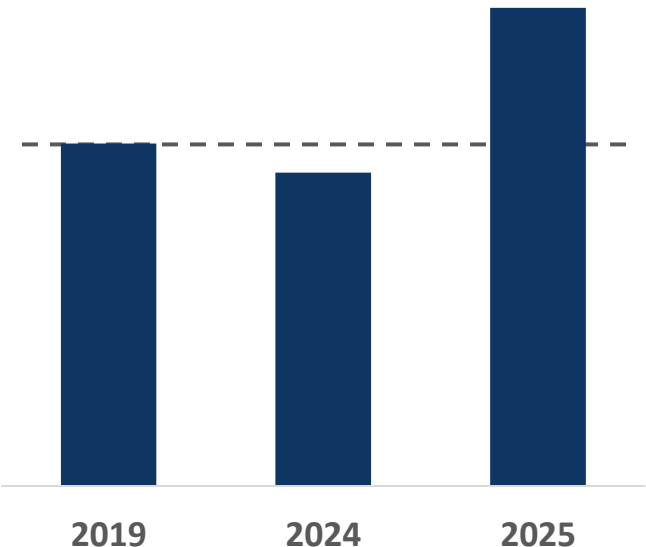
# Strength In Demand And Cost Discipline Improving Margins

## 2Q Margins

Adj. EBITDA Margin



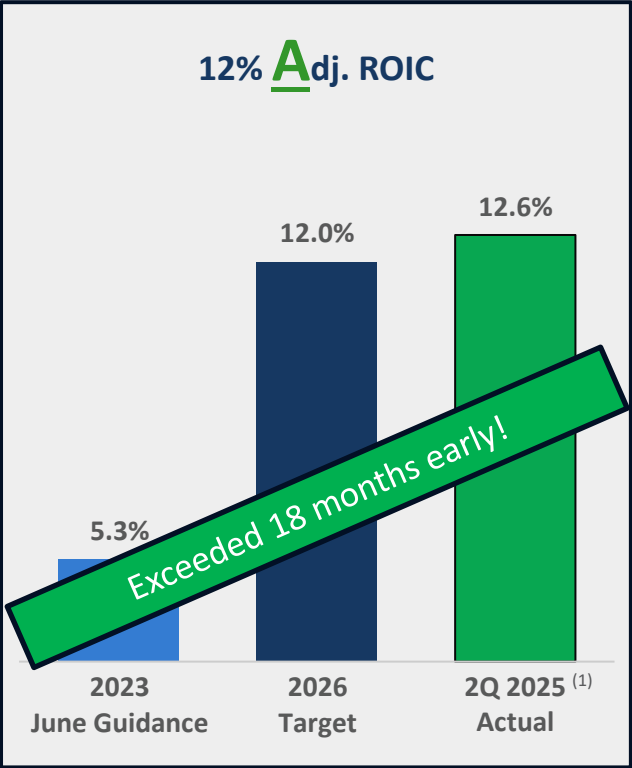
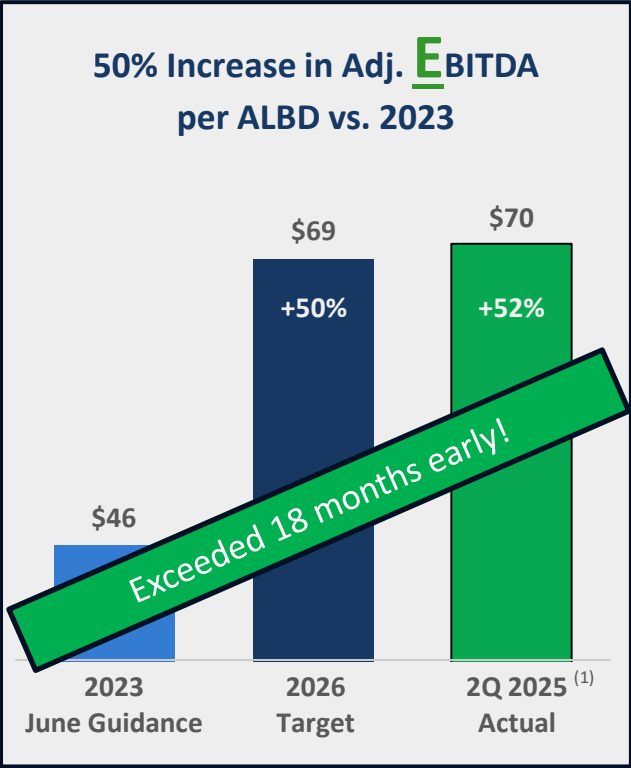
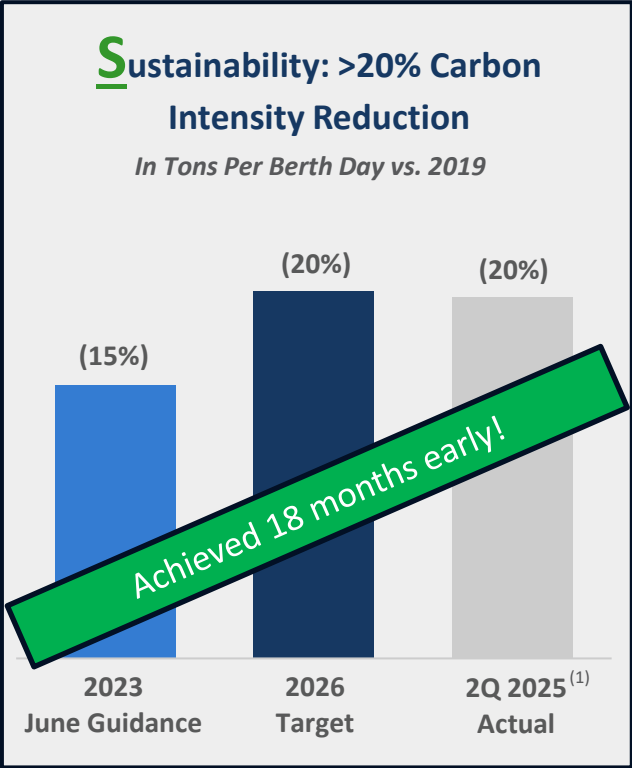
Operating Income Margin



Highest 2Q margins achieved in nearly 20 years and well above 2019 levels

*Note: Both Adj. EBITDA and Operating Income margins are calculated based on total revenues*

# Topped 2026 SEA Change Financial Targets And Met Sustainability Target 18 Months Early



Adj. EBITDA per ALBD and Adj. ROIC in 2Q were the highest levels seen in nearly 20 years

(1) Trailing 12 months

## Taking Up Full Year 2025 Guidance For The Second Time This Year

Full Year 2025	Dec Guidance	Mar Guidance	Jun Guidance
Net yields vs 2024	Approx 4.2%	Approx. 4.7%	<b>Approx. 5.0%</b>
Adj. cruise costs excl. fuel per ALBD vs 2024	Approx 3.7%	Approx. 3.8%	<b>Approx. 3.6%</b>
Adj. EBITDA	Approx. \$6.6B	Approx. \$6.7B	<b>Approx. \$6.9B</b>
Adj. net income	Approx. \$2,305M	Approx. \$2,490M	<b>Approx. \$2,690M</b>
Adj. earnings per share - diluted	Approx. \$1.70	Approx. \$1.83	<b>Approx. \$1.97</b>

**Outperformance in 1H enabled us to raise Adj. Net Income expectations for the full year by nearly \$400M since December**

# Continuing To Deliver On Our Strategy To Generate Sustained Demand

## Booked Position

- ✓ 93% of 2025 on the books
- ✓ Occupancy for remainder of 2025 second-highest on record at historical high prices
- ✓ Occupancy for 2026 in line with 2025 at historical high prices



Elongated advance booking window and limited capacity growth give us the flexibility to patiently take price

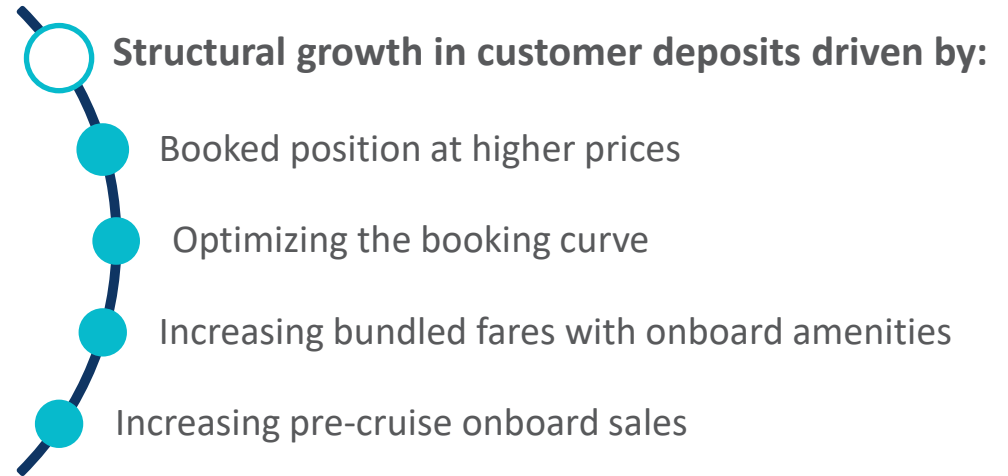
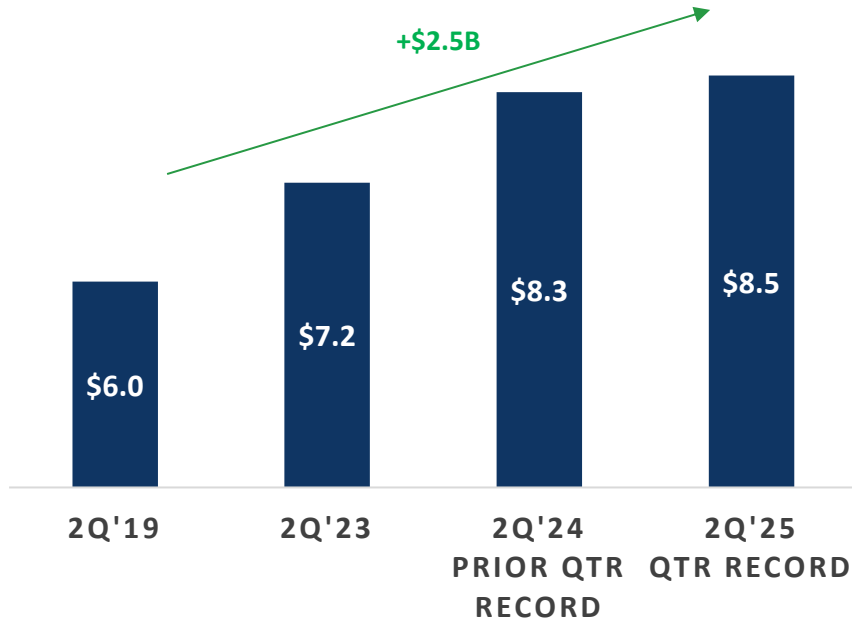


# All-Time High Customer Deposits

## Customer Deposits

*In Billions*

*+\$2.5B*



Customer deposits in 2Q 2025 up ~40% vs. 2Q 2019 on only ~10% capacity growth

# Carnival's 7 Caribbean Gems

Featuring

## Paradise Collection



**Amber Cove**  
Dominican Republic

**Puerto Maya**  
Cozumel, Mexico

**Grand Turk**  
Turks and Caicos

**Princess Cay**  
The Bahamas



We look forward  
to welcoming  
**YOU!**

**CELEBRATION  
KEY™**  
Grand Bahama

**Coming July 2025**







# Relax Away™

## Half Moon Cay

Enhanced and Expanded to Feature a Newly Constructed Pier  
*Coming June 2026*







# Isla Tropicale

Roatan

Pool with Swim Up Bar and Cabanas  
*Coming 2026*

Beach Expansion  
Private Beach Club  
*Coming Thereafter*





# Continuing To Invest In Our Highest Returning Brands

- ✓ Recently ordered two newbuilds for AIDA Cruises for delivery in fiscal 2030 and 2032
- ✓ AIDAdiva recently completed the AIDA Evolution program with upgrades shown below – the first of seven ships



Improved F&B experience by adding and converting existing concepts.



Enhanced offer for suite guests by adding an outdoor sun deck for more exclusive service.



Generate more onboard revenue opportunities. Upgraded the spa and casino areas.



Enhanced family experience on Sphinx class ships.



Upgraded Theatrium to living room concept with more harmonized colors and comfortable seating.



Cabin facelifts for modern appearance. Renewed of all Suite cabins and added new spacious suites by converting balcony cabins.

# Star Princess

Sister To The Award-Winning Sun Princess  
Coming 4Q 2025





# Carnival Cruise Line Announces “*Sunsation Point*”

A New Outdoor Zone Featuring The Most Family Friendly Water Park At Sea  
First Nighttime Water Park Experience





# "Carnival Rewards" Launching In June 2026

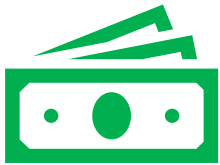
## Carnival Cruise Line's New And Improved Loyalty Program



Industry first tying loyalty benefits and status to (1) spend on/with Carnival and (2) everyday purchases on Carnival credit card



Designed to improve customer engagement, increase customer lifetime value, and allow guests to tailor their point usage to their preferences!



Multi-year opportunity that is expected to be cash flow accretive in 2026

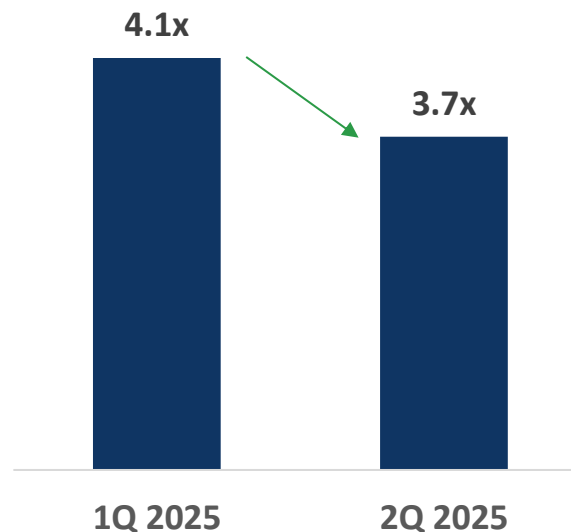


# Successful Refinancing And Deleveraging Efforts

## Recent Financing Activity Highlights<sup>(1)</sup>

- ✓ Prepaid \$350M of \$1.4B 7.625% notes due 2026 and refinanced the remainder with \$1.0B of 5.875% senior unsecured notes due 2031; results in >\$20M net interest expense reduction through early 2026
- ✓ Upsized euro denominated floating rate loan by >\$100M, extending maturity from 2025 to 2029 and favorably amended margin, results in all-in rate of <4% at 5/31/2025
- ✓ Extended and upsized revolver capacity by 50% on more favorable terms, meaningfully enhancing liquidity

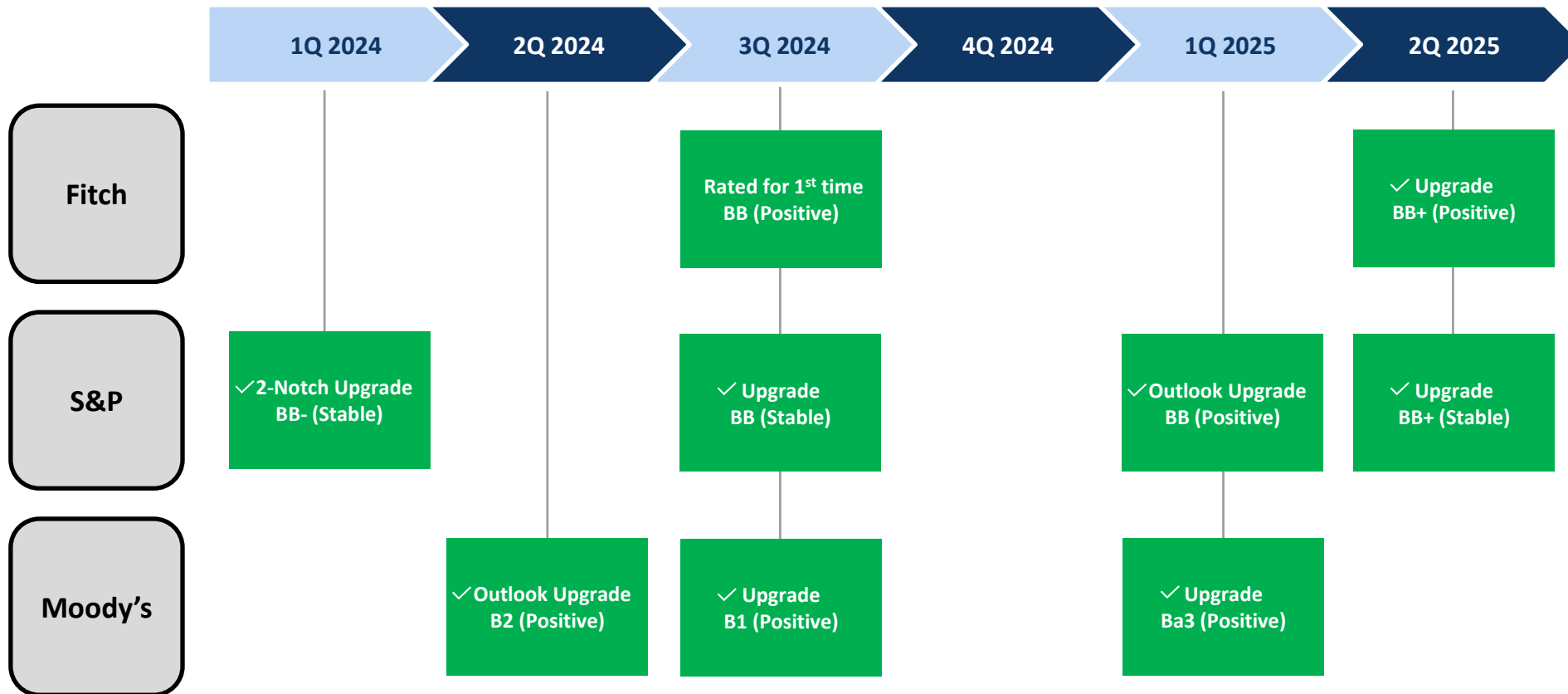
## Improved Net Debt to Adj. EBITDA



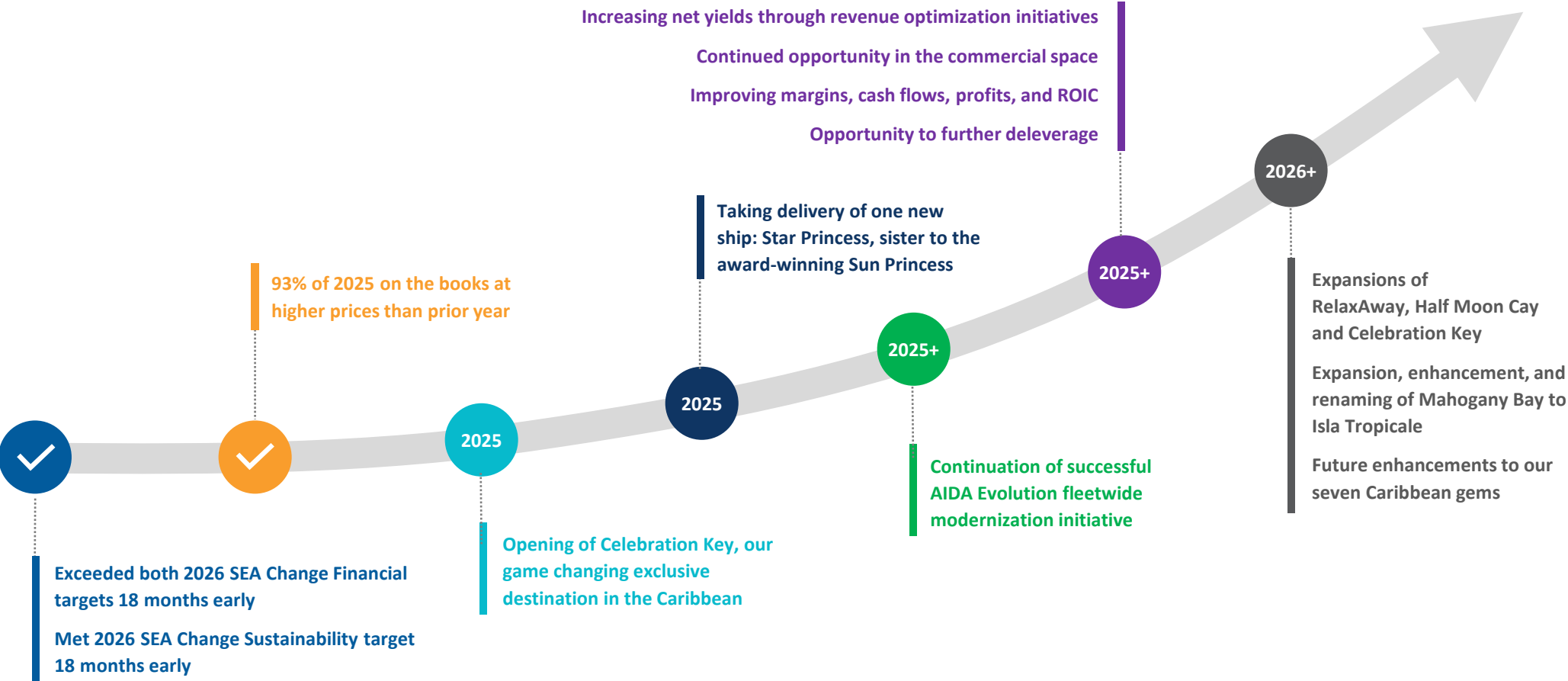
**Enhanced liquidity, well managed near-term maturity towers, and business outperformance enable us to opportunistically accelerate our debt reduction efforts**



# Recent Upgrades Leave Us With Only One Notch To Go To Reach Investment Grade Rating With Both S&P And Fitch



# Creating Value For Our Stakeholders And Delivering Unforgettable Vacations To Our Guests





# Appendix

## Capacity By Program – 2025

<i>Per Dec Guidance</i>	1Q	2Q	3Q	4Q	Full Year
Caribbean	48%	33%	24%	29%	34%
Northern Europe	9%	16%	24%	16%	16%
Mediterranean	3%	13%	21%	19%	14%
Australia/New Zealand	10%	6%	3%	4%	6%
Alaska	0%	4%	16%	4%	6%
Other Programs	30%	28%	12%	28%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Guidance

	3Q 2025		Full Year 2025	
	Current Dollars	Constant Currency	Current Dollars	Constant Currency
Year over year change				
Net yields	Approx. 5.2%	Approx. 3.5%	Approx. 5.6%	Approx. 5.0%
Adjusted cruise costs excluding fuel per ALBD	Approx. 8.9%	Approx. 7.0%	Approx. 4.4%	Approx. 3.6%
			3Q 2025	Full Year 2025
ALBDs (in millions) (a)			24.6	96.5
Capacity growth compared to prior year			(2.4)%	1.0 %
Fuel consumption in metric tons (in millions)			0.7	2.9
Fuel cost per metric ton consumed (excluding European Union Allowance ("EUA")) (b) \$			619	\$ 624
Fuel expense (including EUA expense) (in billions)			\$ 0.48	\$ 1.88
Depreciation and amortization (in billions)			\$ 0.72	\$ 2.79
Interest expense, net of capitalized interest and interest income (in billions)			\$ 0.33	\$ 1.38
Adjusted EBITDA (in billions)			Approx. \$2.87	Approx. \$6.9
Adjusted net income (loss) (in millions)			Approx. \$1,800	Approx. \$2,690
Adjusted earnings per share - diluted (c)			Approx. \$1.30	Approx. \$1.97
Weighted-average shares outstanding - basic			1,313	1,312
Adjusted weighted-average shares outstanding - diluted (c)			1,402	1,401

(a) See "Notes to Statistical Information"

(b) Due to the recent volatility in fuel prices, our guidance reflects a brent price of \$72 per barrel. This is based on the average for the eight-day period ending June 18, 2025, which included four days before and after the recent fuel price increase.

(c) Diluted adjusted earnings per share includes the add-back of dilutive interest expense related to the company's convertible notes of \$18 million for the third quarter of 2025 and \$71 million for full year 2025.

Currencies (USD to 1)	3Q 2025		Full Year 2025	
AUD	\$	0.65	\$	0.64
CAD	\$	0.73	\$	0.73
EUR	\$	1.15	\$	1.11
GBP	\$	1.34	\$	1.31
Sensitivities (impact to adjusted net income (loss) in millions)	3Q 2025		Remainder of 2025	
1% change in net yields	\$	60	\$	104
1% change in adjusted cruise costs excluding fuel per ALBD	\$	27	\$	55
10% change in fuel cost per metric ton (excluding EUA)	\$	44	\$	88
100 basis point change in variable rate debt (including derivatives)		—	\$	24
1% change in currency exchange rates	\$	10	\$	16

## Capital Expenditures

For the remainder of 2025, newbuild capital expenditures are \$1.1 billion and non-newbuild capital expenditures are \$1.2 billion. These future capital expenditures will fluctuate with foreign currency movements relative to the U.S. Dollar. In addition, these figures do not include potential stage payments for ship orders that the company may place in the future.



# Reconciliation Of Net Yields

	Three Months Ended May 31,			Six Months Ended May 31,		
		2025 Constant Currency			2025 Constant Currency	
<i>(in millions, except yields data)</i>	<b>2025</b>		<b>2024</b>	<b>2025</b>		<b>2024</b>
Total revenues	\$ 6,328		\$ 5,781	\$12,139		\$ 11,187
Less: Cruise and tour operating expenses	(3,886)		(3,798)	(7,653)		(7,502)
Depreciation and amortization	(692)		(634)	(1,346)		(1,247)
<b>Gross margin</b>	1,750		1,350	3,140		2,438
Less: Tour and other revenues	(31)		(37)	(33)		(41)
Add: Payroll and related	640		614	1,280		1,237
Fuel	468		525	933		1,030
Food	372		360	726		706
Ship and other impairments	—		—	—		—
Other operating	955		938	1,813		1,800
Depreciation and amortization	692		634	1,346		1,247
<b>Adjusted gross margin</b>	<u>\$ 4,846</u>	<u>\$ 4,810</u>	<u>\$ 4,384</u>	<u>\$ 9,204</u>	<u>\$ 9,245</u>	<u>\$ 8,416</u>
<b>ALBDs</b>	24.2	24.2	23.5	47.8	47.8	46.5
<b>Gross margin yields (per ALBD)</b>	\$ 72.25		\$ 57.45	\$ 65.71		\$ 52.45
<b>Net yields (per ALBD)</b>	\$ 200.07	\$ 198.58	\$ 186.60	\$192.61	\$193.46	\$ 181.04

# Reconciliation Of Non-GAAP Financial Measures

	Three Months Ended May 31,		Six Months Ended May 31,	
	2025	2024	2025	2024
<i>(in millions, except per share data)</i>				
<b>Net income (loss)</b>	\$ 565	\$ 92	\$ 486	\$ (123)
(Gains) losses on ship sales and impairments	(101)	—	(101)	—
Debt extinguishment and modification costs	4	33	255	66
Restructuring expenses	2	10	2	11
Other	—	—	—	—
<b>Adjusted net income (loss)</b>	\$ 470	\$ 134	\$ 643	\$ (46)
Interest expense, net of capitalized interest	341	450	718	921
Interest income	(12)	(25)	(18)	(58)
Income tax expense, net	17	5	24	5
Depreciation and amortization	692	634	1,346	1,247
<b>Adjusted EBITDA</b>	\$ 1,508	\$ 1,197	\$ 2,713	\$ 2,068
<b>Earnings per share - diluted (a)</b>	\$ 0.42	\$ 0.07	\$ 0.37	\$ (0.10)
<b>Weighted-average shares outstanding - diluted (a)</b>	1,400	1,271	1,316	1,265
<b>Adjusted earnings per share - diluted (b)</b>	\$ 0.35	\$ 0.11	\$ 0.48	\$ (0.04)
<b>Adjusted weighted-average shares outstanding - diluted (b)</b>	1,400	1,271	1,400	1,265

*(See Non-GAAP Financial Measures)*

(a) Diluted earnings per share includes the add-back of dilutive interest expense related to the company's convertible notes of \$18 million for the three months ended May 31, 2025. The company's convertible notes were antidilutive to the six months ended May 31, 2025 and the three and six months ended, May 31, 2024, earnings per share and therefore were not included in the calculations of diluted earnings per share.

(b) Diluted adjusted earnings per share includes the add-back of dilutive interest expense related to the company's convertible notes of \$18 million and \$35 million for the three and six months ended May 31, 2025. The company's convertible notes were antidilutive to the three and six months ended May 31, 2024 and therefore were not included in the calculations of diluted adjusted earnings per share.

	Three Months Ended May 31,			Six Months Ended May 31,		
	2025	2025 Constant Currency	2024	2025	2025 Constant Currency	2024
<i>(in millions, except costs per ALBD data)</i>						
Cruise and tour operating expenses	\$ 3,886		\$ 3,798	\$ 7,653		\$ 7,502
Selling and administrative expenses	816		789	1,663		1,603
Less: Tour and other expenses	(37)		(49)	(56)		(69)
<b>Cruise costs</b>	4,665		4,538	9,260		9,036
Less: Commissions, transportation and other	(780)		(732)	(1,631)		(1,552)
Onboard and other costs	(671)		(628)	(1,271)		(1,178)
Gains (losses) on ship sales and impairments	101		—	101		—
Restructuring expenses	(2)		(10)	(2)		(11)
Other	—		—	—		—
<b>Adjusted cruise costs</b>	3,312	3,286	3,167	6,458	6,467	6,296
Less: Fuel	(468)	(467)	(525)	(933)	(933)	(1,030)
<b>Adjusted cruise costs excluding fuel</b>	\$ 2,845	\$ 2,819	\$ 2,642	\$ 5,525	\$ 5,535	\$ 5,266
<b>ALBDs</b>	24.2	24.2	23.5	47.8	47.8	46.5
<b>Cruise costs per ALBD</b>	\$ 192.61		\$ 193.16	\$ 193.78		\$ 194.37
<b>Adjusted cruise costs per ALBD</b>	\$ 136.75	\$ 135.68	\$ 134.83	\$ 135.14	\$ 135.34	\$ 135.42
<b>Adjusted cruise costs excluding fuel per ALBD</b>	\$ 117.45	\$ 116.39	\$ 112.46	\$ 115.62	\$ 115.82	\$ 113.27

# Non-GAAP Financial Measures

We use non-GAAP financial measures and they are provided along with their most comparative U.S. GAAP financial measure:

Non-GAAP Measure	U.S. GAAP Measure	Use Non-GAAP Measure to Assess
<ul style="list-style-type: none"> <li>Adjusted net income (loss), adjusted EBITDA, adjusted EBITDA per ALBD and adjusted EBITDA margin</li> </ul>	<ul style="list-style-type: none"> <li>Net income (loss)</li> </ul>	<ul style="list-style-type: none"> <li>Company Performance</li> </ul>
<ul style="list-style-type: none"> <li>Adjusted earnings per share</li> </ul>	<ul style="list-style-type: none"> <li>Earnings per share</li> </ul>	<ul style="list-style-type: none"> <li>Company Performance</li> </ul>
<ul style="list-style-type: none"> <li>Net debt to adjusted EBITDA</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>	<ul style="list-style-type: none"> <li>Company Leverage</li> </ul>
<ul style="list-style-type: none"> <li>Net yields</li> </ul>	<ul style="list-style-type: none"> <li>Gross margin yields</li> </ul>	<ul style="list-style-type: none"> <li>Cruise Segments Performance</li> </ul>
<ul style="list-style-type: none"> <li>Adjusted cruise costs per ALBD and adjusted cruise costs excluding fuel per ALBD</li> </ul>	<ul style="list-style-type: none"> <li>Gross cruise costs per ALBD</li> </ul>	<ul style="list-style-type: none"> <li>Cruise Segments Performance</li> </ul>
<ul style="list-style-type: none"> <li>Adjusted ROIC</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>	<ul style="list-style-type: none"> <li>Company Performance</li> </ul>

The presentation of our non-GAAP financial information is not intended to be considered in isolation from, as a 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.

Adjusted net income (loss) and adjusted earnings per share provide additional information to us and investors about our future earnings performance by excluding certain gains, losses and expenses that we believe are not part of our core operating business and are not an indication of our future earnings performance. We believe that gains and losses on ship sales, impairment charges, debt extinguishment and modification costs, restructuring costs and certain other gains and losses are not part of our core operating business and are not an indication of our future earnings performance.

Adjusted EBITDA, adjusted EBITDA per ALBD and adjusted EBITDA margin provide additional information to us and investors about our core operating profitability, including on a per ALBD basis, by excluding certain gains, losses and expenses that we believe are not part of our core operating business and are not an indication of our future earnings performance as well as excluding interest, taxes and depreciation and amortization. In addition, we believe that the presentation of adjusted EBITDA provides additional information to us and investors about our ability to operate our business in compliance with the covenants set forth in our debt agreements. We define adjusted EBITDA as adjusted net income (loss) adjusted for (i) interest, (ii) taxes and (iii) depreciation and amortization. There are material limitations to using adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items that directly affect our net income (loss). These limitations are best addressed by considering the economic effects of the excluded items independently and by considering adjusted EBITDA in conjunction with net income (loss) as calculated in accordance with U.S. GAAP. We define adjusted EBITDA margin as adjusted EBITDA divided by total revenues.

Net debt to adjusted EBITDA provides additional information to us and investors about our overall leverage. We define net debt to adjusted EBITDA as total debt less cash and cash equivalents excluding a minimum cash balance divided by twelve-month adjusted EBITDA.

Net yields enable us and investors to measure the performance of our cruise segments on a per ALBD basis. We use adjusted gross margin rather than gross margin to calculate net yields. We believe that adjusted gross margin is a more meaningful measure in determining net yields than gross margin because it reflects the cruise revenues earned net of only 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.

## Non-GAAP Financial Measures (Cont'd)

Adjusted cruise costs per ALBD and adjusted cruise costs excluding fuel per ALBD enable us and investors 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 us and investors and expanded insight to measure our cost performance. Adjusted cruise costs per ALBD and adjusted cruise costs excluding fuel per ALBD are the measures we use to monitor our ability to control our cruise segments' costs rather than cruise costs per ALBD. We exclude gains and losses on ship sales, impairment charges, restructuring costs and certain other gains and losses that we believe are not part of our core operating business as well as excluding 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. We exclude fuel expense to calculate adjusted cruise costs excluding fuel. The price of fuel, over which we have no control, impacts the comparability of period-to-period cost performance. The adjustment to exclude fuel provides us and investors with supplemental information to understand and assess the company's non-fuel adjusted cruise cost performance. Substantially all of our adjusted cruise costs excluding fuel are largely fixed, except for the impact of changing prices once the number of ALBDs has been determined.

Adjusted ROIC provides additional information to us and investors about our operating performance relative to the capital we have invested in the company. We define adjusted ROIC as the twelve-month adjusted net income (loss) before interest expense and interest income divided by the monthly average of debt plus equity minus construction-in-progress, excess cash, goodwill and intangibles.

### Reconciliation of Forecasted Data

We have not provided a reconciliation of forecasted non-GAAP financial measures to the most comparable U.S. GAAP financial measures because preparation of meaningful U.S. GAAP forecasts would require unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates and fuel prices. We are unable to determine the future impact of gains and losses on ship sales, impairment charges, debt extinguishment and modification costs, restructuring costs and certain other non-core gains and losses.

### 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.

Constant currency reporting removes the impact of changes in exchange rates on the translation of our operations plus the transactional impact of changes in exchange rates from revenues and expenses that are denominated in a currency other than the functional currency.

We report adjusted gross margin, net yields, adjusted cruise costs excluding fuel and adjusted cruise costs excluding fuel per ALBD on a "constant currency" basis assuming the current periods' currency exchange rates have remained constant with the prior periods' rates. These metrics facilitate a comparative view for the changes in our business in an environment with fluctuating exchange rates.

### 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.