

CARNIVAL CORP  
Form 10-Q  
September 27, 2018

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2018

OR

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

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

Commission file number: 001-9610 Commission file number: 001-15136

Carnival Corporation  
(Exact name of registrant as  
specified in its charter)

Carnival plc  
(Exact name of registrant as  
specified in its charter)

Republic of Panama  
(State or other jurisdiction of  
incorporation or organization)

England and Wales  
(State or other jurisdiction of  
incorporation or organization)

59-1562976  
(I.R.S. Employer Identification No.)

98-0357772  
(I.R.S. Employer Identification No.)

3655 N.W. 87th Avenue  
Miami, Florida 33178-2428  
(Address of principal  
executive offices)  
(Zip Code)

Carnival House, 100 Harbour Parade,  
Southampton SO15 1ST, United Kingdom  
(Address of principal  
executive offices)  
(Zip Code)

(305) 599-2600  
(Registrant's telephone number,  
including area code)

011 44 23 8065 5000  
(Registrant's telephone number,  
including area code)

None  
(Former name, former address  
and former fiscal year, if  
changed since last report)

None  
(Former name, former address  
and former fiscal year, if  
changed since last report)

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes No

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

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

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

If emerging growth companies, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At September 20, 2018, Carnival Corporation had outstanding 526,850,769 shares of Common Stock, \$0.01 par value. At September 20, 2018, Carnival plc had outstanding 198,323,911 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 526,850,769 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements.

CARNIVAL CORPORATION & PLC  
CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(in millions, except per share data)

|   | Three Months<br>Ended<br>August 31, |         | Nine Months<br>Ended<br>August 31, |         |
|---|-------------------------------------|---------|------------------------------------|---------|
|   | 2018                                | 2017    | 2018                               | 2017    |
| Revenues                                      |                                     |         |                                    |         |
| Cruise  |                                     |         |                                    |         |
| Passenger ticket                              | \$4,353                             | \$4,138 | \$10,694                           | \$9,814 |
| Onboard and other                             | 1,316                               | 1,223   | 3,509                              | 3,237   |
| Tour and other                                | 167                                 | 154     | 222                                | 200     |
|   | 5,836                               | 5,515   | 14,425                             | 13,251  |
| Operating Costs and Expenses                  |                                     |         |                                    |         |
| Cruise  |                                     |         |                                    |         |
| Commissions, transportation and other         | 760                                 | 699     | 2,000                              | 1,781   |
| Onboard and other                             | 207                                 | 184     | 485                                | 438     |
| Payroll and related                           | 537                                 | 520     | 1,638                              | 1,552   |
| Fuel  | 434                                 | 307     | 1,166                              | 914     |
| Food  | 275                                 | 270     | 804                                | 774     |
| Other ship operating                          | 655                                 | 947     | 2,115                              | 2,293   |
| Tour and other                                | 90                                  | 86      | 140                                | 132     |
|   | 2,958                               | 3,013   | 8,348                              | 7,884   |
| Selling and administrative                    | 573                                 | 547     | 1,794                              | 1,649   |
| Depreciation and amortization                 | 511                                 | 473     | 1,510                              | 1,368   |
| Goodwill and trademark impairment             | —                                   | 89      | —                                  | 89      |
|   | 4,042                               | 4,122   | 11,653                             | 10,990  |
| Operating Income                              | 1,794                               | 1,393   | 2,772                              | 2,261   |
| Nonoperating Income (Expense)                 |                                     |         |                                    |         |
| Interest income                               | 5                                   | 3       | 10                                 | 7       |
| Interest expense, net of capitalized interest | (49)                                | (49)    | (147)                              | (150)   |
| Gains (losses) on fuel derivatives, net       | 4                                   | 7       | 61                                 | (19)    |
| Other (expense) income, net                   | (9)                                 | 14      | 2                                  | 7       |
|   | (50)                                | (25)    | (74)                               | (155)   |
| Income Before Income Taxes                    | 1,744                               | 1,368   | 2,699                              | 2,106   |
| Income Tax Expense, Net                       | (37)                                | (39)    | (40)                               | (46)    |
| Net Income                                    | \$1,707                             | \$1,329 | \$2,659                            | \$2,060 |
| Earnings Per Share                            |                                     |         |                                    |         |
| Basic   | \$2.42                              | \$1.84  | \$3.73                             | \$2.85  |
| Diluted                                       | \$2.41                              | \$1.83  | \$3.72                             | \$2.84  |
| Dividends Declared Per Share                  | \$0.50                              | \$0.40  | \$1.45                             | \$1.15  |

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



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

|   | Three Months<br>Ended<br>August 31,<br>2018 |         | Nine Months<br>Ended<br>August 31,<br>2017 |         |
|---|---|---------|--|---------|
| Net Income  | \$1,707                                     | \$1,329 | \$2,659                                    | \$2,060 |
| Items Included in Other Comprehensive Income (Loss) |   |         |  |         |
| Change in foreign currency translation adjustment   | 15  | 285     | (50  | ) 543   |
| Other   | —   | 24      | (9   | ) 66    |
| Other Comprehensive Income (Loss)                   | 14  | 309     | (59  | ) 609   |
| Total Comprehensive Income                          | \$1,722                                     | \$1,638 | \$2,600                                    | \$2,669 |

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

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

|  | August 31,<br>2018 | November 30,<br>2017 |
|--|--------------------|----------------------|
| <b>ASSETS</b>  |                    |                      |
| Current Assets   |                    |                      |
| Cash and cash equivalents  | \$ 526             | \$ 395               |
| Trade and other receivables, net   | 366                | 312                  |
| Inventories  | 405                | 387                  |
| Prepaid expenses and other   | 458                | 502                  |
| Total current assets   | 1,755              | 1,596                |
| Property and Equipment, Net  | 35,178             | 34,430               |
| Goodwill   | 2,949              | 2,967                |
| Other Intangibles  | 1,182              | 1,200                |
| Other Assets   | 689                | 585                  |
|  | \$ 41,753          | \$ 40,778            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                    |                      |
| Current Liabilities  |                    |                      |
| Short-term borrowings  | \$ 632             | \$ 485               |
| Current portion of long-term debt  | 688                | 1,717                |
| Accounts payable   | 666                | 762                  |
| Accrued liabilities and other  | 1,616              | 1,877                |
| Customer deposits  | 4,418              | 3,958                |
| Total current liabilities  | 8,020              | 8,800                |
| Long-Term Debt   | 8,297              | 6,993                |
| Other Long-Term Liabilities  | 783                | 769                  |
| 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   | 8,741              | 8,690                |
| Retained earnings  | 24,921             | 23,292               |
| Accumulated other comprehensive loss   | (1,840)            | (1,782)              |
| Treasury stock, 129 shares at 2018 and 122 shares at 2017 of Carnival Corporation and 44 shares at 2018 and 32 shares at 2017 of Carnival plc, at cost | (7,533)            | (6,349)              |
| Total shareholders' equity   | 24,654             | 24,216               |
|  | \$ 41,753          | \$ 40,778            |

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

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

|   | Nine Months<br>Ended August<br>31, |          |
|---|------------------------------------|----------|
|   | 2018                               | 2017     |
| <b>OPERATING ACTIVITIES</b>   |                                    |          |
| Net income  | \$2,659                            | \$2,060  |
| Adjustments to reconcile net income to net cash provided by operating activities        |                                    |          |
| Depreciation and amortization   | 1,510                              | 1,368    |
| Impairments   | 16                                 | 392      |
| (Gains) losses on fuel derivatives, net   | (61 )                              | 19       |
| Share-based compensation  | 49                                 | 48       |
| Other, net  | (22 )                              | 52       |
|   | 4,151                              | 3,939    |
| Changes in operating assets and liabilities   |                                    |          |
| Receivables   | (61 )                              | (1 )     |
| Inventories   | (19 )                              | (18 )    |
| Prepaid expenses and other  | 76                                 | (1 )     |
| Accounts payable  | (94 )                              | (101 )   |
| Accrued liabilities and other   | (166 )                             | 25       |
| Customer deposits   | 549                                | 455      |
| Net cash provided by operating activities   | 4,436                              | 4,298    |
| <b>INVESTING ACTIVITIES</b>   |                                    |          |
| Purchases of property and equipment   | (2,784 )                           | (2,296 ) |
| Proceeds from sales of ships  | 282                                | —        |
| Payments of fuel derivative settlements   | (37 )                              | (157 )   |
| Other, net  | (67 )                              | 34       |
| Net cash used in investing activities   | (2,606 )                           | (2,419 ) |
| <b>FINANCING ACTIVITIES</b>   |                                    |          |
| Proceeds from (repayments of) short-term borrowings, net                                | 182                                | (335 )   |
| Principal repayments of long-term debt  | (1,271 )                           | (1,012 ) |
| Proceeds from issuance of long-term debt  | 1,618                              | 467      |
| Dividends paid  | (1,003 )                           | (797 )   |
| Purchases of treasury stock   | (1,205 )                           | (305 )   |
| Other, net  | (28 )                              | (22 )    |
| Net cash used in financing activities   | (1,707 )                           | (2,004 ) |
| Effect of exchange rate changes on cash and cash equivalents                            | 7                                  | 11       |
| Net increase (decrease) in cash and cash equivalents                                    | 131                                | (114 )   |
| Cash and cash equivalents at beginning of period  | 395                                | 603      |
| Cash and cash equivalents at end of period  | \$526                              | \$489    |
| The accompanying notes are an integral part of these consolidated financial statements. |                                    |          |



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CARNIVAL CORPORATION & PLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
NOTE 1 – General

The consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries. Together with their consolidated subsidiaries, they are referred to collectively in these consolidated financial statements and elsewhere in this joint Quarterly Report on Form 10-Q as “Carnival Corporation & plc,” “our,” “us” and “we.”

**Basis of Presentation**

The Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income for the three and nine months ended August 31, 2018 and 2017, the Consolidated Balance Sheet at August 31, 2018 and the Consolidated Statements of Cash Flows for the nine months ended August 31, 2018 and 2017 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2017 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 29, 2018. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

**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. generally accepted accounting principles (“U.S. GAAP”). The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in U.S. GAAP. This guidance is required to be adopted by us in the first quarter of 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 are substantially complete with our evaluation of changes to our revenues using the model supported by the new revenue standard. The adoption of this guidance will result in the gross presentation of prepaid travel agent commissions, shore excursions and other onboard revenues and costs, all of which were historically presented net, and will require additional disclosures. It is not expected to have a material impact to the timing of our recognition of revenues.

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.

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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 statements. 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 currently evaluating if this guidance will have any other impact on our consolidated financial statements.

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.

Other

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. The portion of these fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were \$174 million and \$161 million and \$465 million and \$440 million for the three and nine months ended August 31, 2018 and 2017, respectively.

NOTE 2 – Unsecured Debt

At August 31, 2018, our short-term borrowings consisted of euro-denominated commercial paper of \$398 million and a euro-denominated bank loan of \$234 million due in 2019. For the nine months ended August 31, 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.

In December 2017, we repaid a \$500 million bond and borrowed \$469 million under a sterling-denominated floating rate bank loan due in 2022.

In January 2018, we repaid \$365 million of euro-denominated floating rate bank loans prior to their 2018 and 2021 maturity dates.

In March 2018, we borrowed \$370 million under a euro-denominated floating rate bank loan due in 2020 and borrowed \$567 million under an export credit facility due in semi-annual installments through 2030.

In April 2018, we borrowed \$229 million under an export credit facility due in semi-annual installments through 2030.

In June 2018, we entered into a \$914 million export credit facility, which may be drawn in euro or U.S. dollars in 2022 and will be due in semi-annual installments through 2034. The interest rate on this export credit facility can be

fixed or floating, at our discretion.

NOTE 3 – 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 are covered by insurance and the maximum amount of our liability, net of any insurance recoverables, is typically limited to our self-insurance retention levels. We believe the ultimate outcome of these claims and lawsuits will not have a material impact on our consolidated financial statements.

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## 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 lender's 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 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risks

## 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

| (in millions)              | August 31, 2018 |                    |                    | November 30, 2017 |                    |                    |
|----------------------------|-----------------|--------------------|--------------------|-------------------|--------------------|--------------------|
|                            | Carrying Value  | Fair Value Level 1 | Fair Value Level 2 | Carrying Value    | Fair Value Level 1 | Fair Value Level 2 |
| <b>Assets</b>              |                 |                    |                    |                   |                    |                    |
| Long-term other assets (a) | \$ 136          | \$-\$37            | \$ 98              | \$ 126            | \$-\$49            | \$ 75              |
| <b>Total</b>               | <b>\$ 136</b>   | <b>\$-\$37</b>     | <b>\$ 98</b>       | <b>\$ 126</b>     | <b>\$-\$49</b>     | <b>\$ 75</b>       |
| <b>Liabilities</b>         |                 |                    |                    |                   |                    |                    |
| Fixed rate debt (b)        | \$5,308         | \$-\$5,463         | \$ —               | \$5,588           | \$-\$5,892         | \$ —               |
| Floating rate debt (b)     | 4,372           | —4,409             | —                  | 3,658             | —3,697             | —                  |
| <b>Total</b>               | <b>\$9,680</b>  | <b>\$-\$9,872</b>  | <b>\$ —</b>        | <b>\$9,246</b>    | <b>\$-\$9,589</b>  | <b>\$ —</b>        |

Long-term other assets are comprised of notes receivable. The fair values of our Level 2 notes receivable were (a) 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.

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 (b) 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.

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

| (in millions)                                  | August 31, 2018 |              |             | November 30, 2017 |               |             |
|--|-----------------|--------------|-------------|-------------------|---------------|-------------|
|  | Level 1         | Level 2      | Level 3     | Level 1           | Level 2       | Level 3     |
| <b>Assets</b>                                  |                 |              |             |                   |               |             |
| Cash and cash equivalents                      | \$526           | \$ —         | \$ —        | -\$395            | \$ —          | \$ —        |
| Restricted cash                                | 15              | —            | —           | 26                | —             | —           |
| Marketable securities held in rabbi trusts (a) | 6               | —            | —           | 97                | —             | —           |
| Derivative financial instruments               | —               | 5            | —           | —                 | 15            | —           |
| <b>Total</b>                                   | <b>\$547</b>    | <b>\$ 5</b>  | <b>\$ —</b> | <b>-\$518</b>     | <b>\$ 15</b>  | <b>\$ —</b> |
| <b>Liabilities</b>                             |                 |              |             |                   |               |             |
| Derivative financial instruments               | \$—             | \$ 40        | \$ —        | -\$—              | \$ 161        | \$ —        |
| <b>Total</b>                                   | <b>\$—</b>      | <b>\$ 40</b> | <b>\$ —</b> | <b>-\$—</b>       | <b>\$ 161</b> | <b>\$ —</b> |

(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

| (in millions)                           | Goodwill |                |         |
|---|----------|----------------|---------|
|   | NAA (a)  | EA (b) Segment | Total   |
| At November 30, 2017                    | \$1,898  | \$1,069        | \$2,967 |
| Foreign currency translation adjustment | —        | (18 )          | (18 )   |
| At August 31, 2018                      | \$1,898  | \$1,050        | \$2,949 |
| (a) North America & Australia (“NAA”)   |          |                |         |
| (b) Europe & Asia (“EA”)                |          |                |         |

| (in millions)                           | Trademarks  |            |         |
|---|-------------|------------|---------|
|   | NAA Segment | EA Segment | Total   |
| At November 30, 2017                    | \$927       | \$ 252     | \$1,179 |
| Foreign currency translation adjustment | —           | (5 )       | (5 )    |
| At August 31, 2018                      | \$927       | \$ 247     | \$1,174 |

The determination of our reporting unit goodwill and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments. A change in the conditions, circumstances or strategy, may result in a need to recognize an impairment charge.

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## Derivative Instruments and Hedging Activities

| (in millions)                                     | Balance Sheet Location        | August<br>31,<br>2018 | November 30,<br>2017 |
|---|-------------------------------|-----------------------|----------------------|
| Derivative assets                                 |                               |                       |                      |
| Derivatives designated as hedging instruments     |                               |                       |                      |
| Net investment hedges (a)                         | Prepaid expenses and other    | \$ 5                  | \$ 3                 |
| Foreign currency zero cost collars (b)            | Prepaid expenses and other    | —                     | 12                   |
| Total derivative assets                           |                               | \$ 5                  | \$ 15                |
| Derivative liabilities                            |                               |                       |                      |
| Derivatives designated as hedging instruments     |                               |                       |                      |
| Net investment hedges (a)                         | Accrued liabilities and other | \$ —                  | \$ 13                |
|   | Other long-term liabilities   | 13                    | 17                   |
| Interest rate swaps (c)                           | Accrued liabilities and other | 8                     | 10                   |
|   | Other long-term liabilities   | 13                    | 17                   |
|   |                               | 35                    | 57                   |
| Derivatives not designated as hedging instruments |                               |                       |                      |
| Fuel (d)  | Accrued liabilities and other | 6                     | 95                   |
|   | Other long-term liabilities   | —                     | 9                    |
|   |                               | 6                     | 104                  |
| Total derivative liabilities                      |                               | \$ 40                 | \$ 161               |

At August 31, 2018 and November 30, 2017, we had foreign currency swaps totaling \$160 million and \$324 (a) million, respectively, that are designated as hedges of our net investments in foreign operations with a euro-denominated functional currency. At August 31, 2018, this foreign currency swap settles in September 2019.

At August 31, 2018 and November 30, 2017, we had foreign currency derivatives consisting of foreign currency (b) zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See “Newbuild Currency Risks” below for additional information regarding these derivatives.

We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate (c) payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed \$422 million at August 31, 2018 and \$479 million at November 30, 2017 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At August 31, 2018, these interest rate swaps settle through March 2025.

At August 31, 2018 and November 30, 2017, we had fuel derivatives consisting of zero cost collars on Brent crude (d) oil (“Brent”) to cover a portion of our estimated fuel consumption through 2018. See “Fuel Price Risks” below for additional information regarding these derivatives.

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

August 31, 2018

| (in millions) | Gross<br>Amounts | Gross<br>Offset in<br>the<br>Balance<br>Sheet | Total Net<br>Amounts<br>Presented<br>in the<br>Balance<br>Sheet | Gross<br>Amounts<br>not<br>Offset in<br>the<br>Balance<br>Sheet | Net<br>Amounts |
|---------------|------------------|---|---|---|----------------|
| Assets        | \$5              | \$  | —\$ 5   | \$ (5 )   | \$ —           |
| Liabilities   | \$40             | \$  | —\$ 40  | \$ (5 )   | \$ 36          |

November 30, 2017

| (in millions) | Gross<br>Amounts | Offset in<br>the<br>Balance<br>Sheet | Total Net<br>Amounts<br>Presented<br>in the<br>Balance<br>Sheet | Gross<br>Amounts<br>not<br>Offset in<br>the<br>Balance<br>Sheet | Net<br>Amounts |
|---------------|------------------|--------------------------------------|---|---|----------------|
| Assets        | \$15             | \$                                   | —\$ 15  | \$ (8 )   | \$ 7           |
| Liabilities   | \$161            | \$                                   | —\$ 161   | \$ (8 )   | \$ 153         |

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

|   | Three<br>Months<br>Ended<br>August 31,<br>2018 |        | Nine<br>Months<br>Ended<br>August 31,<br>2017 |        |
|---|--|--------|---|--------|
| (in millions)   |  |        |   |        |
| Net investment hedges                                 | \$3  | \$(17) | \$13  | \$(33) |
| Foreign currency zero cost collars – cash flow hedges | \$(1)  | \$17   | \$(11)  | \$52   |
| Interest rate swaps – cash flow hedges                | \$1  | \$1    | \$5   | \$5    |

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require cash collateral to be posted or received to the extent the fuel derivative fair value payable to or receivable from an individual counterparty exceeds \$100 million. At August 31, 2018 and November 30, 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 Risks

## Fuel Price Risks

Substantially all of our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We 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 less fuel efficient ships. We have Brent call options and Brent put options, collectively referred to as zero cost collars, that establish ceiling and floor prices and mitigate a portion of our economic risk attributable to potential fuel price increases through the end of 2018.

|   | Three<br>Months<br>Ended<br>August<br>31,<br>2018 |      | Nine<br>Months<br>Ended<br>August 31,<br>2017 |        |
|---|---|------|---|--------|
| (in millions)                             |   |      |   |        |
| Unrealized gains on fuel derivatives, net | \$8   | \$65 | \$90  | \$134  |
| Realized losses on fuel derivatives, net  | (4)   | (57) | (29)  | (153)  |
| Gains (losses) on fuel derivatives, net   | \$4   | \$7  | \$61  | \$(19) |

## 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 \$5.5 billion and \$861 million of euro- and sterling-denominated debt, respectively, including the effect of foreign currency swaps, which provides an economic offset for our operations with euro and sterling functional

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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 August 31, 2018, for the following newbuild, we had foreign currency zero cost collars for a portion of euro-denominated shipyard payments. These collars are designated as cash flow hedges.

| Entered Into         | Matures in    | Weighted-Average<br>Floor Rate | Weighted-<br>Average<br>Ceiling<br>Rate |
|----------------------|---------------|--------------------------------|---|
| Nieuw Statendam 2016 | November 2018 | \$ 1.05                        | \$ 1.25                                 |

If the spot rate is between the ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

At August 31, 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 \$10.5 billion and relates to newbuilds scheduled to be delivered in 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 currently believe the risk of nonperformance by any of our significant counterparties is remote. At August 31, 2018, our exposures under foreign currency and fuel derivative 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.

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## NOTE 5 – 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 represents 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.

| (in millions)  | Three Months Ended August 31, |                              |                            |                               |                         |
|----------------|-------------------------------|------------------------------|----------------------------|-------------------------------|-------------------------|
|                | Revenues                      | Operating costs and expenses | Selling and administrative | Depreciation and amortization | Operating income (loss) |
| 2018           |                               |                              |                            |                               |                         |
| NAA            | \$3,805                       | \$1,981                      | \$ 333                     | \$ 323                        | \$ 1,168                |
| EA             | 1,832                         | 891                          | 172                        | 150                           | 621                     |
| Cruise Support | 31                            | (4 )                         | 64                         | 28                            | (57 )                   |
| Tour and Other | 167                           | 90                           | 4                          | 10                            | 62                      |
|                | \$5,836                       | \$2,958                      | \$ 573                     | \$ 511                        | \$ 1,794                |
| 2017           |                               |                              |                            |                               |                         |
| NAA            | \$3,565                       | \$1,920                      | \$ 320                     | \$ 303                        | \$ 933 (a)              |
| EA             | 1,767                         | 1,007                        | 158                        | 147                           | 455                     |
| Cruise Support | 28                            | —                            | 65                         | 13                            | (50 )                   |
| Tour and Other | 155                           | 86                           | 4                          | 10                            | 55                      |
|                | \$5,515                       | \$3,013                      | \$ 547                     | \$ 473                        | \$ 1,393                |
|                |                               |                              |                            |                               |                         |
| (in millions)  | Nine Months Ended August 31,  |                              |                            |                               |                         |
|                | Revenues                      | Operating costs and expenses | Selling and administrative | Depreciation and amortization | Operating income (loss) |
| 2018           |                               |                              |                            |                               |                         |
| NAA            | \$9,325                       | \$ 5,385                     | \$ 1,039                   | \$ 940                        | \$ 1,961                |
| EA             | 4,784                         | 2,783                        | 551                        | 466                           | 984                     |
| Cruise Support | 94                            | 40                           | 183                        | 76                            | (204 )                  |
| Tour and Other | 222                           | 140                          | 22                         | 29                            | 31                      |
|                | \$14,425                      | \$ 8,348                     | \$ 1,794                   | \$ 1,510                      | \$ 2,772                |
| 2017           |                               |                              |                            |                               |                         |
| NAA            | \$8,744                       | \$ 5,073                     | \$ 982                     | \$ 893                        | \$ 1,708 (a)            |
| EA             | 4,206                         | 2,661                        | 475                        | 411                           | 658                     |
| Cruise Support | 101                           | 18                           | 180                        | 36                            | (133 )                  |
| Tour and Other | 200                           | 132                          | 12                         | 28                            | 28                      |
|                | \$13,251                      | \$ 7,884                     | \$ 1,649                   | \$ 1,368                      | \$ 2,261                |

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

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## NOTE 6 – Earnings Per Share

| (in millions, except per share data)                | Three Months |            | Nine Months |            |
|---|--------------|------------|-------------|------------|
|   | Ended        | Ended      | Ended       | Ended      |
|   | August 31,   | August 31, | August 31,  | August 31, |
|   | 2018         | 2017       | 2018        | 2017       |
| Net income for basic and diluted earnings per share | \$ 1,707     | \$ 1,329   | \$ 2,659    | \$ 2,060   |
| Weighted-average shares outstanding                 | 706          | 723        | 712         | 724        |
| Dilutive effect of equity plans                     | 2            | 3          | 2           | 3          |
| Diluted weighted-average shares outstanding         | 707          | 726        | 714         | 727        |
| Basic earnings per share                            | \$2.42       | \$ 1.84    | \$ 3.73     | \$ 2.85    |
| Diluted earnings per share                          | \$2.41       | \$ 1.83    | \$ 3.72     | \$ 2.84    |

## NOTE 7 – Shareholders’ Equity

Effective August 27, 2018, the company approved a modification of the general authorization to repurchase Carnival Corporation common stock and/or Carnival plc ordinary shares (the “Repurchase Program”), which replenished the remaining authorized repurchases at the time of the approval to \$1.0 billion. During the nine months ended August 31, 2018, we repurchased 11.8 million shares of Carnival plc ordinary shares and 7.8 million shares of Carnival Corporation common stock for \$726 million and \$475 million, respectively, under the Repurchase Program. At August 31, 2018, the remaining availability under the Repurchase Program was \$987 million.

During the three months ended August 31, 2018, our Boards of Directors declared a dividend to holders of Carnival Corporation common stock and Carnival plc ordinary shares of \$0.50 per share.

## NOTE 8 – Property and Equipment

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 an 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 sold an NAA segment 1,680-passenger capacity ship. The ship will be transferred to the buyer in March 2019.

## NOTE 9 – Other Assets

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.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements, estimates or projections contained in this 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,” “dep,” “expect,” “goal,” “anticipate,” “forecast,” “project,” “future,” “intend,” “plan,” “estimate,” “target,” “indicate,” “outlook,” and 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
- Net cruise costs, excluding fuel per available lower berth day
- Booking levels
- Estimates of ship depreciable lives and residual values
- Pricing and occupancy
- Goodwill, ship and trademark fair values
- Interest, tax and fuel expenses
- Liquidity
- Currency exchange rates
- 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:

The demand for cruises may decline due to adverse world events impacting the ability or desire of people to travel, including conditions affecting the safety and security of travel, government regulations and requirements, and decline in consumer confidence

Incidents, such as ship incidents, security incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and the related adverse publicity affecting our reputation and the health, safety, security and satisfaction of guests and crew

Changes in and compliance with laws and regulations relating to environment, health, safety, security, data privacy and protection, tax and anti-corruption under which we operate may lead to litigations, enforcement actions, fines, or penalties

Disruptions and other damages to our information technology and other networks and operations, breaches in data security, lapses in data privacy, and failure to keep pace with developments in technology

Ability to recruit, develop and retain qualified shipboard personnel who live on ships away from home for extended periods of time

Increases in fuel prices and availability of fuel supply

Fluctuations in foreign currency exchange rates

Overcapacity and competition in the cruise ship and land-based vacation industry

Continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain, as well as reductions in the availability of, and increases in the prices for, the services and products provided by these vendors

Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations, as well as increases to our repairs and maintenance expenses and



refurbishment costs as our fleet ages

• Geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect

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.

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## New Accounting Pronouncements

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

## Critical Accounting Estimates

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

## Seasonality

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

## Statistical Information

|   | Three Months<br>Ended<br>August 31, |         | Nine Months<br>Ended<br>August 31, |         |
|---|-------------------------------------|---------|------------------------------------|---------|
|   | 2018                                | 2017    | 2018                               | 2017    |
| Available Lower Berth Days (“ALBDs”) (in thousands) (a) (b) | 21,475                              | 21,120  | 62,626                             | 61,541  |
| Occupancy percentage (c)                                    | 112.6 %                             | 111.3 % | 107.8 %                            | 106.7 % |
| Passengers carried (in thousands)                           | 3,562                               | 3,441   | 9,393                              | 9,116   |
| Fuel consumption in metric tons (in thousands)              | 818                                 | 814     | 2,458                              | 2,463   |
| Fuel consumption in metric tons per thousand ALBDs          | 38.1                                | 38.5    | 39.3                               | 40.0    |
| Fuel cost per metric ton consumed                           | \$531                               | \$378   | \$474                              | \$371   |
| Currencies (USD to 1)                                       |                                     |         |                                    |         |
| AUD   | \$0.74                              | \$0.78  | \$0.76                             | \$0.76  |
| CAD   | \$0.76                              | \$0.78  | \$0.78                             | \$0.76  |
| EUR   | \$1.16                              | \$1.15  | \$1.20                             | \$1.11  |
| GBP   | \$1.31                              | \$1.29  | \$1.36                             | \$1.27  |
| RMB   | \$0.15                              | \$0.15  | \$0.15                             | \$0.15  |

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 (a) 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.

For the three months ended August 31, 2018 compared to the three months ended August 31, 2017, we had a 1.7% (b) capacity increase in ALBDs comprised of a 3.1% capacity increase in our NAA segment and a 0.8% capacity decrease in our EA segment.



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Our NAA segment's capacity increase was caused by:

• Full quarter impact from one Carnival Cruise Line 3,970-passenger capacity ship that entered into service in April 2018

• Full quarter impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018

Our EA segment's capacity decrease was caused by:

• Full quarter impact from one P&O Cruises (UK) 700-passenger capacity ship removed from service in March 2018

• Full quarter impact from one Costa Cruises 1,300-passenger capacity ship removed from service in April 2018

For the nine months ended August 31, 2018 compared to the nine months ended August 31, 2017, we had a 1.8% capacity increase in ALBDs comprised of a 2.2% capacity increase in our NAA segment and a 1.0% 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 3,970-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 Cruises 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 accordance with cruise industry practice, occupancy is calculated using a denominator of ALBDs, which (c)assumes two passengers per cabin even though some cabins can accommodate three or more passengers.

Percentages in excess of 100% indicate that on average more than two passengers occupied some cabins.

Three Months Ended August 31, 2018 ("2018") Compared to Three Months Ended August 31, 2017 ("2017")

Revenues

Consolidated

Cruise passenger ticket revenues made up 75% of our 2018 total revenues. Cruise passenger ticket revenues increased by \$215 million, or 5.2%, to \$4.4 billion in 2018 from \$4.1 billion in 2017.

This increase was driven by:

• \$70 million - 1.7% capacity increase in ALBDs

• \$50 million - increase in cruise ticket revenues, driven primarily by price improvements in our European and China programs, partially offset by decrease in our Caribbean program

• \$48 million - increase in occupancy

• \$30 million - increase in air transportation revenues

•

\$11 million - foreign currency translational impact from a weaker U.S. dollar against the functional currencies of our foreign operations (“foreign currency translational impact”)

The remaining 25% of 2018 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$93 million, or 7.6%, to \$1.3 billion in 2018 from \$1.2 billion in 2017.

This increase was caused by:

- \$36 million - higher onboard spending by our guests
- \$22 million - increase in other revenues
- \$21 million - 1.7% capacity increase in ALBDs
- \$14 million - increase in occupancy

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Concession revenues, which are included in onboard and other revenues, increased by \$20 million, or 6.0%, to \$350 million in 2018 from \$331 million in 2017.

NAA Segment

Cruise passenger ticket revenues made up 75% of our NAA segment's 2018 total revenues. Cruise passenger ticket revenues increased by \$168 million, or 6.3%, to \$2.8 billion in 2018 compared to \$2.7 billion in 2017.

This increase was caused by:

\$84 million - 3.1% capacity increase in ALBDs

\$35 million - increase in cruise ticket revenues, driven primarily by price improvements in the European program, partially offset by the Caribbean program

\$30 million - increase in air transportation revenues

\$20 million - increase in occupancy

The remaining 25% of our NAA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by \$73 million, or 8.1%, to \$969 million in 2018 from \$897 million in 2017.

This increase was driven by:

\$28 million - 3.1% capacity increase in ALBDs

\$22 million - higher onboard spending by our guests

\$18 million - increase in other revenues

Concession revenues, which are included in onboard and other revenues, increased by \$17 million, or 7.5%, to \$251 million in 2018 from \$233 million in 2017.

EA Segment

Cruise passenger ticket revenues made up 83% of our EA segment's 2018 total revenues. Cruise passenger ticket revenues increased by \$53 million, or 3.6%, to \$1.5 billion in 2018 compared to \$1.5 billion in 2017.

This increase was caused by:

\$26 million - increase in occupancy

\$19 million - increase in cruise ticket revenues, driven primarily by price improvements in the European and China programs

\$15 million - foreign currency translational impact

These increases were partially offset by a 0.8% capacity decrease in ALBDs, which accounted for \$12 million.

The remaining 17% of our EA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by \$12 million, or 4.1%, to \$305 million in 2018 from \$292 million in 2017.

Concession revenues, which are included in onboard and other revenues, increased by \$2 million, or 2.2%, to \$100 million in 2018 from \$97 million in 2017.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by \$55 million, or 1.8%, to \$3.0 billion in 2018 from \$3.0 billion in 2017.

This decrease was caused by:

\$304 million - ship impairments in 2017

\$26 million - gains on ship sales in 2018

This decrease was partially offset by:

\$126 million - higher fuel prices

\$49 million - 1.7% capacity increase in ALBD

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- \$39 million - higher commissions, transportation and other expenses
- \$17 million - higher onboard and other expenses
- \$14 million - higher dry-dock expenses and repair and maintenance expenses
- \$13 million - increase in occupancy

Selling and administrative expenses increased by \$26 million, or 4.8%, to \$573 million in 2018 from \$547 million in 2017.

Depreciation and amortization expenses increased by \$38 million, or 7.9%, to \$511 million in 2018 from \$473 million 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 \$61 million, or 3.2%, to \$2.0 billion in 2018 from \$1.9 billion in 2017.

This increase was caused by:

- \$84 million - higher fuel prices
- \$60 million - 3.1% capacity increase in ALBDs
- \$40 million - higher commissions, transportation and other expenses
- \$15 million - higher onboard and other expenses
- \$13 million - higher dry-dock expenses and repair and maintenance expenses
- \$12 million - higher cruise payroll and related expenses

These increases were partially offset by:

- \$162 million - ship impairments in 2017

Selling and administrative expenses increased by \$13 million, or 4.1%, to \$333 million in 2018 from \$320 million in 2017.

Depreciation and amortization expenses increased by \$20 million, or 6.8%, to \$323 million in 2018 from \$303 million 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 decreased by \$116 million, or 12%, to \$0.9 billion in 2018 from \$1.0 billion in 2017.

This decrease was caused by:

- \$141 million - ship impairments in 2017
- \$10 million - lower dry-dock expenses and repair and maintenance expenses

These decreases were partially offset by:

- \$40 million - higher fuel prices



Selling and administrative expenses increased by \$14 million, or 8.7%, to \$172 million in 2018 from \$158 million in 2017.

Depreciation and amortization expenses increased by \$3 million, or 1.8%, to \$150 million in 2018 from \$147 million in 2017.

#### Operating Income

Our consolidated operating income increased by \$401 million, or 29%, to \$1.8 billion in 2018 from \$1.4 billion in 2017. Our NAA segment's operating income increased by \$235 million, or 25%, to \$1.2 billion in 2018 from \$0.9 billion in 2017, and our EA segment's operating income increased by \$166 million, or 36%, to \$621 million in 2018 from \$455 million in 2017. These changes were primarily due to the reasons discussed above.

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## Nonoperating Income (Expense)

|   |   |      |
|---|---|------|
|   | Three<br>Months<br>Ended<br>August<br>31,<br>2018 | 2017 |
| (in millions)                             |   |      |
| Unrealized gains on fuel derivatives, net | \$8   | \$65 |
| Realized losses on fuel derivatives, net  | (4)   | (57) |
| Gains on fuel derivatives, net            | \$4   | \$7  |

## 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.

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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 periods’ currency exchange rates have remained constant with the 2017 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.

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

| (dollars in millions, except yields)  | Three Months Ended August 31,<br>2018 |                    |            |
|---------------------------------------|---------------------------------------|--------------------|------------|
|                                       | 2018                                  | Constant<br>Dollar | 2017       |
| Passenger ticket revenues             | \$4,353                               | \$4,342            | \$4,138    |
| Onboard and other revenues            | 1,316                                 | 1,315              | 1,223      |
| Gross cruise revenues                 | 5,669                                 | 5,657              | 5,361      |
| Less cruise costs                     |                                       |                    |            |
| Commissions, transportation and other | (760 )                                | (758 )             | (699 )     |
| Onboard and other                     | (207 )                                | (207 )             | (184 )     |
|                                       | (967 )                                | (965 )             | (883 )     |
| Net passenger ticket revenues         | 3,593                                 | 3,584              | 3,439      |
| Net onboard and other revenues        | 1,109                                 | 1,108              | 1,039      |
| Net cruise revenues                   | \$4,702                               | \$4,692            | \$4,478    |
| ALBDs                                 | 21,475,014                            | 21,475,014         | 21,120,155 |
| Gross revenue yields                  | \$263.98                              | \$263.40           | \$253.82   |
| % increase                            | 4.0                                   | % 3.8              | %          |
| Net revenue yields                    | \$218.96                              | \$218.48           | \$211.99   |
| % increase                            | 3.3                                   | % 3.1              | %          |
| Net passenger ticket revenue yields   | \$167.31                              | \$166.89           | \$162.82   |
| % increase                            | 2.8                                   | % 2.5              | %          |
| Net onboard and other revenue yields  | \$51.65                               | \$51.60            | \$49.17    |
| % increase                            | 5.0                                   | % 4.9              | %          |

| (dollars in millions, except yields) | Three Months Ended August 31,<br>2018 |                      |            |
|--------------------------------------|---------------------------------------|----------------------|------------|
|                                      | 2018                                  | Constant<br>Currency | 2017       |
| Net passenger ticket revenues        | \$3,593                               | \$3,573              | \$3,439    |
| Net onboard and other revenues       | 1,109                                 | 1,110                | 1,039      |
| Net cruise revenues                  | \$4,702                               | \$4,683              | \$4,478    |
| ALBDs                                | 21,475,014                            | 21,475,014           | 21,120,155 |
| Net revenue yields                   | \$218.96                              | \$218.06             | \$211.99   |
| % increase                           | 3.3                                   | % 2.9                | %          |
| Net passenger ticket revenue yields  | \$167.31                              | \$166.38             | \$162.82   |
| % increase                           | 2.8                                   | % 2.2                | %          |
| Net onboard and other revenue yields | \$51.65                               | \$51.68              | \$49.17    |
| % increase                           | 5.0                                   | % 5.1                | %          |

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

| (dollars in millions, except costs per ALBD) | Three Months Ended August 31, |                            |            |
|--|-------------------------------|----------------------------|------------|
|  | 2018                          | 2018<br>Constant<br>Dollar | 2017       |
| Cruise operating expenses                    | \$2,867                       | \$2,864                    | \$ 2,927   |
| Cruise selling and administrative expenses   | 569                           | 567                        | 543        |
| Gross cruise costs                           | 3,436                         | 3,431                      | 3,470      |
| Less cruise costs included above             |                               |                            |            |
| Commissions, transportation and other        | (760 )                        | (758 )                     | (699 )     |
| Onboard and other                            | (207 )                        | (207 )                     | (184 )     |
| Gains (losses) on ship sales and impairments | 27                            | 26                         | (304 )     |
| Restructuring expenses                       | —                             | —                          | (3 )       |
| Other  | —                             | —                          | —          |
| Net cruise costs                             | 2,496                         | 2,492                      | 2,280      |
| Less fuel                                    | (434 )                        | (434 )                     | (307 )     |
| Net cruise costs excluding fuel              | \$2,062                       | \$2,058                    | \$ 1,973   |
| ALBDs  | 21,475,014                    | 21,475,014                 | 21,120,155 |
| Gross cruise costs per ALBD                  | \$160.02                      | \$159.76                   | \$ 164.32  |
| % (decrease)                                 | (2.6 )%                       | (2.8 )%                    |            |
| Net cruise costs excluding fuel per ALBD     | \$96.03                       | \$95.85                    | \$ 93.39   |
| % increase                                   | 2.8 %                         | 2.6 %                      |            |

| (dollars in millions, except costs per ALBD) | Three Months Ended August 31, |                              |            |
|--|-------------------------------|------------------------------|------------|
|  | 2018                          | 2018<br>Constant<br>Currency | 2017       |
| Net cruise costs excluding fuel              | \$2,062                       | \$ 2,060                     | \$ 1,973   |
| ALBDs  | 21,475,014                    | 21,475,014                   | 21,120,155 |
| Net cruise costs excluding fuel per ALBD     | \$96.03                       | \$ 95.92                     | \$ 93.39   |
| % increase                                   | 2.8 %                         | 2.7 %                        |            |

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Adjusted fully diluted earnings per share was computed as follows:

| (in millions, except per share data)               | Three Months<br>Ended<br>August 31, |         |
|--|-------------------------------------|---------|
|  | 2018                                | 2017    |
| Net income   |                                     |         |
| U.S. GAAP net income                               | \$1,707                             | \$1,329 |
| Unrealized (gains) losses on fuel derivatives, net | (8 )                                | (65 )   |
| (Gains) losses on ship sales and impairments       | (27 )                               | 392     |
| Restructuring expenses                             | —                                   | 3       |
| Other  | —                                   | —       |
| Adjusted net income                                | \$1,673                             | \$1,659 |
| Weighted-average shares outstanding                | 707                                 | 726     |
| Earnings per share                                 |                                     |         |
| U.S. GAAP earnings per share                       | \$2.41                              | \$1.83  |
| Unrealized (gains) losses on fuel derivatives, net | (0.01 )                             | (0.09 ) |
| (Gains) losses on ship sales and impairments       | (0.04 )                             | 0.55    |
| Restructuring expenses                             | —                                   | —       |
| Other  | —                                   | —       |
| Adjusted earnings per share                        | \$2.36                              | \$2.29  |

Net cruise revenues increased by \$225 million, or 5.0%, to \$4.7 billion in 2018 from \$4.5 billion in 2017.

The increase was driven by:

\$130 million - 2.9% increase in constant currency net revenue yields

\$75 million - 1.7% capacity increase in ALBDs

\$19 million - foreign currency impacts (including both the foreign currency translational and transactional impacts)

The 2.9% increase in net revenue yields on a constant currency basis was due to a 2.2% increase in net passenger ticket revenue yields and a 5.1% increase in net onboard and other revenue yields.

The 2.2% increase in net passenger ticket revenue yields was driven primarily by price improvements in our European and China programs, partially offset by decrease in our Caribbean program. This 2.2% increase in net passenger ticket revenue yields was comprised of a 1.1% increase from our NAA segment and a 4.3% 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 \$90 million, or 4.5%, to \$2.1 billion in 2018 from \$2.0 billion in 2017.

The increase was driven by:

\$54 million - 2.7% increase in constant currency net cruise costs excluding fuel

\$33 million - 1.7% capacity increase in ALBDs

Fuel costs increased by \$127 million, or 41%, to \$434 million in 2018 from \$307 million in 2017. This increase was caused by higher fuel prices, which accounted for \$128 million.

Nine Months Ended August 31, 2018 (“2018”) Compared to Nine Months Ended August 31, 2017 (“2017”)

## Revenues

### Consolidated

Cruise passenger ticket revenues made up 74% of our 2018 total revenues. Cruise passenger ticket revenues increased by \$880 million, or 9.0%, to \$10.7 billion in 2018 from \$9.8 billion in 2017.

This increase was caused by:

\$281 million - foreign currency translational impact

\$217 million - increase in cruise ticket revenues, driven primarily by price improvements in our European, China and various other programs including World Cruises

\$173 million - 1.8% capacity increase in ALBDs

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\$94 million - increase in occupancy  
\$80 million - increase in air transportation revenues  
\$35 million - increase in other passenger revenues

The remaining 26% of 2018 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$272 million, or 8.4%, to \$3.5 billion in 2018 from \$3.2 billion in 2017.

This increase was caused by:

\$92 million - higher onboard spending by our guests  
\$62 million - foreign currency translational impact  
\$57 million - 1.8% capacity increase in ALBDs  
\$31 million - increase in occupancy  
\$30 million - increase in other revenues

Concession revenues, which are included in onboard and other revenues, increased by \$65 million, or 8.1%, to \$868 million in 2018 from \$802 million in 2017.

NAA Segment

Cruise passenger ticket revenues made up 73% of our NAA segment's 2018 total revenues. Cruise passenger ticket revenues increased by \$414 million, or 6.5%, to \$6.8 billion in 2018 from \$6.4 billion in 2017.

This increase was driven by:

\$201 million - increase in cruise ticket revenues, driven primarily by price improvements in the European program  
\$142 million - 2.2% capacity increase in ALBDs  
\$48 million - increase in air transportation revenues

The remaining 27% of our NAA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by \$166 million, or 7.0%, to \$2.6 billion in 2018 from \$2.4 billion in 2017.

The increase was driven by:

\$81 million - higher onboard spending by our guest  
\$53 million - 2.2% capacity increase in ALBDs  
\$29 million - increase in other revenues  
Concession revenues, which are included in onboard and other revenues, increased by \$37 million, or 6.5%, to \$615 million in 2018 from \$578 million in 2017.

EA Segment

Cruise passenger ticket revenues made up 83% of our EA segment's 2018 total revenues. Cruise passenger ticket revenues increased by \$485 million, or 14%, to \$4.0 billion in 2018 from \$3.5 billion in 2017.

This increase was driven by:

\$279 million - foreign currency translational impact  
\$85 million - increase in occupancy  
\$55 million - increase in cruise ticket revenues, driven primarily by price improvements in the European, China and various other programs including World Cruises  
\$33 million - 1.0% capacity increase in ALBDs  
\$30 million - increase in air transportation revenues

The remaining 17% of our EA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by \$94 million, or 13%, to \$832 million in 2018 from \$738 million in 2017. This increase was driven by foreign currency translational impact, which accounted for \$61 million.

Concession revenues, which are included in onboard and other revenues, increased by \$28 million, or 12%, to \$252 million in 2018 from \$225 million in 2017.

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Costs and Expenses

Consolidated

Operating costs and expenses increased by \$464 million, or 5.9%, to \$8.3 billion in 2018 from \$7.9 billion in 2017.

This increase was caused by:

\$253 million - higher fuel prices

\$194 million - foreign currency translational impact

\$137 million - 1.8% capacity increase in ALBD

\$101 million - higher commissions, transportation and other expenses

\$55 million - higher dry-dock expenses and repairs and maintenance expenses

\$29 million - increase in occupancy

These increases were partially offset by:

\$304 million - ship impairments in 2017

\$51 million - gains on ship sales in 2018

Selling and administrative expenses increased by \$145 million, or 8.8%, to \$1.8 billion in 2018 from \$1.6 billion in 2017.

Depreciation and amortization expenses increased by \$142 million, or 10%, to \$1.5 billion in 2018 from \$1.4 billion in 2017.

This increase was caused by:

\$81 million - fleet enhancements and investments in shoreside assets

\$37 million - foreign currency translational impact

\$24 million - 1.8% capacity increase in ALBD

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 \$312 million, or 6.2%, to \$5.4 billion in 2018 from \$5.1 billion in 2017.

This increase was caused by:

\$172 million - higher fuel prices

\$113 million - 2.2% capacity increase in ALBDs

\$78 million - higher commissions, transportation and other expenses

\$40 million - higher dry-dock expenses and repairs and maintenance expenses

\$30 million - higher port expenses

\$28 million - higher cruise payroll and related expenses

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

Selling and administrative expenses increased by \$57 million, or 5.8%, to \$1.0 billion in 2018 from \$1.0 billion in 2017.

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Depreciation and amortization expenses increased by \$47 million, or 5.3%, to \$940 million in 2018 from \$893 million 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 \$122 million, or 4.6%, to \$2.8 billion in 2018 from \$2.7 billion in 2017.

This increase was caused by:

\$193 million - foreign currency translational impact

\$81 million - higher fuel prices

\$32 million - higher commissions, transportation and other expenses

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\$26 million - increase in occupancy  
 \$25 million - 1.0% capacity increase in ALBDs

These increases were partially offset by:

\$141 million - ship impairments in 2017  
 \$39 million - gains on ship sales in 2018

Selling and administrative expenses increased by \$76 million, or 16% to \$551 million in 2018 from \$475 million in 2017. This increase was driven by foreign currency translational impact, which accounted for \$44 million.

Depreciation and amortization expenses increased by \$55 million, or 13%, to \$466 million in 2018 from \$411 million in 2017. This increase was driven by foreign currency translational impact, which accounted for \$36 million.

Operating Income

Our consolidated operating income increased by \$511 million, or 23%, to \$2.8 billion in 2018 from \$2.3 billion in 2017. Our NAA segment's operating income increased by \$253 million, or 15%, to \$2.0 billion in 2018 from \$1.7 billion in 2017, and our EA segment's operating income increased by \$326 million, or 49%, to \$984 million in 2018 from \$658 million in 2017. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

|  | Nine<br>Months<br>Ended<br>August 31, |         |
|--|---------------------------------------|---------|
| (in millions)                              | 2018                                  | 2017    |
| Unrealized gains on fuel derivatives, net  | \$90                                  | \$134   |
| Realized (losses) on fuel derivatives, net | (29 )                                 | (153 )  |
| Gains (losses) on fuel derivatives, net    | \$61                                  | \$(19 ) |

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## Key Performance Non-GAAP Financial Indicators

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

| (dollars in millions, except yields)  | Nine Months Ended August 31, |                            |            |
|---------------------------------------|------------------------------|----------------------------|------------|
|                                       | 2018                         | 2018<br>Constant<br>Dollar | 2017       |
| Passenger ticket revenues             | \$ 10,694                    | \$ 10,413                  | \$ 9,814   |
| Onboard and other revenues            | 3,509                        | 3,447                      | 3,237      |
| Gross cruise revenues                 | 14,203                       | 13,860                     | 13,051     |
| Less cruise costs                     |                              |                            |            |
| Commissions, transportation and other | (2,000 )                     | (1,930 )                   | (1,781 )   |
| Onboard and other                     | (485 )                       | (476 )                     | (438 )     |
|                                       | (2,485 )                     | (2,406 )                   | (2,219 )   |
| Net passenger ticket revenues         | 8,694                        | 8,483                      | 8,033      |
| Net onboard and other revenues        | 3,024                        | 2,971                      | 2,799      |
| Net cruise revenues                   | \$ 11,718                    | \$ 11,454                  | \$ 10,832  |
| ALBDs                                 | 62,626,499                   | 62,626,499                 | 61,540,974 |
| Gross revenue yields                  | \$ 226.78                    | \$ 221.31                  | \$ 212.07  |
| % increase                            | 6.9                          | % 4.4                      | %          |
| Net revenue yields                    | \$ 187.10                    | \$ 182.90                  | \$ 176.01  |
| % increase                            | 6.3                          | % 3.9                      | %          |
| Net passenger ticket revenue yields   | \$ 138.82                    | \$ 135.45                  | \$ 130.52  |
| % increase                            | 6.4                          | % 3.8                      | %          |
| Net onboard and other revenue yields  | \$ 48.28                     | \$ 47.45                   | \$ 45.49   |
| % increase                            | 6.1                          | % 4.3                      | %          |

| (dollars in millions, except yields) | Nine Months Ended August 31, |                              |            |
|--------------------------------------|------------------------------|------------------------------|------------|
|                                      | 2018                         | 2018<br>Constant<br>Currency | 2017       |
| Net passenger ticket revenues        | \$ 8,694                     | \$ 8,455                     | \$ 8,033   |
| Net onboard and other revenues       | 3,024                        | 2,980                        | 2,799      |
| Net cruise revenues                  | \$ 11,718                    | \$ 11,436                    | \$ 10,832  |
| ALBDs                                | 62,626,499                   | 62,626,499                   | 61,540,974 |
| Net revenue yields                   | \$ 187.10                    | \$ 182.60                    | \$ 176.01  |
| % increase                           | 6.3                          | % 3.7                        | %          |
| Net passenger ticket revenue yields  | \$ 138.82                    | \$ 135.01                    | \$ 130.52  |
| % increase                           | 6.4                          | % 3.4                        | %          |
| Net onboard and other revenue yields | \$ 48.28                     | \$ 47.59                     | \$ 45.49   |
| % increase                           | 6.1                          | % 4.6                        | %          |

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

| (dollars in millions, except costs per ALBD) | Nine Months Ended August 31, |                            |            |
|--|------------------------------|----------------------------|------------|
|  | 2018                         | 2018<br>Constant<br>Dollar | 2017       |
| Cruise operating expenses                    | \$8,208                      | \$8,014                    | \$ 7,752   |
| Cruise selling and administrative expenses   | 1,772                        | 1,728                      | 1,637      |
| Gross cruise costs                           | 9,980                        | 9,743                      | 9,389      |
| Less cruise costs included above             |                              |                            |            |
| Commissions, transportation and other        | (2,000 )                     | (1,930 )                   | (1,781 )   |
| Onboard and other                            | (485 )                       | (476 )                     | (438 )     |
| Gains (losses) on ship sales and impairments | 39                           | 35                         | (300 )     |
| Restructuring expenses                       | —                            | —                          | (3 )       |
| Other  | (1 )                         | (1 )                       | —          |
| Net cruise costs                             | 7,532                        | 7,370                      | 6,867      |
| Less fuel                                    | (1,166 )                     | (1,166 )                   | (914 )     |
| Net cruise costs excluding fuel              | \$6,367                      | \$6,204                    | \$ 5,953   |
| ALBDs  | 62,626,499                   | 62,626,499                 | 61,540,974 |
| Gross cruise costs per ALBD                  | \$159.36                     | \$155.57                   | \$ 152.56  |
| % increase                                   | 4.5                          | % 2.0                      | %          |
| Net cruise costs excluding fuel per ALBD     | \$101.66                     | \$99.07                    | \$ 96.72   |
| % increase                                   | 5.1                          | % 2.4                      | %          |

| (dollars in millions, except costs per ALBD) | Nine Months Ended August 31, |                              |            |
|--|------------------------------|------------------------------|------------|
|  | 2018                         | 2018<br>Constant<br>Currency | 2017       |
| Net cruise costs excluding fuel              | \$6,367                      | \$ 6,205                     | \$ 5,953   |
| ALBDs  | 62,626,499                   | 62,626,499                   | 61,540,974 |
| Net cruise costs excluding fuel per ALBD     | \$101.66                     | \$ 99.07                     | \$ 96.72   |
| % increase                                   | 5.1                          | % 2.4                        | %          |

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Adjusted fully diluted earnings per share was computed as follows:

| (in millions, except per share data)               | Nine Months<br>Ended<br>August 31, |         |
|--|------------------------------------|---------|
|  | 2018                               | 2017    |
| Net income   |                                    |         |
| U.S. GAAP net income                               | \$2,659                            | \$2,060 |
| Unrealized (gains) losses on fuel derivatives, net | (90 )                              | (134 )  |
| (Gains) losses on ship sales and impairments       | (39 )                              | 389     |
| Restructuring expenses                             | —                                  | 3       |
| Other  | 7                                  | —       |
| Adjusted net income                                | \$2,537                            | \$2,318 |
| Weighted-average shares outstanding                | 714                                | 727     |
| Earnings per share                                 |                                    |         |
| U.S. GAAP earnings per share                       | \$3.72                             | \$2.84  |
| Unrealized (gains) losses on fuel derivatives, net | (0.13 )                            | (0.18 ) |
| (Gains) losses on ship sales and impairments       | (0.05 )                            | 0.53    |
| Restructuring expenses                             | —                                  | —       |
| Other  | 0.01                               | —       |
| Adjusted earnings per share                        | \$3.55                             | \$3.19  |

Net cruise revenues increased by \$886 million, or 8.2%, to \$11.7 billion in 2018 from \$10.8 billion in 2017.

The increase was caused by:

\$413 million - 3.7% increase in constant currency net revenue yields

\$282 million - foreign currency impacts (including both the foreign currency translational and transactional impacts)

\$191 million - 1.8% capacity increase in ALBDs

The 3.7% increase in net revenue yields on a constant currency basis was due to a 3.4% increase in net passenger ticket revenue yields and a 4.6% increase in net onboard and other revenue yields.

The 3.4% increase in net passenger ticket revenue yields was driven primarily by price improvements in our European, China and various other programs including World Cruises. This 3.4% increase in net passenger ticket revenue yields was comprised of a 2.5% increase from our NAA segment and a 5.5% increase from our EA segment. The 4.6% 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 \$414 million, or 6.9%, to \$6.4 billion in 2018 from \$6.0 billion in 2017.

The increase was caused by:

\$162 million - foreign currency impacts (including both the foreign currency translational and transactional impacts)

\$147 million - 2.4% increase in constant currency net cruise costs excluding fuel

\$105 million - 1.8% capacity increase in ALBDs

Fuel costs increased by \$252 million, or 28%, to \$1.2 billion in 2018 from \$0.9 billion in 2017. This increase was caused by higher fuel prices, which accounted for \$254 million.



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### Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital (“ROIC”), reaching double-digit returns, 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 investments. We are committed to returning cash to our shareholders in the form of dividends and/or share repurchases. As we continue to profitably grow our cruise business, we plan to increase our debt level in a manner consistent with maintaining our strong credit metrics. This will allow us to return cash to our shareholders in the form of dividends and/or share repurchases. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet, as evidenced by our investment grade credit ratings, provide us with the ability, in most financial credit market environments, to obtain debt financing.

We had a working capital deficit of \$6.3 billion as of August 31, 2018 compared to a working capital deficit of \$7.2 billion as of November 30, 2017. 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, invest in 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 August 31, 2018 and November 30, 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 \$4.4 billion of net cash from operations during the nine months ended August 31, 2018, an increase of \$138 million, or 3.2%, compared to \$4.3 billion for the same period in 2017. This increase was caused by an increase in our revenues less expenses settled in cash and an increase in customer deposits.

#### Investing Activities

During the nine months ended August 31, 2018, net cash used in investing activities was \$2.6 billion. This was substantially due to the following:

- Capital expenditures of \$1.4 billion for our ongoing new shipbuilding program
- Capital expenditures of \$1.3 billion for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sales of ships of \$282 million
- Payments of \$37 million for fuel derivative settlements

During the nine months ended August 31, 2017, net cash used in investing activities was \$2.4 billion. This was caused by:

• Capital expenditures of \$1.2 billion for our ongoing new shipbuilding program

• Capital expenditures of \$1.1 billion for ship improvements and replacements, information technology and buildings and improvements

• Payments of \$157 million for fuel derivative settlements

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## Financing Activities

During the nine months ended August 31, 2018, net cash used in financing activities of \$1.7 billion was substantially due to the following:

- Net proceeds of short-term borrowings of \$182 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 \$1.6 billion of long-term debt
- Payments of cash dividends of \$1.0 billion
- Purchases of \$1.2 billion of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions under our Repurchase Program

During the nine months ended August 31, 2017, net cash used in financing activities of \$2.0 billion was substantially due to the following:

- Net repayments of short-term borrowings of \$335 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of \$1.0 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 \$797 million
- Purchases of \$305 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions under our Repurchase Program

## Future Commitments and Funding Sources

Our total annual capital expenditures consist of ships under contract for construction and estimated improvements to existing ships and shoreside assets for 2018 through 2022 are currently expected to be:

|               |      |      |      |      |      |
|---------------|------|------|------|------|------|
| (in billions) | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------|------|------|------|------|------|

|                                   |       |       |       |       |       |
|-----------------------------------|-------|-------|-------|-------|-------|
| Total annual capital expenditures | \$4.6 | \$5.6 | \$5.6 | \$5.5 | \$4.8 |
|-----------------------------------|-------|-------|-------|-------|-------|

For years 2023 through 2025 we have committed \$3.3 billion for ships under contract for construction.

The year-over-year percentage increases in our annual capacity are expected to result primarily from contracted new ships entering service and are currently expected to be:

|  |      |      |      |      |      |
|--|------|------|------|------|------|
|  | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------|------|------|------|

|                              |      |      |      |      |      |
|------------------------------|------|------|------|------|------|
| Annual capacity increase (a) | 2.0% | 4.7% | 6.2% | 8.0% | 5.0% |
|------------------------------|------|------|------|------|------|

(a) These percentage increases include only contracted ship orders and dispositions.

At August 31, 2018, we had liquidity of \$14.5 billion. Our liquidity consisted of \$245 million of cash and cash equivalents, which excludes \$281 million of cash used for current operations, \$2.6 billion available for borrowing under our revolving credit facilities, net of our outstanding commercial paper borrowings, and \$11.7 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.

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| (in billions)   | 2018  | 2019  | 2020  | 2021  | 2022  |
| Availability of committed future financing at August 31, 2018 | \$1.3 | \$2.6 | \$3.0 | \$2.9 | \$1.8 |

At August 31, 2018, all of our revolving credit facilities are scheduled to mature in 2021, except for \$300 million that matures in 2020.

Substantially all of our debt agreements contain financial covenants as described in Note 5 - "Unsecured Debt" in the annual consolidated financial statements, which are included within our Form 10-K. At August 31, 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

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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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

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 September 27, 2018 guidance, we estimate a less than \$0.01 change to our adjusted diluted earnings per share guidance for the fourth quarter.

Interest Rate Risks

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

|                   | August 31,<br>2018 |   |
|-------------------|--------------------|---|
| Fixed rate        | 28                 | % |
| EUR fixed rate    | 31                 | % |
| Floating rate     | 6                  | % |
| EUR floating rate | 26                 | % |
| GBP floating rate | 9                  | % |

Fuel Price Risks

Based on a 10% change in fuel prices versus the current spot price that was used to calculate fuel expense in our September 27, 2018 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

\$0.06 per share for the fourth quarter of 2018

Item 4. Controls and Procedures.

A. Evaluation of Disclosure Controls and Procedures

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

Our President and Chief Executive Officer and our Chief Financial Officer and Chief Accounting Officer have evaluated our disclosure controls and procedures and have concluded, as of August 31, 2018, that they are effective at a reasonable level of assurance, as described above.

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B. Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended August 31, 2018 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On August 28, 2018, P&O Cruises Australia notified the Maritime Accident Investigation Branch and the Australian Maritime Safety Authority of an inadvertent discharge of liquid food waste mixed into grey water off of Pacific Explorer, while it was inside the Great Barrier Reef Marine Park on August 26, 2018. We believe the ultimate outcome of any investigation and penalty will not have a material impact on our consolidated financial statements.

On August 24, 2018, a proposed class-action lawsuit was filed by James Wolfe and others against Carnival Corporation in the United States District Court for the Southern District of Florida relating to the marketing and sales of our Carnival Vacation Protection product. The plaintiffs purport to represent an alleged class of passengers who purchased the Carnival Vacation Protection product. The complaint alleges that Carnival Cruise Line concealed that it received “kickbacks” on the sale of the travel insurance portion of the product from an underwriter. We believe we have meritorious defenses to the claim and that any liability which may arise as a result of this action will not have a material impact on our consolidated financial statements.

Item 1A. Risk Factors.

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

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

A. Repurchase Program

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 August 27, 2018, the company approved a modification of the general authorization under the Repurchase Program, which replenished the remaining authorized repurchases at the time of the approval 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.

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During the three months ended August 31, 2018, repurchases of Carnival Corporation common stock pursuant to the Repurchase Program were as follows:

| Period                                 | Total<br>Number of<br>Shares of<br>Carnival<br>Corporation<br>Common<br>Stock<br>Purchased<br>(in millions) | Average<br>Price Paid<br>per Share of<br>Carnival<br>Corporation<br>Common<br>Stock | Maximum<br>Dollar<br>Value of<br>Shares That<br>May Yet Be<br>Purchased<br>Under the<br>Repurchase<br>Program<br>(in millions) |
|--|---|---|--|
| June 1, 2018 through June 30, 2018     | 1.7   | \$ 60.17  | \$ 668   |
| July 1, 2018 through July 31, 2018     | 2.5   | \$ 57.70  | \$ 329   |
| August 1, 2018 through August 31, 2018 | 0.5   | \$ 58.70  | \$ 987   |
| Total                                  | 4.7   | \$ 58.68  |  |

During the three months ended August 31, 2018, repurchases of Carnival plc ordinary shares pursuant to the Repurchase Program were as follows:

| Period                                 | Total<br>Number of<br>Shares of<br>Carnival<br>plc<br>Purchased<br>(in<br>millions) | Average<br>Price<br>Paid per<br>Share of<br>Carnival<br>plc | Maximum<br>Dollar<br>Value of<br>Shares That<br>May Yet Be<br>Purchased<br>Under the<br>Repurchase<br>Program<br>(in millions) |
|--|---|---|--|
| June 1, 2018 through June 30, 2018     | 1.0   | \$ 59.69  | \$ 668   |
| July 1, 2018 through July 31, 2018     | 3.4   | \$ 57.09  | \$ 329   |
| August 1, 2018 through August 31, 2018 | 2.8   | \$ 58.51  | \$ 987   |
| Total                                  | 7.1   | \$ 57.99  |  |

No shares of Carnival Corporation common stock and Carnival plc ordinary shares were purchased outside of publicly announced plans or programs.

## B. Stock Swap Programs

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.

Under the Stock Swap Programs effective 2008, the Boards of Directors have made the following authorizations:

• In January 2017, to sell up to 22.0 million shares of Carnival Corporation common stock in the U.S. market and repurchase up to 22.0 million of Carnival plc ordinary shares in the UK market.

• In 2016, to sell up to 26.9 million of existing shares of Carnival plc in the UK market and repurchase up to 26.9 million shares of Carnival Corporation common stock in the U.S. market.

Any sales of Carnival Corporation shares and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933. During the three months ended August 31, 2018, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap Programs.

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C. Carnival plc Shareholder Approvals

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap Programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 20.9 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2019 annual general meeting or July 10, 2019.

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## Item 6. Exhibits.

## INDEX TO EXHIBITS

| Exhibit Number                             | Exhibit Description   | Incorporated by Reference |         | Filing Date | Filed/<br>Furnished<br>Herewith |
|--|---|---------------------------|---------|-------------|---------------------------------|
|  |   | Form                      | Exhibit |             |                                 |
| Articles of incorporation and by-laws      |   |                           |         |             |                                 |
| 3.1  | <u>Third Amended and Restated Articles of Incorporation of Carnival Corporation</u>   | 8-K                       | 3.1     | 4/17/2003   |                                 |
| 3.2  | <u>Third Amended and Restated By-Laws of Carnival Corporation</u>   | 8-K                       | 3.1     | 4/20/2009   |                                 |
| 3.3  | <u>Articles of Association of Carnival plc</u>  | 8-K                       | 3.3     | 4/20/2009   |                                 |
| Statement regarding computations of ratios |   |                           |         |             |                                 |
| 12   | <u>Ratio of Earnings to Fixed Charges</u>   |                           |         |             | X                               |
| Rule 13a-14(a)/15d-14(a) certifications    |   |                           |         |             |                                 |
| 31.1                                       | <u>Certification of President and Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>                        |                           |         |             | X                               |
| 31.2                                       | <u>Certification of Chief Financial Officer and Chief Accounting Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>         |                           |         |             | X                               |
| 31.3                                       | <u>Certification of President and Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>                                |                           |         |             | X                               |
| 31.4                                       | <u>Certification of Chief Financial Officer and Chief Accounting Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>                 |                           |         |             | X                               |
| Section 1350 certifications                |   |                           |         |             |                                 |
| 32.1*                                      | <u>Certification of President and Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>                |                           |         |             | X                               |
| 32.2*                                      | <u>Certification of Chief Financial Officer and Chief Accounting Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |                           |         |             | X                               |
| 32.3*                                      | <u>Certification of President and Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>                        |                           |         |             | X                               |
| 32.4*                                      | <u>Certification of Chief Financial Officer and Chief Accounting Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>         |                           |         |             | X                               |



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## INDEX TO EXHIBITS

| Exhibit<br>Number | Exhibit Description   | Incorporated by<br>Reference |         | Filing<br>Date | Filed/<br>Furnished<br>Herewith |
|-------------------|---|------------------------------|---------|----------------|---------------------------------|
|                   |   | Form                         | Exhibit |                |                                 |
|                   | Interactive Data File   |                              |         |                |                                 |
| 101               | The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended August 31, 2018, as filed with the Securities and Exchange Commission on September 27, 2018, formatted in XBRL, are as follows: |                              |         |                |                                 |
|                   | (i) the Consolidated Statements of Income for the three and nine months ended August 31, 2018 and 2017;   |                              |         |                | X                               |
|                   | (ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended August 31, 2018 and 2017;  |                              |         |                | X                               |
|                   | (iii) the Consolidated Balance Sheets at August 31, 2018 and November 30, 2017;   |                              |         |                | X                               |
|                   | (iv) the Consolidated Statements of Cash Flows for the three and nine months ended August 31, 2018 and 2017 and   |                              |         |                | X                               |
|                   | (v) the notes to the consolidated financial statements, tagged in summary and detail.   |                              |         |                | X                               |

\*These items are furnished and not filed.

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SIGNATURES

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

CARNIVAL CORPORATION

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

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

Date: September 27, 2018

CARNIVAL PLC

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

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

Date: September 27, 2018