

CARNIVAL CORP  
Form 10-Q  
September 30, 2016

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, 2016

OR

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

For the transition period from                      to

Commission file number: 001-9610      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                      98-0357772  
(I.R.S. Employer Identification No.) (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.

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Yes No

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

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

Large accelerated filers Accelerated filers

Non-accelerated filers Smaller reporting companies

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

At September 23, 2016, Carnival Corporation had outstanding 537,602,085 shares of Common Stock, \$0.01 par value.

At September 23, 2016, Carnival plc had outstanding 216,457,117 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 537,602,085, 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,<br>2016 2015 |         | Nine Months<br>Ended<br>August 31,<br>2016 2015 |         |
|-----------------------------------------------|--------------------------------------------------|---------|-------------------------------------------------|---------|
| Revenues                                      |                                                  |         |                                                 |         |
| Cruise                                        |                                                  |         |                                                 |         |
| Passenger tickets                             | \$3,803                                          | \$3,631 | \$9,217                                         | \$8,891 |
| Onboard and other                             | 1,146                                            | 1,102   | 3,047                                           | 2,918   |
| Tour and other                                | 148                                              | 150     | 190                                             | 194     |
|                                               | 5,097                                            | 4,883   | 12,454                                          | 12,003  |
| Operating Costs and Expenses                  |                                                  |         |                                                 |         |
| Cruise                                        |                                                  |         |                                                 |         |
| Commissions, transportation and other         | 646                                              | 603     | 1,723                                           | 1,671   |
| Onboard and other                             | 171                                              | 170     | 411                                             | 395     |
| Payroll and related                           | 494                                              | 453     | 1,488                                           | 1,388   |
| Fuel                                          | 265                                              | 345     | 648                                             | 996     |
| Food                                          | 260                                              | 255     | 755                                             | 737     |
| Other ship operating                          | 643                                              | 582     | 1,914                                           | 1,913   |
| Tour and other                                | 84                                               | 82      | 125                                             | 129     |
|                                               | 2,563                                            | 2,490   | 7,064                                           | 7,229   |
| Selling and administrative                    | 529                                              | 484     | 1,613                                           | 1,504   |
| Depreciation and amortization                 | 443                                              | 399     | 1,303                                           | 1,206   |
|                                               | 3,535                                            | 3,373   | 9,980                                           | 9,939   |
| Operating Income                              | 1,562                                            | 1,510   | 2,474                                           | 2,064   |
| Nonoperating (Expense) Income                 |                                                  |         |                                                 |         |
| Interest income                               | 2                                                | 2       | 5                                               | 6       |
| Interest expense, net of capitalized interest | (61)                                             | (53)    | (168)                                           | (167)   |
| Losses on fuel derivatives, net               | (36)                                             | (197)   | (102)                                           | (378)   |
| Other (expense) income, net                   | (2)                                              | (12)    | 6                                               | 3       |
|                                               | (97)                                             | (260)   | (259)                                           | (536)   |
| Income Before Income Taxes                    | 1,465                                            | 1,250   | 2,215                                           | 1,528   |
| Income Tax Expense, Net                       | (41)                                             | (34)    | (44)                                            | (41)    |
| Net Income                                    | \$1,424                                          | \$1,216 | \$2,171                                         | \$1,487 |
| Earnings Per Share                            |                                                  |         |                                                 |         |
| Basic                                         | \$1.93                                           | \$1.56  | \$2.89                                          | \$1.91  |
| Diluted                                       | \$1.93                                           | \$1.56  | \$2.88                                          | \$1.91  |
| Dividends Declared Per Share                  | \$0.35                                           | \$0.30  | \$1.00                                          | \$0.80  |

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, |         | Nine Months<br>Ended<br>August 31, |         |
|-----------------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                                     | 2016                                | 2015    | 2016                               | 2015    |
| Net Income                                          | \$1,424                             | \$1,216 | \$2,171                            | \$1,487 |
| Items Included in Other Comprehensive (Loss) Income |                                     |         |                                    |         |
| Change in foreign currency translation adjustment   | (366 )                              | 80      | (294 )                             | (738 )  |
| Other                                               | 2                                   | 21      | 23                                 | (24 )   |
| Other Comprehensive (Loss) Income                   | (364 )                              | 101     | (271 )                             | (762 )  |
| Total Comprehensive Income                          | \$1,060                             | \$1,317 | \$1,900                            | \$725   |

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>2016 | November 30,<br>2015 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                         |                    |                      |
| Current Assets                                                                                                                                        |                    |                      |
| Cash and cash equivalents                                                                                                                             | \$ 462             | \$ 1,395             |
| Trade and other receivables, net                                                                                                                      | 321                | 303                  |
| Insurance recoverables                                                                                                                                | 102                | 109                  |
| Inventories                                                                                                                                           | 314                | 330                  |
| Prepaid expenses and other                                                                                                                            | 355                | 314                  |
| Total current assets                                                                                                                                  | 1,554              | 2,451                |
| Property and Equipment, Net                                                                                                                           | 32,864             | 31,818               |
| Goodwill                                                                                                                                              | 2,964              | 3,010                |
| Other Intangibles                                                                                                                                     | 1,290              | 1,308                |
| Other Assets                                                                                                                                          | 660                | 650                  |
|                                                                                                                                                       | \$ 39,332          | \$ 39,237            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                           |                    |                      |
| Current Liabilities                                                                                                                                   |                    |                      |
| Short-term borrowings                                                                                                                                 | \$ 334             | \$ 30                |
| Current portion of long-term debt                                                                                                                     | 739                | 1,344                |
| Accounts payable                                                                                                                                      | 704                | 627                  |
| Accrued liabilities and other                                                                                                                         | 1,738              | 1,683                |
| Customer deposits                                                                                                                                     | 3,585              | 3,272                |
| Total current liabilities                                                                                                                             | 7,100              | 6,956                |
| Long-Term Debt                                                                                                                                        | 8,320              | 7,413                |
| Other Long-Term Liabilities                                                                                                                           | 1,012              | 1,097                |
| Contingencies                                                                                                                                         |                    |                      |
| Shareholders' Equity                                                                                                                                  |                    |                      |
| Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 654 shares at 2016 and 653 shares at 2015 issued                     | 7                  | 7                    |
| Ordinary shares of Carnival plc, \$1.66 par value; 216 shares at 2016 and 2015 issued                                                                 | 358                | 358                  |
| Additional paid-in capital                                                                                                                            | 8,618              | 8,562                |
| Retained earnings                                                                                                                                     | 21,488             | 20,060               |
| Accumulated other comprehensive loss                                                                                                                  | (2,012)            | (1,741)              |
| Treasury stock, 114 shares at 2016 and 70 shares at 2015 of Carnival Corporation and 26 shares at 2016 and 27 shares at 2015 of Carnival plc, at cost | (5,559)            | (3,475)              |
| Total shareholders' equity                                                                                                                            | 22,900             | 23,771               |
|                                                                                                                                                       | \$ 39,332          | \$ 39,237            |

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<br>August 31,<br>2016      2015 |          |
|----------------------------------------------------------------------------------|------------------------------------------------------|----------|
| OPERATING ACTIVITIES                                                             |                                                      |          |
| Net income                                                                       | \$2,171                                              | \$1,487  |
| Adjustments to reconcile net income to net cash provided by operating activities |                                                      |          |
| Depreciation and amortization                                                    | 1,303                                                | 1,206    |
| Losses on fuel derivatives                                                       | 102                                                  | 378      |
| Share-based compensation                                                         | 40                                                   | 38       |
| Other, net                                                                       | 46                                                   | 19       |
|                                                                                  | 3,662                                                | 3,128    |
| Changes in operating assets and liabilities                                      |                                                      |          |
| Receivables                                                                      | (35 )                                                | (23 )    |
| Inventories                                                                      | 15                                                   | 35       |
| Insurance recoverables, prepaid expenses and other                               | (10 )                                                | 94       |
| Accounts payable                                                                 | 88                                                   | (23 )    |
| Accrued and other liabilities                                                    | (5 )                                                 | (19 )    |
| Customer deposits                                                                | 395                                                  | 375      |
| Net cash provided by operating activities                                        | 4,110                                                | 3,567    |
| INVESTING ACTIVITIES                                                             |                                                      |          |
| Additions to property and equipment                                              | (2,416 )                                             | (1,704 ) |
| Proceeds from sales of ships                                                     | 19                                                   | 25       |
| Payments of fuel derivative settlements                                          | (231 )                                               | (139 )   |
| Collateral proceeds (payments) for fuel derivatives                              | 22                                                   | (22 )    |
| Other, net                                                                       | (16 )                                                | 35       |
| Net cash used in investing activities                                            | (2,622 )                                             | (1,805 ) |
| FINANCING ACTIVITIES                                                             |                                                      |          |
| Proceeds from (repayments of) short-term borrowings, net                         | 301                                                  | (625 )   |
| Principal repayments of long-term debt                                           | (971 )                                               | (772 )   |
| Proceeds from issuance of long-term debt                                         | 1,044                                                | 472      |
| Dividends paid                                                                   | (721 )                                               | (584 )   |
| Purchases of treasury stock                                                      | (2,110 )                                             | (166 )   |
| Sales of treasury stock                                                          | 40                                                   | 167      |
| Other, net                                                                       | (9 )                                                 | (1 )     |
| Net cash used in financing activities                                            | (2,426 )                                             | (1,509 ) |
| Effect of exchange rate changes on cash and cash equivalents                     | 5                                                    | (45 )    |
| Net (decrease) increase in cash and cash equivalents                             | (933 )                                               | 208      |
| Cash and cash equivalents at beginning of period                                 | 1,395                                                | 331      |
| Cash and cash equivalents at end of period                                       | \$462                                                | \$539    |

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 Balance Sheet at August 31, 2016, the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income for the three and nine months ended August 31, 2016 and 2015 and the Consolidated Statements of Cash Flows for the nine months ended August 31, 2016 and 2015 are unaudited and, in the opinion of our management, contain all 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 2015 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 29, 2016. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

Accounting Pronouncements

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

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

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

The FASB issued amended guidance regarding accounting for Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. When effective, this standard will replace most existing revenue recognition guidance

in U.S. generally accepted accounting principles (“U.S. GAAP”). The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in U.S. GAAP. This guidance is required to be adopted by us in the first quarter of fiscal 2019 by either recasting all years presented in our financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

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

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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 \$148 million and \$141 million and \$407 million and \$398 million for the three and nine months ended August 31, 2016 and 2015, respectively.

NOTE 2 – Unsecured Debt

At August 31, 2016, our short-term borrowings consisted of euro- and U.S. dollar-denominated commercial paper of \$246 million and \$85 million, respectively, and euro-denominated bank loans of \$3 million with an aggregate weighted-average floating interest rate of 0.2%.

In February 2016, we issued \$555 million of euro-denominated, publicly-traded notes, which bear interest at 1.625% and are due in February 2021.

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

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

In May 2016, we exercised our option to extend the termination date of our multi-currency revolving credit facility from June 2020 to June 2021. In addition, the total capacity of the revolving credit facility increased to \$2.6 billion (comprised of \$1.9 billion, €500 million and £169 million).

In July 2016, we borrowed \$110 million under a euro-denominated, floating rate bank loan, due in July 2021.

In July 2016, we entered into a \$168 million euro-denominated, fixed rate bank loan, which was drawn in September 2016 and is due in September 2020.

In July 2016, we entered into a \$100 million, floating rate bank loan, which is expected to be drawn in November 2016, and is due in November 2021.

In August 2016, we canceled an export credit facility that provided us with the ability to borrow up to an aggregate of \$201 million to pay for a portion of the purchase price of a Seabourn ship, which is expected to be delivered in November 2016.

In August 2016, we extended the termination date of a \$100 million, floating rate bank loan, from October 2016 to October 2021.

We use the net proceeds from our borrowings for general corporate purposes and purchases of new ships.

NOTE 3 – Contingencies

Litigation

The UK Maritime & Coastguard Agency and the U.S. Department of Justice are investigating allegations that Caribbean Princess breached international pollution laws. We are cooperating with the investigations, including

conducting our own internal investigation into the matter. The ultimate outcome of this matter cannot be determined at this time; however, we do not expect it to have a material impact on our results of operations.

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

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### Contingent Obligations – Lease Out and Lease Back Type (“LILO”) Transactions

At August 31, 2016, we had estimated contingent obligations totaling \$364 million, excluding termination payments as discussed below, to participants in LILO transactions for two of our ships. At the inception of these leases, we paid the aggregate of the net present value of these obligations to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished and neither the funds nor the contingent obligations have been included in our Consolidated Balance Sheets.

In the event that we were to default on our contingent obligations and assuming performance by all other participants, we estimate that we would, as of August 31, 2016, be responsible for a termination payment of \$13 million. In January 2016, we elected to exercise our options to terminate, at no cost, the LILO transactions as of January 1, 2017 for one ship and as of January 1, 2018 for the second ship.

In advance of the termination dates, if the credit rating of one of the financial institutions who is directly paying the contingent obligations falls below AA-, or below A- for the other financial institution, then we will be required to replace the applicable financial institution with another financial institution whose credit rating is at least AA or meets other specified credit requirements. In such circumstances, we would incur additional costs, although we estimate that they would not be significant to our consolidated financial statements. The financial institution payment undertaker subject to the AA- credit rating threshold has a credit rating of AA, and the financial institution subject to the A- credit rating threshold has a credit rating of A+. If our credit rating, which is BBB+, falls below BBB, we will be required to provide a standby letter of credit for \$27 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

### Contingent Obligations – Indemnifications

Some of the debt contracts we enter into include indemnification provisions obligating us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes or other changes in laws which increase our lender's costs. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business. There are no stated or notional amounts included in the indemnification clauses, and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. We have not been required to make any material payments under similar indemnification clauses in the past and we do not believe a request for material future indemnification payments is probable.

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

#### Fair Value Measurements

U.S. accounting standards establish a fair value hierarchy prioritizing the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.

Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.

Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable market participants. When quoted prices are not readily available, our own assumptions are set to reflect those that we believe market participants would use in pricing the asset or liability.

The fair value measurement of a financial asset or financial liability reflects the nonperformance risk of both parties to the contract. Therefore, the fair value measurement of our financial instruments reflects the impact of our counterparty's creditworthiness for asset positions and our creditworthiness for liability positions. Creditworthiness did

not have a significant impact on the fair values of our financial instruments at August 31, 2016 and November 30, 2015. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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

The carrying values and estimated fair values and basis of valuation of our financial instrument assets and liabilities not measured at fair value on a recurring basis were as follows (in millions):

|                               | August 31, 2016 |                    |                    |         | November 30, 2015 |                    |                    |         |
|-------------------------------|-----------------|--------------------|--------------------|---------|-------------------|--------------------|--------------------|---------|
|                               | Carrying Value  | Fair Value Level 1 | Fair Value Level 2 | Level 3 | Carrying Value    | Fair Value Level 1 | Fair Value Level 2 | Level 3 |
| <b>Assets</b>                 |                 |                    |                    |         |                   |                    |                    |         |
| Cash and cash equivalents (a) | \$242           | \$242              | \$—                | \$—     | \$647             | \$647              | \$—                | \$—     |
| Restricted cash (b)           | 37              | 37                 | —                  | —       | 7                 | 7                  | —                  | —       |
| Long-term other assets (c)    | 108             | 1                  | 73                 | 34      | 119               | 1                  | 87                 | 31      |
| Total                         | \$387           | \$280              | \$73               | \$34    | \$773             | \$655              | \$87               | \$31    |
| <b>Liabilities</b>            |                 |                    |                    |         |                   |                    |                    |         |
| Fixed rate debt (d)           | \$5,274         | \$—                | \$5,631            | \$—     | \$5,193           | \$—                | \$5,450            | \$—     |
| Floating rate debt (d)        | 4,119           | —                  | 4,054              | —       | 3,594             | —                  | 3,589              | —       |
| Total                         | \$9,393         | \$—                | \$9,685            | \$—     | \$8,787           | \$—                | \$9,039            | \$—     |

(a) Cash and cash equivalents are comprised of cash on hand and at November 30, 2015 also included a money market deposit account and time deposits. Due to their short maturities, the carrying values approximate their fair values.

(b) Restricted cash is comprised of a money market deposit account and at August 31, 2016 also included funds held in escrow.

(c) Long-term other assets are substantially all comprised of notes and other receivables. The fair values of our Level 2 notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.

(d) Debt does not include the impact of interest rate swaps. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1 and, accordingly, are considered Level 2. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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

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

|                                                | August 31, 2016 |               |              | November 30, 2015 |               |              |
|------------------------------------------------|-----------------|---------------|--------------|-------------------|---------------|--------------|
|                                                | Level 1         | Level 2       | Level 3      | Level 1           | Level 2       | Level 3      |
| <b>Assets</b>                                  |                 |               |              |                   |               |              |
| Cash equivalents (a)                           | \$220           | \$ —          | \$ —         | \$748             | \$ —          | \$ —         |
| Restricted cash (b)                            | 25              | —             | —            | 22                | —             | —            |
| Short-term investments (c)                     | —               | —             | 21           | —                 | —             | —            |
| Marketable securities held in rabbi trusts (d) | 96              | 4             | —            | 105               | 8             | —            |
| Derivative financial instruments (e)           | —               | 10            | —            | —                 | 29            | —            |
| Long-term other asset (c)                      | —               | —             | —            | —                 | —             | 21           |
| <b>Total</b>                                   | <b>\$341</b>    | <b>\$ 14</b>  | <b>\$ 21</b> | <b>\$875</b>      | <b>\$ 37</b>  | <b>\$ 21</b> |
| <b>Liabilities</b>                             |                 |               |              |                   |               |              |
| Derivative financial instruments (e)           | \$—             | \$ 515        | \$ —         | \$—               | \$ 625        | \$ —         |
| <b>Total</b>                                   | <b>\$—</b>      | <b>\$ 515</b> | <b>\$ —</b>  | <b>\$—</b>        | <b>\$ 625</b> | <b>\$ —</b>  |

(a) Cash equivalents are comprised of money market funds.

(b) Restricted cash is primarily comprised of money market funds.

The fair value of auction rate security included in short-term investments and long-term other asset was based on a (c) broker quote in an inactive market. During the nine months ended August 31, 2016, there were no purchases or sales pertaining to this auction rate security.

Marketable securities held in rabbi trusts are comprised of Level 1 bonds, frequently-priced mutual funds invested (d) in common stocks and money market funds and Level 2 other investments. Their use is limited to funding certain deferred compensation and non-qualified U.S. pension plans.

(e) See “Derivative Instruments and Hedging Activities” section below for detailed information regarding our derivative financial instruments.

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

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

## Sale of Ship

In March 2016, we entered into a bareboat charter/sale agreement under which the 1,546-passenger capacity Pacific Pearl will be chartered to an unrelated entity from April 2017 through April 2027. Under this agreement, ownership of Pacific Pearl will be transferred to the buyer in April 2027.

## Valuation of Goodwill and Other Intangibles

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

|                                         | North America Segment | EAA (a) Segment | Total   |
|-----------------------------------------|-----------------------|-----------------|---------|
| Balance at November 30, 2015            | \$ 1,898              | \$ 1,112        | \$3,010 |
| Foreign currency translation adjustment | —                     | (46 )           | (46 )   |
| Balance at August 31, 2016              | \$ 1,898              | \$ 1,066        | \$2,964 |

(a) Europe, Australia & Asia (“EAA”)

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At July 31, 2016, all of our cruise brands carried goodwill, except for Seabourn and Fathom. As of that date, we performed our annual goodwill impairment reviews, which included performing a qualitative assessment for AIDA, Carnival Cruise Line, Cunard, P&O Cruises (UK) and Princess. Qualitative factors such as industry and market conditions, macroeconomic conditions, changes to the weighted-average cost of capital ("WACC"), overall financial performance, changes in fuel prices and capital expenditures were considered in the qualitative assessment to determine how changes in these factors would affect each of these cruise brands' estimated fair values. Based on our qualitative assessments, we determined it was more-likely-than-not that each of these cruise brands' estimated fair values exceeded their carrying values and, therefore, we did not proceed to the two-step quantitative goodwill impairment reviews.

As of July 31, 2016, we also performed our annual goodwill impairment reviews for Costa Cruises' ("Costa"), Holland America Line's and P&O Cruises (Australia). We did not perform a qualitative assessment but instead proceeded directly to step one of the two-step quantitative goodwill impairment review and compared each of Costa's, Holland America Line's and P&O Cruises (Australia)'s estimated fair value to the carrying value of their allocated net assets. Their estimated cruise brand fair value was based on a discounted future cash flow analysis. The principal assumptions used in our cash flow analyses consisted of forecasted operating results, including net revenue yields and net cruise costs including fuel prices; capacity changes, including the expected rotation of vessels into, or out of, Costa, Holland America Line and P&O Cruises (Australia); WACC of market participants, adjusted for the risk attributable to the geographic regions in which Costa, Holland America Line and P&O Cruises (Australia) operate; capital expenditures; proceeds from forecasted dispositions of ships and terminal values, which are all considered Level 3 inputs. Based on the discounted cash flow analyses, we determined that each of Costa's, Holland America Line's and P&O Cruises (Australia)'s estimated fair value significantly exceeded their carrying value and, therefore, we did not proceed to step two of the impairment reviews.

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

|                                         | North America<br>Segment | EAA<br>Segment | Total    |
|-----------------------------------------|--------------------------|----------------|----------|
| Balance at November 30, 2015            | \$ 927                   | \$ 307         | \$ 1,234 |
| Foreign currency translation adjustment | —                        | (15 )          | (15 )    |
| Balance at August 31, 2016              | \$ 927                   | \$ 292         | \$ 1,219 |

At July 31, 2016, our cruise brands that have significant trademarks recorded include AIDA, P&O Cruises (Australia), P&O Cruises (UK) and Princess. As of that date, we performed our annual trademark impairment reviews for these cruise brands, which included performing a qualitative assessment for AIDA, P&O Cruises (UK) and Princess. Qualitative factors such as industry and market conditions, macroeconomic conditions, changes to the WACC, changes in royalty rates and overall financial performance were considered in the qualitative assessment to determine how changes in these factors would affect the estimated fair value for AIDA's, P&O Cruises (UK)'s and Princess' recorded trademarks. Based on our qualitative assessment, we determined it was more likely-than-not that the estimated fair value for AIDA's, P&O Cruises (UK)'s and Princess's recorded trademarks exceeded their carrying value and, therefore, none of these trademarks were impaired.

As of July 31, 2016, we did not perform a qualitative assessment for P&O Cruises (Australia)'s trademarks but instead proceeded directly to the quantitative trademark impairment reviews. Our quantitative assessment included estimating P&O Cruises (Australia)'s trademarks fair value based upon a discounted future cash flow analysis, which estimated the amount of royalties that we are relieved from having to pay for use of the associated trademarks, based upon forecasted cruise revenues and a market participant's royalty rate. The royalty rate was estimated primarily using comparable royalty agreements for similar industries. Based on our quantitative assessment, we determined that the estimated fair values for P&O Cruises (Australia)'s trademarks significantly exceeded their carrying values and, therefore, none of these trademarks were impaired.

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

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

|                                                       | Cruise<br>Support<br>Segment | EAA<br>Segment | Total |
|-------------------------------------------------------|------------------------------|----------------|-------|
| Balance at November 30, 2015 (See “Note 1 - General”) | \$ 62                        | \$ 12          | \$ 74 |
| Amortization                                          | (3 )                         | —              | (3 )  |
| Foreign currency translation adjustment               | (1 )                         | 1              | —     |
| Balance at August 31, 2016                            | \$ 58                        | \$ 13          | \$ 71 |

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

**Derivative Instruments and Hedging Activities**

We utilize derivative and non-derivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates. We use interest rate swaps to manage our interest rate exposure to achieve a desired proportion of fixed and floating rate debt. In addition, we utilize our fuel derivatives program to mitigate a portion of the risk to our future cash flows attributable to potential fuel price increases, which we define as our “economic risk.” Our policy is to not use any financial instruments for trading or other speculative purposes. All derivatives are recorded at fair value. The changes in fair value are recognized currently in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income (“AOCI”) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a non-derivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or substantially liquidated. We formally document hedging relationships for all derivative and non-derivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all our derivative contracts as either current or long-term, depending on the maturity date of the derivative contract. The cash flows from derivatives treated as hedges are classified in our Consolidated Statements of Cash Flows in the same category as the item being hedged. Our cash flows related to fuel derivatives are classified within investing activities.

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

|                                                   | Balance Sheet Location        | August 31, 2016 | November 30, 2015 |
|---------------------------------------------------|-------------------------------|-----------------|-------------------|
| Derivative assets                                 |                               |                 |                   |
| Derivatives designated as hedging instruments     |                               |                 |                   |
| Net investment hedges (a)                         | Prepaid expenses and other    | \$ 10           | \$ 14             |
|                                                   | Other assets – long-term      | —               | 13                |
| Interest rate swaps (b)                           | Prepaid expenses and other    | —               | 2                 |
| Total derivative assets                           |                               | \$ 10           | \$ 29             |
| Derivative liabilities                            |                               |                 |                   |
| Derivatives designated as hedging instruments     |                               |                 |                   |
| Net investment hedges (a)                         | Accrued liabilities and other | \$ 2            | \$ —              |
|                                                   | Other long-term liabilities   | 12              | —                 |
| Interest rate swaps (b)                           | Accrued liabilities and other | 11              | 11                |
|                                                   | Other long-term liabilities   | 31              | 27                |
| Foreign currency zero cost collars (c)            | Accrued liabilities and other | 5               | —                 |
|                                                   | Other long-term liabilities   | —               | 26                |
|                                                   |                               | 61              | 64                |
| Derivatives not designated as hedging instruments |                               |                 |                   |
| Fuel (d)                                          | Accrued liabilities and other | 234             | 227               |
|                                                   | Other long-term liabilities   | 220             | 334               |
|                                                   |                               | 454             | 561               |
| Total derivative liabilities                      |                               | \$ 515          | \$ 625            |

We had foreign currency forwards totaling \$296 million at August 31, 2016 and \$43 million at November 30, 2015 that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At August 31, 2016, these foreign currency forwards settle through July 2017. We also had (a) foreign currency swaps totaling \$409 million at August 31, 2016 and \$387 million at November 30, 2015 that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At August 31, 2016, these foreign currency swaps settle through September 2019.

We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed \$551 million at August 31, 2016 and \$568 million at November 30, 2015 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At August 31, 2016, these interest rate swaps settle through March 2025. In (b) addition, at November 30, 2015, we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. At November 30, 2015, these interest rate swap agreements effectively changed \$500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settled in February 2016.

At August 31, 2016 and November 30, 2015, we had foreign currency derivatives consisting of foreign currency (c) 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.

At August 31, 2016 and November 30, 2015, 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.



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

August 31, 2016

|             | Gross<br>Amounts | Gross Offset in<br>Amounts | 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      | \$13             | \$ (3 )                    | \$ 10                                                           | \$ (10 )                                                        | \$ —           |
| Liabilities | \$518            | \$ (3 )                    | \$ 515                                                          | \$ (10 )                                                        | \$ 505         |

November 30, 2015

|             | Gross<br>Amounts | Gross Offset in<br>Amounts | 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      | \$73             | \$ (44 )                   | \$ 29                                                           | \$ (29 )                                                        | \$ —           |
| Liabilities | \$669            | \$ (44 )                   | \$ 625                                                          | \$ (29 )                                                        | \$ 596         |

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

|                                                       | Three<br>Months<br>Ended<br>August<br>31,<br>2016 | Nine<br>Months<br>Ended<br>August 31,<br>2016 | 2015   |
|-------------------------------------------------------|---------------------------------------------------|-----------------------------------------------|--------|
| Net investment hedges                                 | \$—\$(13)                                         | \$(17)                                        | \$33   |
| Foreign currency zero cost collars – cash flow hedges | \$2 \$9                                           | \$21                                          | \$(39) |
| Interest rate swaps – cash flow hedges                | \$—\$5                                            | \$3                                           | \$8    |

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, 2016 and November 30, 2015, we had \$3 million and \$25 million, respectively, of collateral posted to one of our fuel derivative counterparties. At August 31, 2016 and November 30, 2015, no collateral was required to be received from our fuel derivative counterparties.

The amount of estimated cash flow hedges' unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of August 31, 2016 and November 30, 2015 and for the three and nine months ended August 31, 2016 and 2015 where such impacts were not significant.

#### Fuel Price Risks

Substantially all of our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We use our fuel derivatives program to mitigate a portion of our economic risk attributable to potential fuel

price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity, and our program currently consists of zero cost collars on Brent. All of our derivatives are based on Brent prices whereas the actual fuel used on our ships is marine fuel. Changes in the Brent prices may not show a high degree of correlation with changes in our underlying marine fuel prices. We will not realize any economic gain or loss upon the monthly maturities of our zero cost collars unless the average monthly price of Brent is above the ceiling price or below the floor price. We believe that these derivatives will act as economic hedges; however, hedge accounting is not applied. As part of our fuel derivatives program, we will continue to evaluate various derivative products and strategies.

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

|                                                    | Three Months Ended<br>August 31, |         | Nine Months Ended<br>August 31, |         |
|----------------------------------------------------|----------------------------------|---------|---------------------------------|---------|
|                                                    | 2016                             | 2015    | 2016                            | 2015    |
| Unrealized gains (losses) on fuel derivatives, net | \$25                             | \$(137) | \$121                           | \$(215) |
| Realized losses on fuel derivatives                | (61 )                            | (60 )   | (223 )                          | (163 )  |
| Gains (losses) on fuel derivatives, net            | \$(36)                           | \$(197) | \$(102)                         | \$(378) |

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

| Maturities (a)   | Transaction Dates | Barrels<br>(in thousands) | Weighted-Average<br>Floor Prices | Weighted-Average<br>Ceiling Prices |
|------------------|-------------------|---------------------------|----------------------------------|------------------------------------|
| Fiscal 2016 (Q4) |                   |                           |                                  |                                    |
|                  | June 2012         | 891                       | \$ 75                            | \$ 108                             |
|                  | February 2013     | 540                       | \$ 80                            | \$ 120                             |
|                  | April 2013        | 750                       | \$ 75                            | \$ 115                             |
|                  |                   | 2,181                     |                                  |                                    |
| Fiscal 2017      |                   |                           |                                  |                                    |
|                  | February 2013     | 3,276                     | \$ 80                            | \$ 115                             |
|                  | April 2013        | 2,028                     | \$ 75                            | \$ 110                             |
|                  | January 2014      | 1,800                     | \$ 75                            | \$ 114                             |
|                  | October 2014      | 1,020                     | \$ 80                            | \$ 113                             |
|                  |                   | 8,124                     |                                  |                                    |
| Fiscal 2018      |                   |                           |                                  |                                    |
|                  | January 2014      | 2,700                     | \$ 75                            | \$ 110                             |
|                  | October 2014      | 3,000                     | \$ 80                            | \$ 114                             |
|                  |                   | 5,700                     |                                  |                                    |

(a) Fuel derivatives mature evenly over each month within the above fiscal periods.

#### Foreign Currency Exchange Rate Risks

##### Overall Strategy

We manage our exposure to fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and non-derivative financial instruments. Our primary focus is to 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 EAA segment operations generate significant revenues and incur significant expenses in their euro, sterling or Australian dollar functional currency, which subjects us to “foreign currency translational” risk related to these currencies. Accordingly, exchange rate fluctuations of the euro, sterling and Australian dollar against the U.S. dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for these segment's revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.



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Substantially all of our operations also have non-functional currency risk related to their international sales, which are principally denominated in euro, sterling and Australian, Canadian and U.S. dollars. In addition, we have a portion of our operating expenses denominated in non-functional currencies. Accordingly, we also have “foreign currency transactional” risks related to changes in the exchange rates for our revenues and expenses that are in a currency other than the functional currency. The revenues and expenses which occur in the same non-functional currencies create some degree of natural offset.

### Investment Currency Risks

We consider our investments in foreign operations to be denominated in stable currencies. Our investments in foreign operations are of a long-term nature. We partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations’ functional currencies, majority sterling. We have designated \$3.5 billion as of August 31, 2016 and \$2.6 billion as of November 30, 2015 of our foreign currency intercompany payables as non-derivative hedges of our net investments in foreign operations. Accordingly, we have included \$821 million at August 31, 2016 and \$509 million at November 30, 2015 of cumulative foreign currency transaction non-derivative gains in the cumulative translation adjustment component of AOCI. These amounts have offset a portion of the losses recorded in AOCI upon translating our foreign operations’ net assets into U.S. dollars. During the three and nine months ended August 31, 2016 and 2015, we recognized foreign currency non-derivative transaction (losses) gains of \$243 million (\$7 million in 2015) and \$312 million (\$97 million in 2015), respectively, in the cumulative translation adjustment component of AOCI.

### Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decision to hedge a non-functional currency ship commitment for our cruise brands is made on a case-by-case basis, considering the amount and duration of the exposure, market volatility, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts and have used non-derivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

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

At August 31, 2016, including the three ships ordered under the Memorandum of Agreement signed with Meyer Werft and Meyer Turku on September 5, 2016, our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of \$5.8 billion and relates to Carnival Cruise Line, Holland America Line, P&O Cruises (Australia), P&O Cruises (UK), Princess and Seabourn newbuilds scheduled to be delivered through 2022.

The cost of shipbuilding orders that we may place in the future that is denominated in a different currency than our cruise brands’ or the shipyards’ functional currency is expected to be affected by foreign currency exchange rate fluctuations. These foreign currency exchange rate fluctuations may affect our desire to order new cruise ships.

### Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our debt portfolio management and investment strategies. We evaluate our debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. At August 31, 2016, 62% and 38% (60% and 40% at November 30, 2015) of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps.

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### 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, and
- 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, 2016, 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 prior to sailing. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. Concentrations of credit risk associated with these trade receivables, charter-hire agreements and contingent obligations are not considered to be material, principally due to the large number of unrelated accounts, the nature of these contingent obligations and their short maturities. We have not experienced significant credit losses on our trade receivables, charter-hire agreements and contingent obligations. We do not normally require collateral or other security to support normal credit sales.

### NOTE 5 – Segment Information

We have four reportable segments that are comprised of (1) North America, (2) EAA, (3) Cruise Support and (4) Tour and Other. Our segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker (“CODM”), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. The CODM assesses performance and makes decisions to allocate resources for Carnival Corporation & plc based upon review of the results across all of our segments.

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

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

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

|                              | Three Months Ended August 31, |                              |                            |                               |                         |
|------------------------------|-------------------------------|------------------------------|----------------------------|-------------------------------|-------------------------|
|                              | Revenues                      | Operating costs and expenses | Selling and administrative | Depreciation and amortization | Operating income (loss) |
| 2016                         |                               |                              |                            |                               |                         |
| North America (a)            | \$3,284                       | \$ 1,668                     | \$ 293                     | \$ 272                        | \$ 1,051                |
| EAA                          | 1,738                         | 903                          | 161                        | 152                           | 522                     |
| Cruise Support               | 31                            | 12                           | 73                         | 9                             | (63 )                   |
| Tour and Other (a)           | 148                           | 84                           | 2                          | 10                            | 52                      |
| Intersegment elimination (a) | (104 )                        | (104 )                       | —                          | —                             | —                       |
|                              | \$5,097                       | \$ 2,563                     | \$ 529                     | \$ 443                        | \$ 1,562                |
| 2015                         |                               |                              |                            |                               |                         |
| North America (a)            | \$3,111                       | \$ 1,647                     | \$ 271                     | \$ 242                        | \$ 951                  |
| EAA                          | 1,691                         | 852                          | 162                        | 140                           | 537                     |
| Cruise Support               | 30                            | 8                            | 49                         | 6                             | (33 )                   |
| Tour and Other (a)           | 150                           | 82                           | 2                          | 11                            | 55                      |
| Intersegment elimination (a) | (99 )                         | (99 )                        | —                          | —                             | —                       |
|                              | \$4,883                       | \$ 2,490                     | \$ 484                     | \$ 399                        | \$ 1,510                |
|                              | Nine Months Ended August 31,  |                              |                            |                               |                         |
|                              | Revenues                      | Operating costs and expenses | Selling and administrative | Depreciation and amortization | Operating income (loss) |
| 2016                         |                               |                              |                            |                               |                         |
| North America (a)            | \$7,823                       | \$ 4,368                     | \$ 897                     | \$ 791                        | \$ 1,767                |
| EAA                          | 4,466                         | 2,666                        | 513                        | 450                           | 837                     |
| Cruise Support               | 93                            | 23                           | 196                        | 32                            | (158 )                  |
| Tour and Other (a)           | 190                           | 125                          | 7                          | 30                            | 28                      |
| Intersegment elimination (a) | (118 )                        | (118 )                       | —                          | —                             | —                       |
|                              | \$12,454                      | \$ 7,064                     | \$ 1,613                   | \$ 1,303                      | \$ 2,474                |
| 2015                         |                               |                              |                            |                               |                         |
| North America (a)            | \$7,570                       | \$ 4,558                     | \$ 830                     | \$ 738                        | \$ 1,444                |
| EAA                          | 4,273                         | 2,644                        | 511                        | 417                           | 701                     |
| Cruise Support               | 82                            | 14                           | 156                        | 18                            | (106 )                  |
| Tour and Other (a)           | 194                           | 129                          | 7                          | 33                            | 25                      |
| Intersegment elimination (a) | (116 )                        | (116 )                       | —                          | —                             | —                       |
|                              | \$12,003                      | \$ 7,229                     | \$ 1,504                   | \$ 1,206                      | \$ 2,064                |

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

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## NOTE 6 – Earnings Per Share

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

|                                                         | Three Months<br>Ended<br>August 31, |         | Nine Months<br>Ended<br>August 31, |         |
|---------------------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                                         | 2016                                | 2015    | 2016                               | 2015    |
| Net income for basic and diluted earnings per share     | \$1,424                             | \$1,216 | \$2,171                            | \$1,487 |
| Weighted-average common and ordinary shares outstanding | 737                                 | 778     | 751                                | 778     |
| Dilutive effect of equity plans                         | 2                                   | 3       | 3                                  | 3       |
| Diluted weighted-average shares outstanding             | 739                                 | 781     | 754                                | 781     |
| Basic earnings per share                                | \$1.93                              | \$1.56  | \$2.89                             | \$1.91  |
| Diluted earnings per share                              | \$1.93                              | \$1.56  | \$2.88                             | \$1.91  |

## NOTE 7 – Shareholders' Equity

During the nine months ended August 31, 2016, we repurchased 43.6 million shares of Carnival Corporation common stock for \$2.1 billion under our general repurchase authorization program (“Repurchase Program”). On June 27, 2016, our Board of Directors increased the authorization under our Repurchase Program by \$1.0 billion. From September 1, 2016 through September 23, 2016, we repurchased 2.3 million shares of Carnival Corporation common stock for \$107 million under the Repurchase Program. Accordingly, at September 23, 2016, the remaining availability under the Repurchase Program was \$531 million.

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

During the nine months ended August 31, 2016, our Board of Directors declared a 17% dividend increase to holders of Carnival Corporation common stock and Carnival plc ordinary shares from \$0.30 per share to \$0.35 per share.

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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 joint Quarterly Report on Form 10-Q are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlooks, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts are statements that could be deemed forward-looking. These statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and the beliefs and assumptions of our management. We have tried, whenever possible, to identify these statements by using words like "will," "may," "could," "should," "would," "believe," "depends," "expect," "goal," "anticipate," "forecast," "project," "future," "intend," "plan," "estimate," "indicate" and similar expressions of future intent or the negative of such terms.

Forward-looking statements include those statements that may impact our outlook including, among other things, the forecasting of our net revenue yields; booking levels; pricing; occupancy; operating, financing and tax costs, including fuel expenses; currency exchange rates; net cruise costs excluding fuel per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill, ship and trademark fair values and adjusted earnings per share. Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this joint Quarterly Report on Form 10-Q. This note contains important cautionary statements of the known factors that we consider could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position. It is not possible to predict or identify all such risks. There may be additional risks that we consider immaterial or which are unknown. These factors include, but are not limited to, the following:

- Incidents, such as ship incidents, security incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and the related adverse publicity affecting our reputation and the health, safety, security and satisfaction of guests and crew;
- Economic conditions and adverse world events affecting the safety and security of travel, such as civil unrest, armed conflicts and terrorist attacks;
- Changes in and compliance with laws and regulations relating to environment, health, safety, security, tax and anti-corruption under which we operate;
- Disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- Ability to recruit, develop and retain qualified personnel;
- Increases in fuel prices;
- Fluctuations in foreign currency exchange rates;
- Misallocation of capital among our ship, joint venture and other strategic investments;
- Future operating cash flow may not be sufficient to fund future obligations and we may be unable to obtain financing;
- Deterioration of our cruise brands' strengths and our inability to implement our strategies;
- Continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the prices for, the services and products provided by these vendors;
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations and increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- Failure to keep pace with developments in technology;
- Geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect and our international operations are subject to additional risks not generally applicable to our U.S.

operations;

• Competition from and overcapacity in the cruise ship and land-based vacation industry;

• Economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;

• Changes in global consumer confidence and impacts to various foreign currency exchange rates as a result of the June 24, 2016 UK electorate vote to withdraw from the European Union (“EU”);

• Friction in travel, changes to international tax treaties and changes to laws and regulations that could result from the exit of the UK from the EU;

• Litigation, enforcement actions, fines or penalties;

• Lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;

• Union disputes and other employee relationship issues;

• Decisions to self-insure against various risks or the inability to obtain insurance for certain risks at reasonable rates;

• Reliance on third-party providers of various services integral to the operations of our business;

• Business activities that involve our co-investment with third parties;

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

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this joint Quarterly Report on Form 10-Q, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

## Outlook

On September 26, 2016, we said that we expected our adjusted diluted earnings per share for the 2016 fourth quarter to be in the range of \$0.55 to \$0.59 and 2016 full year to be in the range of \$3.33 to \$3.37 (see "Key Performance Non-GAAP Financial Indicators"). Our guidance was based on the following assumptions:

|                                   | 2016 Fourth Quarter | 2016 Full Year |
|-----------------------------------|---------------------|----------------|
| Fuel cost per metric ton consumed | \$332               | \$285          |
| Currencies                        |                     |                |
| U.S. dollar to euro               | \$1.11 to €1        | \$1.11 to €1   |
| U.S. dollar to sterling           | \$1.30 to £1        | \$1.38 to £1   |
| U.S. dollar to Australian dollar  | \$0.76 to A\$1      | \$0.74 to A\$1 |
| U.S. dollar to Canadian dollar    | \$0.76 to C\$1      | \$0.76 to C\$1 |

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

We benefited from lower than the annual average dry-dock days in 2016 and are planning for an increase in dry-dock days in 2017. With capital expenditure reinvestment in the existing vessels and other areas of our business to drive yield improvement, we expect depreciation expense to increase from 2016 to 2017 by a higher percentage than the increase in capacity. We are currently expecting depreciation expense for full year 2017 to be approximately \$1.9 billion. Furthermore, using recent fuel prices and foreign currency exchange rates, we expect the 2017 versus 2016 impact on our earnings per share of fuel prices, including fuel derivatives, to be an unfavorable \$0.24 per share and the impact of foreign currency exchange rate fluctuations to be an unfavorable \$0.04 per share.

The above forward-looking statements involve risks, uncertainties and assumptions with respect to us. There are many factors that could cause our actual results to differ materially from those expressed above. You should read the above forward-looking statements together with the discussion of the risks under "Cautionary Note Concerning Factors That May Affect Future Results."

## Critical Accounting Estimates

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

#### Seasonality

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

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## Statistical Information

|                                                             | Three Months<br>Ended<br>August 31, |         | Nine Months<br>Ended<br>August 31, |         |
|-------------------------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                                             | 2016                                | 2015    | 2016                               | 2015    |
| Available Lower Berth Days ("ALBDs") (in thousands) (a) (b) | 20,572                              | 19,795  | 59,555                             | 57,686  |
| Occupancy percentage (c)                                    | 111.4 %                             | 110.9 % | 106.6 %                            | 105.6 % |
| Passengers carried (in thousands)                           | 3,265                               | 3,068   | 8,606                              | 8,138   |
| Fuel consumption in metric tons (in thousands)              | 793                                 | 786     | 2,417                              | 2,379   |
| Fuel consumption in metric tons per thousand ALBDs          | 38.6                                | 39.7    | 40.6                               | 41.2    |
| Fuel cost per metric ton consumed                           | \$335                               | \$439   | \$268                              | \$418   |
| Currencies                                                  |                                     |         |                                    |         |
| U.S. dollar to euro                                         | \$1.12                              | \$1.11  | \$1.11                             | \$1.13  |
| U.S. dollar to sterling                                     | \$1.34                              | \$1.56  | \$1.41                             | \$1.54  |
| U.S. dollar to Australian dollar                            | \$0.75                              | \$0.75  | \$0.74                             | \$0.78  |
| U.S. dollar to Canadian dollar                              | \$0.77                              | \$0.78  | \$0.76                             | \$0.80  |

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, 2016 compared to the three months ended August 31, 2015, we had a 3.9%

(b) capacity increase in ALBDs comprised of a 6.4% capacity increase in our EAA segment and a 2.3% capacity increase in our North America segment.

Our EAA segment's capacity increase was caused by:

• full quarter impact from one AIDA 3,286-passenger capacity ship delivered in 2016;

• full quarter impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015.

Our North America segment's capacity increase was caused by:

• full quarter impact from one Carnival Cruise Line 3,934-passenger capacity ship delivered in 2016;

• full quarter impact from one Holland America Line 2,650-passenger capacity ship delivered in 2016, partially offset by

• full quarter impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015.

For the nine months ended August 31, 2016 compared to the nine months ended August 31, 2015, we had a 3.2%

capacity increase in ALBDs comprised of a 7.9% capacity increase in our EAA segment and a slight capacity increase in our North America segment.

Our EAA segment's capacity increase was caused by:

• full period impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015;

• partial period impact from one AIDA 3,286-passenger capacity ship delivered in 2016;

• partial period impact from one P&O Cruises (UK) 3,647-passenger capacity ship delivered in 2015 and

• fewer ship dry-dock days in 2016 compared to 2015.

Our North America segment's capacity increase was caused by:

- partial period impact from one Carnival Cruise Line 3,934-passenger capacity ship delivered in 2016;
- partial period impact from one Holland America Line 2,650-passenger capacity ship delivered in 2016, partially offset by
- full period impact from the transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015.

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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, 2016 ("2016") Compared to Three Months Ended August 31, 2015 ("2015")

### Revenues

#### Consolidated

Cruise passenger ticket revenues made up 75% of our 2016 total revenues. Cruise passenger ticket revenues increased by \$172 million, or 4.8%, to \$3.8 billion in 2016 from \$3.6 billion in 2015.

This increase was caused by:

\$143 million - 3.9% capacity increase in ALBDs;

\$38 million - an accounting reclassification in our EAA segment, which has no impact on our operating income as the increase in passenger ticket revenues is fully offset by an increase in operating expenses ("accounting reclassification");

\$28 million - increase in air transportation revenues from guests who purchased their tickets from us;

\$17 million - increase in cruise ticket prices, driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and European programs for our EAA segment, partially offset by yield reductions in Asia and Australia deployments and unfavorable foreign currency transactional movements and

\$16 million - a slight increase in occupancy.

These increases were partially offset by foreign currency translational impact from a stronger U.S. dollar against the euro, sterling and the Australian dollar ("foreign currency translational impact"), which accounted for \$62 million.

The remaining 25% of 2016 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$44 million, or 4.0%, and remained at \$1.1 billion in both 2016 and 2015. This increase was driven by 3.9% capacity increase in ALBDs, which accounted for \$43 million.

Onboard and other revenues included concession revenues that decreased to \$321 million in 2016 from \$334 million in 2015.

#### North America Segment

Cruise passenger ticket revenues made up 75% of our North America segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$133 million, or 5.9%, to \$2.4 billion in 2016 compared to \$2.2 billion in 2015.

The increase was caused by:

\$52 million - 2.3% capacity increase in ALBDs;

\$39 million - increase in air transportation revenues from guests who purchased their tickets from us;

\$30 million - increase in cruise ticket pricing, partially offset by unfavorable foreign currency transactional impacts and

\$12 million - a slight increase in occupancy.

The remaining 25% of our North America segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$36 million, or 4.7%, to \$808 million in 2016 from \$772 million in 2015.

This increase was driven by:

\$18 million - 2.3% capacity increase in ALBDs and  
\$13 million - higher onboard spending by our guests.

Onboard and other revenues included concession revenues that decreased to \$223 million in 2016 from \$231 million in 2015.

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EAA Segment

Cruise passenger ticket revenues made up 83% of our EAA segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$43 million, or 3.1% and remained at \$1.4 billion in both 2016 and 2015.

This increase was caused by:

\$90 million - 6.4% capacity increase in ALBDs and

\$38 million - the accounting reclassification.

These increases were partially offset by:

\$62 million - foreign currency translational impact;

\$19 million - decrease in cruise ticket pricing driven by unfavorable foreign currency transactional impacts and

\$12 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 17% of our EAA segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$4 million, or 1.2%, to \$300 million in 2016 from \$296 million in 2015. The increase was caused by a 6.4% capacity increase in ALBDs, which accounted for \$19 million, partially offset by foreign currency translational impact, which accounted for \$12 million.

Onboard and other revenues included concession revenues that decreased to \$98 million in 2016 from \$103 million in 2015.

Costs and Expenses

Consolidated

Operating costs and expenses increased by \$73 million, or 3.0%, to \$2.6 billion in 2016 from \$2.5 billion in 2015.

This increase was caused by:

\$95 million - 3.9% capacity increase in ALBDs;

\$40 million - higher dry-dock expenses and other ship repair and maintenance expenses;

\$38 million - the accounting reclassification and

\$26 million - higher air costs.

These increases were partially offset by:

\$83 million - lower fuel prices;

\$33 million - foreign currency translational impact and

\$11 million - lower fuel consumption.

Selling and administrative expenses increased by \$45 million, or 9.4% to \$529 million in 2016 from \$484 million in 2015.

This increase was caused by:

\$33 million - various selling and administrative initiatives and

\$19 million - 3.9% capacity increase in ALBDs.

Depreciation and amortization expenses increased by \$44 million, or 10.8%, to \$443 million in 2016 from \$399 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues remained at 69% in both 2016 and 2015.

North America Segment

Operating costs and expenses increased by \$17 million, or 1.1%, to \$1.6 billion in 2016 from \$1.5 billion in 2015.

This increase was caused by:

\$36 million - 2.3% capacity increase in ALBDs;

\$36 million - higher air costs and

\$25 million - higher ship repair and maintenance expenses.

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These increases were partially offset by lower fuel prices, which accounted for \$50 million, and quarterly timing of various other operating expenses, net, which accounted for \$30 million.

Selling and administrative expenses increased by \$22 million, or 8.0% to \$293 million in 2016 from \$271 million in 2015. This increase was driven by various selling and administrative initiatives.

Depreciation and amortization expenses increased by \$30 million, or 12.3%, to \$272 million in 2016 from \$242 million in 2015. This increase was caused by changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 67% in 2016 from 68% in 2015.

## EAA Segment

Operating costs and expenses increased by \$51 million, or 6.0%, to \$903 million in 2016 from \$852 million in 2015.

This increase was caused by:

\$55 million - 6.4% capacity increase in ALBDs;

\$38 million - the accounting reclassification;

\$24 million - higher dry-dock expenses and other ship repair and maintenance expenses and

\$11 million - quarterly timing of various other operating expenses, net.

These increases were partially offset by:

\$33 million - lower fuel prices;

\$33 million - foreign currency translational impact and

\$11 million - lower air costs.

Depreciation and amortization expenses increased by \$12 million, or 8.2%, to \$152 million in 2016 from \$140 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues increased to 70% in 2016 from 68% in 2015.

## Operating Income

Our consolidated operating income increased by \$52 million, or 3.4%, to \$1.6 billion in 2016 from \$1.5 billion in 2015. Our North America segment's operating income increased by \$100 million, or 11%, to \$1.1 billion in 2016 from \$951 million in 2015, and our EAA segment's operating income decreased by \$15 million, or 2.7% to \$522 million in 2016 from \$537 million in 2015. These changes were primarily due to the reasons discussed above.

## Nonoperating Expense

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

|                                                   | Three Months<br>Ended<br>August 31, |         |
|---------------------------------------------------|-------------------------------------|---------|
|                                                   | 2016                                | 2015    |
| Unrealized gains(losses) on fuel derivatives, net | \$25                                | \$(137) |
| Realized losses on fuel derivatives               | (61 )                               | (60 )   |
| Losses on fuel derivatives, net                   | \$(36)                              | \$(197) |

#### Key Performance Non-GAAP Financial Indicators

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

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

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

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

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 because it would be too difficult to prepare reliable U.S. GAAP forecasts of gross cruise revenues and gross cruise costs without unreasonable effort.

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

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

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

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

Examples:

-

The translation of our EAA segment operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies.

Our North America segment operations have a U.S. dollar functional currency but also have revenue and expense transactions in currencies other than the U.S. dollar. If the U.S. dollar strengthens against these other currencies, it reduces the U.S. dollar revenues and expenses. If the U.S. dollar weakens against these other currencies, it increases the U.S. dollar revenues and expenses.

Our EAA segment operations have euro, sterling and Australian dollar functional currencies but also have revenue and expense transactions in currencies other than their functional currency. If their functional currency strengthens against these other currencies, it reduces the functional currency revenues and expenses. If the functional currency weakens against these other currencies, it increases the functional currency revenues and expenses.

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

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

Our consolidated financial statements are prepared in accordance with U.S. GAAP. We have not provided a reconciliation between forecasted adjusted earnings per share guidance and forecasted U.S. GAAP earnings per share guidance because it would be too difficult to prepare reliable U.S. GAAP guidance without unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates or the future impact of gains or losses on ship sales, restructuring expenses or other non-core gains and charges. 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.

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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, |                            |            |
|---------------------------------------|-------------------------------|----------------------------|------------|
|                                       | 2016                          | 2016<br>Constant<br>Dollar | 2015       |
| Passenger ticket revenues             | \$3,803                       | \$3,866                    | \$3,631    |
| Onboard and other revenues            | 1,146                         | 1,158                      | 1,102      |
| Gross cruise revenues                 | 4,949                         | 5,024                      | 4,733      |
| Less cruise costs                     |                               |                            |            |
| Commissions, transportation and other | (646 )                        | (654 )                     | (603 )     |
| Onboard and other                     | (171 )                        | (173 )                     | (170 )     |
|                                       | (817 )                        | (827 )                     | (773 )     |
| Net passenger ticket revenues         | 3,157                         | 3,212                      | 3,028      |
| Net onboard and other revenues        | 975                           | 985                        | 932        |
| Net cruise revenues                   | \$4,132                       | \$4,197                    | \$3,960    |
| ALBDs                                 | 20,572,112                    | 20,572,112                 | 19,794,882 |
| Gross revenue yields                  | \$240.60                      | \$244.22                   | \$239.10   |
| % increase vs. 2015                   | 0.6 %                         | 2.1 %                      |            |
| Net revenue yields                    | \$200.87                      | \$204.03                   | \$200.04   |
| % increase vs. 2015                   | 0.4 %                         | 2.0 %                      |            |
| Net passenger ticket revenue yields   | \$153.47                      | \$156.14                   | \$152.96   |
| % increase vs. 2015                   | 0.3 %                         | 2.1 %                      |            |
| Net onboard and other revenue yields  | \$47.39                       | \$47.89                    | \$47.09    |
| % increase vs. 2015                   | 0.7 %                         | 1.7 %                      |            |

|                                      | Three Months Ended August 31, |                              |            |
|--------------------------------------|-------------------------------|------------------------------|------------|
|                                      | 2016                          | 2016<br>Constant<br>Currency | 2015       |
| Net passenger ticket revenues        | \$3,157                       | \$3,246                      | \$3,028    |
| Net onboard and other revenues       | 975                           | 981                          | 932        |
| Net cruise revenues                  | \$4,132                       | \$4,227                      | \$3,960    |
| ALBDs                                | 20,572,112                    | 20,572,112                   | 19,794,882 |
| Net revenue yields                   | \$200.87                      | \$205.46                     | \$200.04   |
| % increase vs. 2015                  | 0.4 %                         | 2.7 %                        |            |
| Net passenger ticket revenue yields  | \$153.47                      | \$157.76                     | \$152.96   |
| % increase vs. 2015                  | 0.3 %                         | 3.1 %                        |            |
| Net onboard and other revenue yields | \$47.39                       | \$47.69                      | \$47.09    |
| % increase vs. 2015                  | 0.7 %                         | 1.3 %                        |            |

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

|                                            | Three Months Ended August 31, |                            |            |
|--------------------------------------------|-------------------------------|----------------------------|------------|
|                                            | 2016                          | 2016<br>Constant<br>Dollar | 2015       |
| Cruise operating expenses                  | \$2,479                       | \$2,513                    | \$2,408    |
| Cruise selling and administrative expenses | 527                           | 534                        | 482        |
| Gross cruise costs                         | 3,006                         | 3,047                      | 2,890      |
| Less cruise costs included above           |                               |                            |            |
| Commissions, transportation and other      | (646 )                        | (654 )                     | (603 )     |
| Onboard and other                          | (171 )                        | (173 )                     | (170 )     |
| Gain on ship sale                          | —                             | —                          | 2          |
| Restructuring expenses                     | —                             | —                          | (14 )      |
| Other (a)                                  | (18 )                         | (18 )                      | —          |
| Net cruise costs                           | 2,171                         | 2,202                      | 2,105      |
| Less fuel                                  | (265 )                        | (265 )                     | (345 )     |
| Net cruise costs excluding fuel            | \$1,906                       | \$1,937                    | \$1,760    |
| ALBDs                                      | 20,572,112                    | 20,572,112                 | 19,794,882 |
| Gross cruise costs per ALBD                | \$146.18                      | \$148.11                   | \$145.95   |
| % increase vs. 2015                        | 0.2 %                         | 1.5 %                      |            |
| Net cruise costs per ALBD                  | \$105.54                      | \$107.00                   | \$106.28   |
| % (decrease) increase vs. 2015             | (0.7 )%                       | 0.7 %                      |            |
| Net cruise costs excluding fuel per ALBD   | \$92.63                       | \$94.10                    | \$88.84    |
| % increase vs. 2015                        | 4.3 %                         | 5.9 %                      |            |

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

|                                          | Three Months Ended August 31, |                              |            |
|------------------------------------------|-------------------------------|------------------------------|------------|
|                                          | 2016                          | 2016<br>Constant<br>Currency | 2015       |
| Net cruise costs excluding fuel          | \$1,906                       | \$1,929                      | \$1,760    |
| ALBDs                                    | 20,572,112                    | 20,572,112                   | 19,794,882 |
| Net cruise costs excluding fuel per ALBD | \$92.63                       | \$93.77                      | \$88.84    |
| % increase vs. 2015                      | 4.3 %                         | 5.5 %                        |            |

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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,<br>2016      2015 |         |
|----------------------------------------------------|-------------------------------------------------------|---------|
| Net income                                         |                                                       |         |
| U.S. GAAP net income                               | \$1,424                                               | \$1,216 |
| Unrealized (gains) losses on fuel derivatives, net | (25 )                                                 | 137     |
| Gain on ship sale                                  | —                                                     | (2 )    |
| Restructuring expenses                             | —                                                     | 14      |
| Other (a)                                          | 18                                                    | —       |
| Adjusted net income                                | \$1,417                                               | \$1,365 |
| Weighted-average shares outstanding                | 739                                                   | 781     |
| Earnings per share                                 |                                                       |         |
| U.S. GAAP earnings per share                       | \$1.93                                                | \$1.56  |
| Unrealized (gains) on fuel derivatives, net        | (0.03 )                                               | 0.17    |
| Gain on ship sale                                  | —                                                     | —       |
| Restructuring expenses                             | —                                                     | 0.02    |
| Other (a)                                          | 0.02                                                  | —       |
| Adjusted earnings per share                        | \$1.92                                                | \$1.75  |

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

Net cruise revenues increased by \$172 million, or 4.4% to \$4.1 billion in 2016 from \$4.0 billion in 2015.

The increase in net cruise revenues was caused by:

\$156 million - 3.9% capacity increase in ALBDs and

\$111 million - 2.7% increase in constant currency net revenue yields.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$94 million.

The 2.7% increase in net revenue yields on a constant currency basis was due to a 3.1% increase in net passenger ticket revenue yields and a 1.3% increase in net onboard and other revenue yields.

The 3.1% increase in net passenger ticket revenue yields was driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and European programs for our EAA segment, partially offset by yield reductions in Asia and Australia and 1.0 percentage points of this yield increase resulted from the accounting reclassification. This 3.1% increase in net passenger ticket revenue yields was comprised of a 3.9% increase from our North America segment and a 2.3% increase from our EAA segment.

The 1.3% increase in net onboard and other revenue yields was caused by a 2.8% increase from our North America segment, partially offset by a 1.9% decrease from our EAA segment.

Gross cruise revenues increased by \$216 million, or 4.6%, to \$4.9 billion in 2016 from \$4.7 billion in 2015 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$146 million, or 8.4%, to \$1.9 billion in 2016 from \$1.8 billion in 2015.

The increase in net cruise costs excluding fuel was caused by:

\$101 million - 5.5% increase in constant currency net cruise costs excluding fuel and

\$69 million - 3.9% capacity increase in ALBDs.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$23 million.

The 5.5% increase in constant currency net cruise costs excluding fuel per ALBD was principally due to higher repair and maintenance and dry-dock expenses, timing of advertising expense and a 1.7 percentage point increase that

resulted from the accounting reclassification.

Fuel costs decreased by \$80 million, or 23%, to \$265 million in 2016 from \$345 million in 2015.

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The decrease was caused by:

\$83 million - lower fuel prices and

\$11 million - lower fuel consumption.

These decreases were partially offset by 3.9% capacity increase in ALBDs, which accounted for \$14 million.

Gross cruise costs increased by \$116 million, or 4.0%, to \$3.0 billion in 2016 from \$2.9 billion in 2015 for principally the same reasons as discussed above.

Nine Months Ended August 31, 2016 ("2016") Compared to Nine Months Ended August 31, 2015 ("2015")

Revenues

Consolidated

Cruise passenger ticket revenues made up 74% of our 2016 total revenues. Cruise passenger ticket revenues increased by \$326 million, or 3.7%, to \$9.2 billion in 2016 from \$8.9 billion in 2015.

This increase was caused by:

\$288 million - 3.2% capacity increase in ALBDs;

\$101 million - the accounting reclassification and

\$79 million - slight increase in occupancy.

These increases were partially offset by foreign currency translational impact, which accounted for \$145 million.

The remaining 26% of 2016 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$129 million, or 4.4%, to \$3.0 billion in 2016 from \$2.9 billion in 2015.

This increase was caused by:

\$95 million - 3.2% capacity increase in ALBDs;

\$39 million - higher onboard spending by our guests and

\$26 million - slight increase in occupancy.

These increases were partially offset by the foreign currency translational impact, which accounted for \$32 million.

Onboard and other revenues included concession revenues that decreased to \$788 million in 2016 from \$823 million in 2015.

North America Segment

Cruise passenger ticket revenues made up 73% of our North America segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$184 million, or 3.4%, to \$5.6 billion in 2016 from \$5.4 billion in 2015.

The increase was driven by:

\$56 million - increase in cruise ticket pricing, partially offset by unfavorable foreign currency transactional impacts;

\$51 million - 1.0 percentage point increase in occupancy and

\$48 million - increase in air transportation revenues from guests who purchased their tickets from us.

The remaining 27% of our North America segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$67 million, or 3.3%, to \$2.1 billion in 2016 from \$2.0 billion in 2015. This increase was driven by higher onboard spending by our guests, which accounted for \$36 million.

Onboard and other revenues included concession revenues that decreased to \$536 million in 2016 from \$571 million in 2015.

#### EAA Segment

Cruise passenger ticket revenues made up 82% of our EAA segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$155 million, or 4.4%, to \$3.7 billion in 2016 from \$3.5 billion in 2015.

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This increase was caused by:

\$276 million - 7.9% capacity increase in ALBDs;  
\$101 million - the accounting reclassification and  
\$36 million - 1.0 percentage point increase in occupancy.

These increases were partially offset by:

\$145 million - foreign currency translational impact;  
\$76 million - decrease in cruise ticket pricing, driven by unfavorable foreign currency impacts and  
\$46 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 18% of our EAA segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$37 million, or 4.8%, to \$813 million in 2016 from \$776 million in 2015. This increase was caused by a 7.9% capacity increase in ALBDs, which accounted for \$61 million, partially offset by the foreign currency translational impact, which accounted for \$32 million.

Onboard and other revenues included concession revenues that remained at \$252 million in both 2016 and 2015.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by \$165 million, or 2.3%, to \$7.1 billion in 2016 from \$7.2 billion in 2015.

This decrease was caused by:

\$363 million - lower fuel prices;  
\$95 million - foreign currency translational impact and  
\$60 million - lower dry-dock expenses.

These decreases were partially offset by:

\$230 million - 3.2% capacity increase in ALBDs;  
\$101 million - the accounting reclassification and  
\$25 million - slight increase in occupancy.

Selling and administrative expenses increased by \$109 million, or 7.3% to \$1.6 billion in 2016 from \$1.5 billion in 2015.

This increase was caused by:

\$80 million - various selling and administrative initiatives and  
\$49 million - 3.2% capacity increase in ALBDs.

These increases were partially offset by the foreign currency translational impact, which accounted for \$19 million.

Depreciation and amortization expenses increased by \$97 million, or 8.0% to \$1.3 billion in 2016 from \$1.2 billion in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 80% in 2016 from 83% in 2015. Lower fuel prices in 2016 compared to 2015 caused the three percentage point decrease in our total costs and expenses as a percentage of revenues.

North America Segment

Operating costs and expenses decreased by \$191 million, or 4.3%, to \$4.3 billion in 2016 from \$4.4 billion in 2015.

This decrease was caused by:

\$226 million - lower fuel prices and

\$25 million - lower dry-dock expenses.

These decreases were partially offset by higher air costs, which accounted for \$43 million.

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Selling and administrative expenses increased by \$67 million, or 8.1% to \$897 million in 2016 from \$830 million in 2015. This was caused by various selling and administrative initiatives, which accounted for \$65 million.

Depreciation and amortization expenses increased by \$53 million, or 7.1%, to \$791 million in 2016 from \$738 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 77% in 2016 from 81% in 2015. The four percentage point decrease in our total costs and expenses as a percentage of revenues was principally due to lower fuel prices in 2016 compared to 2015.

## EAA Segment

Operating costs and expenses slightly decreased by \$22 million to \$2.7 billion in 2016 from \$2.6 billion in 2015.

This decrease was caused by:

\$136 million - lower fuel prices;

\$95 million - foreign currency translational impact;

\$55 million - decrease in air transportation costs related to guests who purchased their tickets from us and

\$33 million - lower dry-dock expenses.

These decreases were partially offset by:

\$209 million - 7.9% capacity increase in ALBDs and

\$101 million - the accounting reclassification.

Selling and administrative expenses slightly increased by \$2 million to \$513 million in 2016 from \$511 million in 2015.

Depreciation and amortization expenses increased by \$33 million, or 8.1%, to \$450 million in 2016 from \$417 million in 2015. This increase was caused by 7.9% capacity increase in ALBDs, which accounted for \$33 million.

Total costs and expenses as a percentage of revenues decreased to 81% in 2016 from 84% in 2015. The three percentage point decrease in our total costs and expenses as a percentage of revenues was principally due to lower fuel prices in 2016 compared to 2015.

## Operating Income

Our consolidated operating income increased by \$410 million, or 20%, to \$2.5 billion in 2016 from \$2.1 billion in 2015. Our North America segment's operating income increased by \$323 million, or 22%, to \$1.8 billion in 2016 from \$1.4 billion in 2015, and our EAA segment's operating income increased by \$136 million, or 19%, to \$837 million in 2016 from \$701 million in 2015. These changes were primarily due to the reasons discussed above.

## Nonoperating Expense

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

|                                                    | Nine Months<br>Ended August<br>31, |         |
|----------------------------------------------------|------------------------------------|---------|
|                                                    | 2016                               | 2015    |
| Unrealized gains (losses) on fuel derivatives, net | \$121                              | \$(215) |

|                                     |         |         |
|-------------------------------------|---------|---------|
| Realized losses on fuel derivatives | (223 )  | (163 )  |
| Losses on fuel derivatives, net     | \$(102) | \$(378) |

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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, |                            |            |
|---------------------------------------|------------------------------|----------------------------|------------|
|                                       | 2016                         | 2016<br>Constant<br>Dollar | 2015       |
| Passenger ticket revenues             | \$9,217                      | \$9,362                    | \$ 8,891   |
| Onboard and other revenues            | 3,047                        | 3,080                      | 2,918      |
| Gross cruise revenues                 | 12,264                       | 12,442                     | 11,809     |
| Less cruise costs                     |                              |                            |            |
| Commissions, transportation and other | (1,723 )                     | (1,751 )                   | (1,671 )   |
| Onboard and other                     | (411 )                       | (416 )                     | (395 )     |
|                                       | (2,134 )                     | (2,167 )                   | (2,066 )   |
| Net passenger ticket revenues         | 7,494                        | 7,611                      | 7,220      |
| Net onboard and other revenues        | 2,636                        | 2,664                      | 2,523      |
| Net cruise revenues                   | \$10,130                     | \$10,275                   | \$ 9,743   |
| ALBDs                                 | 59,555,384                   | 59,555,384                 | 57,685,594 |
| Gross revenue yields                  | \$205.94                     | \$208.91                   | \$ 204.72  |
| % increase vs. 2015                   | 0.6 %                        | 2.0 %                      |            |
| Net revenue yields                    | \$170.10                     | \$172.52                   | \$ 168.91  |
| % increase vs. 2015                   | 0.7 %                        | 2.1 %                      |            |
| Net passenger ticket revenue yields   | \$125.84                     | \$127.80                   | \$ 125.17  |
| % increase vs. 2015                   | 0.5 %                        | 2.1 %                      |            |
| Net onboard and other revenue yields  | \$44.26                      | \$44.72                    | \$ 43.74   |
| % increase vs. 2015                   | 1.2 %                        | 2.2 %                      |            |

|                                      | Nine Months Ended August 31, |                              |            |
|--------------------------------------|------------------------------|------------------------------|------------|
|                                      | 2016                         | 2016<br>Constant<br>Currency | 2015       |
| Net passenger ticket revenues        | \$7,494                      | \$7,778                      | \$ 7,220   |
| Net onboard and other revenues       | 2,636                        | 2,672                        | 2,523      |
| Net cruise revenues                  | \$10,130                     | \$10,450                     | \$ 9,743   |
| ALBDs                                | 59,555,384                   | 59,555,384                   | 57,685,594 |
| Net revenue yields                   | \$170.10                     | \$175.46                     | \$ 168.91  |
| % increase vs. 2015                  | 0.7 %                        | 3.9 %                        |            |
| Net passenger ticket revenue yields  | \$125.84                     | \$130.60                     | \$ 125.17  |
| % increase vs. 2015                  | 0.5 %                        | 4.3 %                        |            |
| Net onboard and other revenue yields | \$44.26                      | \$44.86                      | \$ 43.74   |
| % increase vs. 2015                  | 1.2 %                        | 2.6 %                        |            |

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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, |                            |            |
|--------------------------------------------|------------------------------|----------------------------|------------|
|                                            | 2016                         | 2016<br>Constant<br>Dollar | 2015       |
| Cruise operating expenses                  | \$6,939                      | \$7,034                    | \$ 7,100   |
| Cruise selling and administrative expenses | 1,606                        | 1,626                      | 1,497      |
| Gross cruise costs                         | 8,545                        | 8,660                      | 8,597      |
| Less cruise costs included above           |                              |                            |            |
| Commissions, transportation and other      | (1,723 )                     | (1,751 )                   | (1,671 )   |
| Onboard and other                          | (411 )                       | (416 )                     | (395 )     |
| Gain on ship sale                          | 2                            | 2                          | 6          |
| Restructuring expenses                     | (2 )                         | (2 )                       | (21 )      |
| Other (a)                                  | (39 )                        | (39 )                      | —          |
| Net cruise costs                           | 6,372                        | 6,454                      | 6,516      |
| Less fuel                                  | (648 )                       | (648 )                     | (996 )     |
| Net cruise costs excluding fuel            | \$5,724                      | \$5,806                    | \$ 5,520   |
| ALBDs                                      | 59,555,384                   | 59,555,384                 | 57,685,594 |
| Gross cruise costs per ALBD                | \$143.50                     | \$145.42                   | \$149.03   |
| % decrease vs. 2015                        | (3.7 )%                      | (2.4 )%                    |            |
| Net cruise costs per ALBD                  | \$106.99                     | \$108.37                   | \$112.96   |
| % decrease vs. 2015                        | (5.3 )%                      | (4.1 )%                    |            |
| Net cruise costs excluding fuel per ALBD   | \$96.10                      | \$97.48                    | \$95.70    |
| % increase vs. 2015                        | 0.4 %                        | 1.9 %                      |            |

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

|                                          | Nine Months Ended August 31, |                              |            |
|------------------------------------------|------------------------------|------------------------------|------------|
|                                          | 2016                         | 2016<br>Constant<br>Currency | 2015       |
| Net cruise costs excluding fuel          | \$5,724                      | \$ 5,793                     | \$ 5,520   |
| ALBDs                                    | 59,555,384                   | 59,555,384                   | 57,685,594 |
| Net cruise costs excluding fuel per ALBD | \$96.10                      | \$ 97.27                     | \$ 95.70   |
| % increase vs. 2015                      | 0.4 %                        | 1.6 %                        |            |

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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,<br>2016      2015 |         |
|----------------------------------------------------|------------------------------------------------------|---------|
| Net income                                         |                                                      |         |
| U.S. GAAP net income                               | \$2,171                                              | \$1,487 |
| Unrealized (gains) losses on fuel derivatives, net | (121 )                                               | 215     |
| Gain on ship sale                                  | (2 )                                                 | (6 )    |
| Restructuring expenses                             | 2                                                    | 21      |
| Other (a)                                          | 39                                                   | —       |
| Adjusted net income                                | \$2,089                                              | \$1,717 |
| Weighted-average shares outstanding                | 754                                                  | 781     |
| Earnings per share                                 |                                                      |         |
| U.S. GAAP earnings per share                       | \$2.88                                               | \$1.91  |
| Unrealized (gains) losses on fuel derivatives, net | (0.16 )                                              | 0.27    |
| Gain on ship sale                                  | —                                                    | (0.01 ) |
| Restructuring expenses                             | —                                                    | 0.03    |
| Other                                              | 0.05                                                 | —       |
| Adjusted earnings per share                        | \$2.77                                               | \$2.20  |

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

Net cruise revenues increased by \$387 million, or 4.0%, to \$10.1 billion in 2016 from \$9.7 billion in 2015.

The increase in net cruise revenues was caused by:

\$390 million - 3.9% increase in constant currency net revenue yields and

\$316 million - 3.2% capacity increase in ALBDs.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$319 million.

The 3.9% increase in net revenue yields on a constant currency basis was due to a 4.3% increase in net passenger ticket revenue yields and a 2.6% increase in net onboard and other revenue yields.

The 4.3% increase in net passenger ticket revenue yields was driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and European programs for our EAA segment and 1.1 percentage points of this yield increase resulted from the accounting reclassification. This 4.3% increase in net passenger ticket revenue yields was comprised of a 5.5% increase from our North America segment and a 3.2% increase from our EAA segment.

The 2.6% increase in net onboard and other revenue yields was caused by a 3.7% increase from our North America segment and a 1.0% increase from our EAA segment.

Gross cruise revenues increased by \$455 million, or 3.9%, to \$12.3 billion in 2016 from \$11.8 billion in 2015 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$204 million, or 3.7%, to \$5.7 billion in 2016 from \$5.5 billion in 2015.

The increase in net cruise costs excluding fuel was caused by a 3.2% capacity increase in ALBDs, which accounted for \$179 million, partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$70 million.

The 1.6% increase in constant currency net cruise costs excluding fuel per ALBD was principally due to higher repair and maintenance and dry-dock partially offset by a 1.4 percentage point increase that resulted from the accounting reclassification.

Fuel costs decreased by \$348 million, or 35%, to \$648 million in 2016 from \$996 million in 2015. This was caused by lower fuel prices, which accounted for \$363 million, partially offset by a 3.2% capacity increase in ALBDs, which accounted for \$32 million.

Gross cruise costs slightly decreased by \$52 million to \$8.5 billion in 2016 from 8.6 billion in 2015 for principally the same reasons as discussed above.

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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 within the next two years, while maintaining a strong balance sheet and strong investment grade credit ratings. We define ROIC as the twelve month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress. Our ability to generate significant operating cash flows allows us to internally fund our capital investments. As we continue to profitably grow our cruise business, we plan to increase our debt level, in a manner consistent with maintaining our strong credit metrics and strong investment grade credit ratings. This will allow us to return both free cash flows and incremental debt proceeds to our shareholders in the form of dividends and/or share repurchases. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years. Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability, in most financial credit market environments, to obtain debt financing. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, some of those noted under “Cautionary Note Concerning Factors That May Affect Future Results.” If our long-term senior unsecured credit ratings were to be downgraded or assigned a negative outlook, our access to and cost of debt financing may be negatively impacted. At August 31, 2016, we had a working capital deficit of \$5.5 billion. This deficit included \$3.6 billion of current customer deposits, which represent the passenger revenues already collected for cruises departing over the next twelve months and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our August 31, 2016 working capital deficit also included \$1.0 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our August 31, 2016 working capital deficit balance, our adjusted working capital deficit was \$0.9 billion. Our business model, along with our strong balance sheet and unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future. At November 30, 2015, the U.S. dollar was \$1.50 to sterling, \$1.06 to the euro and \$0.72 to the Australian dollar. Had these November 30, 2015 currency exchange rates been used to translate our August 31, 2016 non-U.S. dollar functional currency operations’ assets and liabilities instead of the August 31, 2016 U.S. dollar exchange rates of \$1.31 to sterling, \$1.12 to the euro and \$0.76 to the Australian dollar, our total assets would have been higher by \$99 million and our total liabilities would have been lower by \$256 million.

### Sources and Uses of Cash

#### Operating Activities

Our business provided \$4.1 billion of net cash from operations during the nine months ended August 31, 2016, an increase of \$543 million, or 15%, compared to \$3.6 billion for the same period in 2015. This increase was caused by more cash being provided from our operating results.

#### Investing Activities

During the nine months ended August 31, 2016, net cash used in investing activities was \$2.6 billion. This was comprised of:

Our expenditures for capital projects, of which \$1.5 billion was spent on our ongoing new shipbuilding program, substantially for AIDAprima, net of liquidated damages, and Holland America Line's Koningsdam and Carnival Vista;

Capital expenditures of \$657 million for ship improvements and replacements;

Capital expenditures of \$257 million for information technology, buildings and improvements and other assets;

Payment of \$231 million of fuel derivative settlements and

Payment of \$22 million of collateral to one of our fuel derivative counterparties.

During the nine months ended August 31, 2015, net cash used in investing activities was \$1.8 billion. This was caused by:

Our expenditures for capital projects, of which \$728 million was spent on our ongoing new shipbuilding program, primarily for P&O Cruises (UK)'s Britannia;

Capital expenditures of \$790 million for ship improvements and replacements;

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Capital expenditures of \$187 million for information technology, buildings and improvements and other assets;  
 Cash installments of \$25 million from the sales of Ocean Princess, Seabourn Legend and Seabourn Spirit and  
 \$139 million of fuel derivative settlements.

### Financing Activities

During the nine months ended August 31, 2016, net cash used in financing activities of \$2.4 billion was substantially due to the following:

- borrowed \$301 million of short-term borrowings, net of repayments, in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$971 million of long-term debt;
- issued \$555 million of euro-denominated publicly-traded notes, which net proceeds were used for general corporate purposes;
- borrowed \$379 million of long-term debt under an export credit facility;
- borrowed \$110 million of long-term debt under euro-denominated bank loans;
- paid cash dividends of \$721 million;
- purchased \$2.1 billion of shares of Carnival Corporation common stock in open market transactions of which \$2.1 billion were repurchased under our Repurchase Program and \$39 million were repurchased under our Stock Swap and
- sold \$40 million of treasury stock under our Stock Swap program.

During the nine months ended August 31, 2015, net cash used in financing activities of \$1.5 billion was substantially due to the following:

- repaid a net \$625 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$772 million of long-term debt;
- borrowed \$472 million of long-term debt under an export credit facility;
- paid cash dividends of \$584 million;
- purchased \$166 million shares of Carnival Corporation common stock in open market transactions under our Stock Swap and Repurchase Programs and
- sold \$167 million of treasury stock under our Stock Swap program.

### Future Commitments and Funding Sources

Our contractual cash obligations as of August 31, 2016 have changed compared to November 30, 2015 primarily as a result of our debt borrowings and repayments and new ship payments as noted above under “Sources and Uses of Cash.” In addition, during the nine months ended August 31, 2016, we finalized the agreement with Italian shipbuilder, Fincantieri S.p.A, for the construction of Princess Cruises 3,560-passenger capacity Royal-class vessel to be delivered in 2020. Furthermore, on September 5, 2016, we signed a Memorandum of Agreement (“MOA”) with German and Finnish shipbuilders, Meyer Werft and Meyer Turku, that will add a total of three new cruise ships to our fleet through 2022. This MOA is consistent with our long-term strategy of measured capacity growth over time and is subject to several conditions, including obtaining satisfactory financing.

As of August 31, 2016, our total annual capital expenditures consist of ships under contract for construction, including the three ships ordered under the MOA, and estimated improvements to existing ships and shoreside assets are expected to be \$2.0 billion for the remainder of 2016, \$3.1 billion in 2017, \$3.7 billion in 2018, \$4.5 billion in 2019, \$4.4 billion in 2020, \$2.9 billion in 2021 and \$2.0 billion in 2022.

The year-over-year percentage increase in our capacity is currently expected to be 4.5% for the 2016 fourth quarter. The year-over-year percentage increase in our annual capacity is currently expected to be 3.6% in 2016, 2.6% in 2017, 3.0% in 2018, 5.3% in 2019, 8.0% in 2020, 5.5% in 2021 and 2.8% in 2022. These percentage increases are expected to result primarily from contracted new ships entering service, including the three ships ordered under the MOA, and exclude any unannounced future ship orders, acquisitions, retirements, charters or sales.

At August 31, 2016, we had liquidity of \$10.8 billion. Our liquidity consisted of \$220 million of cash and cash equivalents, which excludes \$242 million of cash on hand, \$2.9 billion available for borrowing under our revolving

credit and bank loan facilities, net of our outstanding commercial paper borrowings, and \$7.7 billion under our committed future financings, which are substantially comprised of ship export credit facilities. Of this \$7.7 billion, \$0.9 billion is available for funding in 2017, \$2.0 billion in 2018, \$2.5 billion in 2019 and \$2.3 billion in 2020. At August 31, 2016, all of our revolving credit facilities are scheduled to mature in 2021, except for \$300 million that matures in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants as described in Note 6 - "Unsecured Debt" in the annual consolidated financial statements, which is included within our 2015 Form 10-K. At August 31, 2016, we were in compliance with

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

### Off-Balance Sheet Arrangements

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

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

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

#### Foreign Currency Exchange Rate Risks

At August 31, 2016, 43% and 57% (50% and 50% at November 30, 2015) of our debt was U.S. dollar and euro-denominated, respectively, including the effect of foreign currency swaps.

We have foreign operations that have functional currencies other than the U.S. dollar, which result in foreign currency translational impacts. We execute transactions in a number of currencies other than their functional currencies, principally the euro, sterling and Australian, Canadian and U.S. dollars, which result in foreign currency transactional impacts. Based on a 10% hypothetical change in all currency exchange rates versus the U.S. dollar that were used in our September 26, 2016 guidance, we estimate (including both the foreign currency translational and transactional impacts) that our adjusted diluted earnings per share September 26, 2016 guidance would change by the following: \$0.27 per share on an annualized basis for 2016 and \$0.04 per share for the fourth quarter of 2016.

#### Fuel Price Risks

Based on a 10% hypothetical change in fuel prices versus the current spot price that was used to calculate fuel expense in our September 26, 2016 guidance, we estimate that our adjusted diluted earnings per share September 26, 2016 guidance would change by the following: \$0.15 per share on an annualized basis and \$0.04 per share for the fourth quarter of 2016.

Based on a 10% hypothetical change in Brent prices versus the current spot price that was used to calculate realized gains (losses) on fuel derivatives in our September 26, 2016 guidance, we estimate that our adjusted diluted earnings per share September 26, 2016 guidance would change by \$0.01 per share for the fourth quarter of 2016.

At August 31, 2016, the unrealized losses on our outstanding fuel derivative contracts was \$436 million.

### Item 4. Controls and Procedures.

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

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

Our President and Chief Executive Officer and our Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of August 31, 2016, 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, 2016 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II - OTHER INFORMATION

## Item 1A. Risk Factors.

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

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

## A. Repurchase Authorizations

Our Boards of Directors have authorized, subject to certain restrictions, the repurchase of up to an aggregate of \$1.0 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the “Repurchase Program”). On January 28, 2016 and on June 27, 2016, the Boards of Directors approved modifications of the Repurchase Program authorization that increased the remaining authorized repurchases at the time of each approval by \$1.0 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

During the three months ended August 31, 2016, purchases 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>(a) | 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, 2016 through June 30, 2016     | 4,999,368                                                                                         | \$ 47.11                                                                            | \$ 1,101                                                                                                                       |
| July 1, 2016 through July 31, 2016     | 7,692,794                                                                                         | \$ 45.22                                                                            | \$ 753                                                                                                                         |
| August 1, 2016 through August 31, 2016 | 2,651,000                                                                                         | \$ 46.27                                                                            | \$ 631                                                                                                                         |
| Total                                  | 15,343,162                                                                                        | \$ 46.02                                                                            |                                                                                                                                |

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

From September 1, 2016 through September 23, 2016, we repurchased an additional 2.3 million shares of Carnival Corporation common stock for \$107 million under the Repurchase Program. At September 23, 2016, the remaining availability under the Repurchase Program was \$531 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs described below. Depending on market conditions and other factors, we may purchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently. At September 23, 2016, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 26.0 million shares of Carnival Corporation common stock.

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2017 annual general meeting or July 13, 2017. During the three months ended August 31, 2016, there were no repurchases of Carnival plc ordinary shares under the Repurchase Program.

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B. Stock Swap Programs

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

In the event that Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell shares of Carnival Corporation common stock through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in October 2008, Carnival Corporation was authorized to issue and sell up to 19.2 million shares of its common stock in the U.S. market and had 18.1 million shares remaining at September 23, 2016. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act of 1933.

In the event that Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Corporation or Carnival Investments Limited ("CIL") through its sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in January 2013, Carnival Corporation or CIL was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and has 26.0 million shares remaining at September 23, 2016. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

During the three months ended February 29, 2016, under the Stock Swap Programs, CIL sold 891,000 of Carnival plc ordinary shares through its sales agent, Merrill Lynch International ("MLI"), for total gross proceeds of \$40 million and paid commission fees to MLI of \$260,000 and other governmental and regulatory transaction fees of \$46,000.

Substantially all of the net proceeds from these sales were used to purchase 891,000 shares of Carnival Corporation common stock. During the three months ended February 29, 2016, no Carnival Corporation common stock was sold and no Carnival plc ordinary shares were repurchased under the Stock Swap programs.

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

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



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## INDEX TO EXHIBITS

| Exhibit<br>Number | Exhibit Description                                                                                                                                                                                                                                              | Incorporated by<br>Reference |                           | Filed/<br>Furnished<br>Herewith |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------|---------------------------------|
|                   |                                                                                                                                                                                                                                                                  | Form                         | Exhibit<br>Filing<br>Date |                                 |
|                   | Articles of incorporation and by-laws                                                                                                                                                                                                                            |                              |                           |                                 |
|                   | 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, 2016, as filed with the Securities and Exchange Commission on September 30, 2016 formatted in XBRL, are as follows: |                              |                           |                                 |
|                   | (i) the Consolidated Statements of Income for the three and nine months ended August 31, 2016 and 2015;                                                                                                                                                          |                              |                           | X                               |
|                   | (ii) the Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended August 31, 2016 and 2015;                                                                                                                                    |                              |                           | X                               |
|                   | (iii) the Consolidated Balance Sheets at August 31, 2016 and November 30, 2015;                                                                                                                                                                                  |                              |                           | X                               |
|                   | (iv) the Consolidated Statements of Cash Flows for the nine months ended August 31, 2016 and 2015 and                                                                                                                                                            |                              |                           | X                               |
|                   | (v) the notes to the consolidated financial statements, tagged in summary and detail.                                                                                                                                                                            |                              |                           | X                               |

\* These items are furnished and not filed.

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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 30, 2016

CARNIVAL PLC

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

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

Date: September 30, 2016