



CARNIVAL PLC

Strategic Report and
IFRS Financial Statements
Year Ended November 30, 2019

The Annual Report of Carnival plc comprises the Strategic Report and Carnival plc consolidated Group and Company IFRS Financial Statements contained herein, together with certain parts of the Proxy Statement (including its Annexes), dated January 28, 2020.

The Carnival plc consolidated IFRS Financial Statements, which are required to satisfy reporting requirements of the Companies Act 2006, incorporate the results of Carnival plc and its subsidiaries and, accordingly, do not include the IFRS consolidated results and financial position of Carnival Corporation and its subsidiaries. However, the Directors consider that, within the Carnival Corporation and Carnival plc dual listed company (“DLC”) arrangement, the most appropriate presentation of Carnival plc’s results and financial position is by reference to the Carnival Corporation & plc U.S. GAAP consolidated financial statements (“DLC Financial Statements”). The DLC Financial Statements are included in the Carnival Corporation & plc 2019 Annual Report (“DLC Annual Report”), which is prepared to satisfy U.S. reporting requirements. Accordingly, the DLC Annual Report is included in Annex 1 to the Carnival plc Annual Report.

In order to obtain a better understanding of the Carnival Corporation & plc business, financial condition and results of operations, the Carnival plc stakeholders should read the items referenced below included in the Proxy Statement, Annex 1 and Carnival Corporation & plc joint Annual Report on Form 10-K (“Form 10-K”), in addition to the Carnival plc Strategic Report and IFRS Financial Statements contained herein.

The locations where the Carnival plc Annual Report Documents and Other Information can be found are as follows:

<u>CARNIVAL PLC ANNUAL REPORT DOCUMENTS</u>	<u>LOCATIONS</u>	<u>PAGE NO.</u>
Strategic Report		
Executive Overview	Strategic Report	1
Business Overview		
Summary	Strategic Report	3
Vision, Goals and Related Strategies	Strategic Report	3
Global Cruise Industry		
Overview	Strategic Report	5
Favorable Characteristics of the Global Cruise Industry	Strategic Report	5
Passenger Capacity and Cruise Guests Carried by Ocean Going Vessels	Strategic Report	6
Our Global Cruise Business		
Segment Information	Strategic Report	7
Ships Under Contract for Construction	Strategic Report	8
Cruise Brands	Strategic Report	9
Principal Source Geographic Areas, Cruise Programs, Cruise Pricing and Payment Terms, Seasonality, Onboard and Other Revenues, Marketing Activities and Sales Relationships	Strategic Report	14
Ethics and Compliance	Strategic Report	18
Sustainability	Strategic Report	18
Employees (including diversity) and Training	Strategic Report	19
Information Technology and Innovation	Strategic Report	20
Supply Chain and Insurance	Strategic Report	21
Port Destinations and Private Islands	Strategic Report	22
Governmental Regulations	Strategic Report	22
Taxation	Strategic Report	28
Trademarks and Other Intellectual Property	Strategic Report	30
Competition	Strategic Report	30
Website Access to Carnival Corporation & plc SEC Reports	Strategic Report	30
Industry and Market Data	Strategic Report	30
Business Review	Strategic Report	32
Internal Control and Risk Assessment	Strategic Report	51
Risk Management and/or Mitigation of Principal Risks	Strategic Report	53
Going Concern Confirmation	Strategic Report	58
Viability Statement	Strategic Report	58
Repurchase Authorizations	Strategic Report	59
Non-Financial Information Statement	Strategic Report	59
Carnival plc IFRS Financial Statements for the year ended November 30, 2019		
Carnival plc IFRS Financial Statements	Carnival plc Financial Statements	60
PricewaterhouseCoopers LLP Independent Auditors’ Report	Carnival plc Financial Statements	109
Additional Documents		
Director Independence and Related Party Transactions	Proxy Statement	
Carnival plc Directors’ Report (including greenhouse gas emissions)	Proxy Statement – Annex A	
Carnival plc Directors’ Remuneration Report – Part I	Proxy Statement	
Carnival plc Directors’ Remuneration Report – Part II	Proxy Statement – Annex B	
Carnival plc Corporate Governance Report	Proxy Statement – Annex C	
<u>OTHER INFORMATION</u>		
<u>DLC Annual Report</u>		
DLC Financial Statements	Annex 1	
Selected Financial Data	Annex 1	
Market Price for Common Stock and Ordinary Shares	Annex 1	
Stock Performance Graphs	Annex 1	
Selected Quarterly Financial Data (Unaudited)	Annex 1	
Corporate and Other Information	Annex 1	
<u>Other</u>		
Properties, Legal Proceedings, Executive Officers and Dividends	Form 10-K	

The Notice of Annual Meetings and Proxy Statement and Form 10-K are not set forth within this document but are available for viewing at www.carnivalcorp.com or www.carnivalplc.com. The Carnival plc IFRS Financial Statements have been submitted to the National Storage Mechanism and are available for inspection at www.morningstar.co.uk/uk/NSM and will be included in the Annual Meeting materials available to the Carnival plc shareholders.

Strategic Report

The Directors consider that within the DLC arrangement, the most appropriate presentation of Carnival plc's business strategy is by reference to the consolidated strategy of Carnival Corporation & plc. Accordingly, this Strategic Report presents the required strategy and business review for the combined group in order to satisfy reporting requirements of the Companies Act 2006.

2019 Executive Overview

Key information for 2019 compared to the prior year (see "Key Performance Non-GAAP Financial Indicators" for definitions and reconciliations):

- Net income of \$3.0 billion or \$4.32 diluted earnings per share, compared to net income of \$3.2 billion or \$4.44 diluted earnings per share in 2018.
- Record adjusted net income of \$3.0 billion, or \$4.40 adjusted diluted earnings per share, compared to adjusted net income of \$3.0 billion or \$4.26 adjusted diluted earnings per share in 2018. Adjusted net income excludes net charges of \$52 million for 2019 and net gains of \$123 million for 2018.
- Record total revenues were \$20.8 billion, higher than \$18.9 billion in 2018.
 - Gross cruise revenues of \$20.4 billion, higher than \$18.6 billion in 2018.
 - In constant currency, net cruise revenues of \$16.0 billion, higher than \$15.4 billion in 2018, an increase of 4.0%.
- Gross revenue yields increased 5.4%. In constant currency, net revenue yields decreased 0.2%, comprised of a 1.0% decrease in net passenger ticket revenue yields and a 2.0% increase in net onboard and other revenue yields.
- Gross cruise costs including fuel per ALBD increased 8.6%. Net cruise costs excluding fuel per ALBD in constant currency decreased 0.3%.
- Changes in fuel prices and currency exchange rates decreased earnings by \$0.01 per share.

After five years of strong adjusted earnings growth for our company, 2019 brought with it more than our fair share of challenges including the abrupt regulatory change preventing travel to Cuba, geopolitical events in the Arabian Gulf, Hurricane Dorian, a costly unscheduled dry-dock, and multiple shipyard delays, all of which necessitated the cancellation of cruises and in many instances resulted in shorter booking windows negatively impacting yields. The impact from these events was compounded by an unanticipated decline in consumer attitude affecting leisure travel broadly in our Continental European source markets. As a global company with nearly 50 percent of our guests sourced from outside the U.S., we are subject to uneven economies around the world. We have a large percentage of our portfolio weighted in regions that are currently challenged. We have already taken actions to adapt to what is proving to be a persistent challenge. These actions include changing itineraries to optimize our performance and implementing an action plan to accelerate demand and right-size capacity sourced from Southern Europe.

Our 150,000 team members collectively worked to offset numerous headwinds and delivered memorable cruise experiences for our 13 million guests as well as achieved our highest full year adjusted diluted earnings per share for our shareholders. Although earnings growth was broadly in line with capacity growth, we believe our business is inherently capable of, and we are working to ensure we are, doing even better.

Globally, we are taking actions to further stimulate demand and increase our cost efficiencies. We have conducted an analysis of our marketing activities and spend and have identified areas of opportunity to increase marketing impressions to generate demand and support future yield growth. In 2019, we increased investments in media spend to support our brands and destinations around the world. We have also been successful in increasing our analytical rigor in marketing and media spend to drive demand generation and to better balance brand support activities with price and promotion efforts.

From a guest experience perspective, we continue to deliver with both our guest experience scores and net promoter scores toward the top end of prior ranges. In addition, we have made several investments to continue to further enhance the guest experience.

- Our newbuild schedule peaks in 2020 with six new ships entering service across six distinct markets: *Carnival Panorama* for the West Coast of the U.S., Carnival Cruise Line's *Mardi Gras* for the East Coast of the U.S., *Enchanted Princess*, the second new ship delivered with Ocean Medallion, *Costa Smeralda* for Continental Europe, *Costa Firenze* for China and P&O Cruises' *Iona* for the UK.

- We continue to roll out our most popular features on our existing fleet, with significant re-imaginings like the recently introduced *Carnival Sunrise*, to be joined by *Carnival Radiance* in mid-2020.
- In the Princess fleet, the Ocean Medallion roll out continues with five ships already completed and six more to be completed in 2020.
- The expansion of app-based technology across our other brands continues, including pre-cruise purchases.
- We have two major destination developments underway, on Grand Bahama Island and a second destination on Half Moon Cay, complementing the six destinations we had already developed and are operating in the Caribbean.

We are elevating the guest experience without increasing operating costs on a per available lower berth day (“ALBD”) basis. Through our global sourcing, we achieved over \$125 million of cost savings in 2019, bringing the cumulative total to over \$480 million since 2014.

Our highest responsibility and top priorities are excellence in safety, environmental protection and compliance. Our reputation and success depends on having sustainable and transparent operations. We continue to lead the industry in the development of environmentally friendly fuel solutions.

- We achieved a four percent reduction in per unit fuel consumption in 2019. We expect another four percent in 2020 which will bring the cumulative reduction in fuel consumption per ALBD to 35 percent since 2007.
- In 2019 we delivered *AIDAnova*, the first cruise ship with the ability to be solely powered by LNG, the most environmentally friendly fossil fuel. We have 10 more next generation LNG cruise ships on order, including Carnival Cruise Line’s *Mardi Gras*, *Costa Smeralda* and P&O Cruises’ *Iona*, entering the fleet during 2020.
- We announced a ground breaking pilot on *AIDAperla*, the first lithium-ion battery storage system to power a cruise ship’s propulsion and operation for limited periods of time. Also, as early as 2021, AIDA Cruises will be the world’s first cruise company to test the use of fuel cells on a large passenger ship. The fuel cells will be powered by hydrogen derived from methanol.

These will compliment other industry leading technologies we have already deployed to reduce carbon emissions including cold ironing (or shore power), which we have the capability for on over 40 percent of our fleet, and Advanced Air Quality Systems deployed on nearly 80 percent of our fleet. The investments we have made in Advanced Air Quality Systems will also help to mitigate increased costs in the wake of IMO 2020.

We are also focused on other areas concerning the environment including the roll out of additional Advanced Waste Water Purification Systems and food bio-digesters. We have also made considerable progress on our goal to significantly reduce single use plastics. In addition, we joined the Getting to Zero Coalition, an alliance of organizations across the maritime, energy, infrastructure and finance sectors committed to accelerating the decarbonization of the international shipping industry. Sustainability efforts remain at the forefront of our strategic goals.

We are continuing to work to improve our performance in fiscal 2020 and beyond. With annual cash from operations of \$5.5 billion, our balance sheet is strong, as are our brands. We continue to generate value for our shareholders, returning over \$2.0 billion during 2019, \$1.4 billion through our quarterly dividend and approximately \$600 million through our share repurchase program. Although there are multiple external impacts outside of our control, we are aggressively managing those levers we do control or can strongly influence which include demand, supply and controlling costs. We are investing to stimulate demand through advertising, marketing and public relations efforts to maintain price discipline. We are working to moderate capacity additions and at the same time accelerate capacity leaving the fleet. We are leveraging our scale to achieve efficiencies and to fund investments without a significant net increase in costs. In the best interest of long-term shareholders, we are making disciplined decisions to optimize our performance in the short-term while leaving us best positioned to capture the full benefit of global travel and tourism growth over the long-term.

1. Business.

A. Overview

I. Summary

Carnival Corporation was incorporated in Panama in 1972 and Carnival plc was incorporated in England and Wales in 2000. Carnival Corporation and Carnival plc operate a dual listed company (“DLC”), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation’s Articles of Incorporation and By-Laws and Carnival plc’s Articles of Association. The two companies operate as if they are a single economic enterprise with a single senior executive management team and identical Boards of Directors, but each has retained its separate legal identity. Carnival Corporation and Carnival plc are both public companies with separate stock exchange listings and their own shareholders. Together with their consolidated subsidiaries, Carnival Corporation and Carnival plc are referred to collectively in this Strategic Report as “Carnival Corporation & plc,” “our,” “us” and “we.”

We are the world’s largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries. We are also the largest cruise company, carrying nearly 45 percent of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, we operate a portfolio of leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences on 104 cruise ships to the world’s most desirable destinations.

II. Vision, Goals and Related Strategies

At Carnival Corporation & plc, our highest responsibilities and our top priorities are to operate safely, to protect the environment, and to be in compliance everywhere we operate in the world. On this foundation, we aspire to deliver unmatched joyful vacations for our guests, always exceeding their expectations and in doing so driving outstanding shareholder value. We are committed to a positive and just corporate culture, based on inclusion and the power of diversity. We operate with integrity, trust and respect for each other — seeking collaboration, candor, openness and transparency at all times. And we intend to be an exemplary corporate citizen leaving the people and the places we touch even better.

We believe our portfolio of brands is instrumental to achieving our vision and maintaining our cruise industry leadership position. Our primary financial goals are to profitably grow our cruise business and grow our return on invested capital over time, while maintaining a strong balance sheet and investment grade credit ratings. Paramount to the success of our business is our commitment to health, environment, safety, security (“HESS”) and sustainability.

To reach our primary financial goals, we continue to implement initiatives to create additional demand for our brands in excess of our planned capacity growth. We continue to invest in customer and market insight to better understand our guests’ decision making process and vacation needs enabling us to identify new marketing opportunities and further grow our share of their vacation spend. As we operate in the broader vacation market, we have implemented strategies to grow demand by increasing consumer awareness and consideration for cruise vacations on our portfolio of brands through our ongoing marketing, public relations and guest experience efforts. We continue to identify opportunities to enhance our cruise products and services and optimize our cost structure while preserving the unique identities of our individual brands.

We continue to identify and implement new strategies and tactics to strengthen our cruise ticket revenue management processes and systems across our portfolio of brands, such as optimizing our pricing methodologies and improving our pricing models. We have increased our focus on growing onboard revenues and have invested in new marketing capabilities to further engage our guests by bringing to life the cruise experience.

We are building new, innovative, purpose-built ships that are larger, more efficient, have an improved mix of guest accommodations and present a wider range of onboard amenities and features. These ships further enhance the attractiveness of a cruise vacation while achieving greater economies of scale and improving returns on invested capital. As of November 30, 2019, we have a total of 17 cruise ships scheduled to be delivered through 2025. Some of these ships will replace existing capacity as less efficient ships exit our fleet. Since 2006, we have sold 30 ships and our newbuild program has been designed to consider an expected acceleration in our fleet replacement cycle over time. Furthermore, we continue to make substantial investments in our existing ship enhancement programs to improve our onboard product offerings and enrich our guests’ vacation experiences.

We continue to grow our presence in established markets and increase our penetration in developing markets, such as Asia. We believe that our most significant long-term growth opportunity in Asia is in China, due to its large and growing middle-class population, expansion of its international tourism and the government's plan to support the cruise industry. During 2020, we expect that 5.0% of our total capacity will be home ported in China.

With 104 ships and 12.9 million guests in 2019, we have the scale to optimize our structure by utilizing our combined purchasing volumes and common technologies as well as accelerating progress on our cross-brand initiatives aimed at cost containment. We have and continue to integrate certain back office functions to achieve the full benefits of our scale. Having global leaders in communications, ethics and compliance, innovation, maritime, procurement and strategy supports collaboration and communication across our brands and helps coordinate our global efforts.

Our ability to generate significant operating cash flow allows us to internally fund our capital improvements, debt maturities and dividend payments. Our quarterly dividend of \$0.50 per share represents over \$1.4 billion in annual dividends. Since resuming our stock repurchase program in late 2015, we repurchased approximately 100 million shares for \$5.2 billion. Over the same time period, we have nearly doubled our quarterly dividend, distributing a total of \$5.2 billion in dividends to our shareholders.

We are committed to enhancing a culture of compliance and integrity that adheres to legal and statutory requirements and the highest ethical principles. Our vision is based on four key pillars:

- Health, environment, safety, security and sustainability
- Guests
- Employees
- Shareholders and other stakeholders

Health, Environment, Safety, Security and Sustainability

Our commitments to the safety and comfort of our guests and crew and protecting the environment are paramount to the success of our business. We are committed to operating a safe and reliable fleet and protecting the health, safety and security of our guests, employees and all others working on our behalf. We continue to focus on further enhancing the safety measures onboard all of our ships. We are dedicated to fully complying with, or exceeding, all legal and statutory requirements related to health, environment, safety, security and sustainability throughout our business.

We are committing resources across the entire corporation to further improve how we operate to protect and preserve our oceans and are implementing fleet-wide changes and enhancements to our environmental processes and procedures. We continue to increase the scope and frequency of our training and invest millions of dollars to upgrade our equipment to new ship standards with the aim of complying with all environmental regulations and minimizing our environmental impact.

Guests

Our goal is to consistently exceed our guests' expectations while providing them with a wide variety of exceptional vacation experiences. We believe that we can achieve this goal by continually focusing our efforts on helping our guests choose the cruise brand that will best meet their unique needs and desires, improving their overall vacation experiences and building state-of-the-art ships with innovative onboard offerings and providing unequalled service to our guests. We enhance our guest experience by offering high quality destinations around the world, including a portfolio of private destinations that are uniquely tailored to our guests' preferences.

Employees

Our goal is to foster a positive and just culture supporting recruiting, developing and retaining the finest employees. A team of highly motivated and engaged employees is key to delivering vacation experiences that exceed our guests' expectations. Understanding the critical skills that are needed for outstanding performance is crucial in order to hire and train our officers, crew and shoreside personnel. We believe in building trust based relationships and listening to and acting upon our employees' perspectives and ideas and use employee feedback tools to monitor and improve our progress in this area. We are a diverse organization and value and support our talented and diverse employee base. We are committed to employing people from around the world and hiring them based on the quality of their experience, skills, education and character, without regard for their identification with any group or classification of people.

Shareholders and Other Stakeholders

We value the relationships we have with our shareholders and other stakeholders, including travel agents, trade associations, communities, regulatory bodies, media, creditors, insurers, shipbuilders, governments and suppliers. We believe that engaging stakeholders in a mutually beneficial manner is critical to our long-term success. As part of this effort, we believe we must continue to be an outstanding corporate citizen in the communities in which we operate. Our brands work to meet or exceed their economic, environmental, ethical and legal responsibilities.

Strong relationships with our travel agent partners are especially vital to our success. We continue to strengthen our relationship with the travel agent community by increasing our communication and outreach, implementing changes based on their feedback and improving our educational programs to assist agents in stimulating cruise demand.

B. Global Cruise Industry

I. Overview

Cruising offers a broad range of products and services to suit vacationing guests of many ages, backgrounds and interests. Cruise brands can be broadly classified as offering contemporary, premium and luxury cruise experiences. The contemporary experience typically includes cruises that last seven days or less and have a more casual ambiance. The premium experience typically includes cruises that last from seven to 14 days and appeal to those who are more affluent. Premium cruises emphasize quality, comfort, style and more destination-focused itineraries. The luxury experience is usually characterized by very high standards of accommodation and service, smaller vessel size and exotic itineraries to ports that are inaccessible by larger ships. We have product and service offerings in each of these three broad classifications.

II. Favorable Characteristics of the Global Cruise Industry

a. High Guest Satisfaction Rates

Cruise guests tend to rate their overall satisfaction with a cruise vacation higher than comparable land-based hotel and resort vacations. According to industry surveys, the cruise experience consistently exceeds expectations of repeat and first-time cruisers. Cruising continues to receive high guest satisfaction rates because of the unique vacation experiences it offers, including visiting multiple destinations without having to pack and unpack, all-inclusive product offerings and state-of-the-art cruise ships with entertainment, relaxation and fun, all at an outstanding value.

b. Positive Demand Trends

We believe the cruise industry is well positioned to meet travelers' desires and has the ability to tailor experiences for each guest based on their unique wants and needs, which should foster growth for the cruise industry. Today's travelers are looking for immersive, meaningful and memorable travel experiences. Each brand in our portfolio meets the needs of a unique set of consumer psychographics and vacation needs which allows us to penetrate large addressable customer segments.

From a demographic perspective, two age groups, the Baby Boomers and the Millennial generations, have in recent years experienced trends that positively affect demand for cruising. Cruising benefits from the aging of the Baby Boomer and Millennial generations. In North America alone, the number of Baby Boomers at retirement age increases from 48 million in 2015 to 56 million in 2020 and 73 million by 2030. The Baby Boomer generation likes to pursue an active lifestyle and has the desire and the means to travel and enjoys multi-generational cruising. The Millennial generation has surpassed the size of the Baby Boomer generation and represents the fastest growing demographic segment of the vacation industry. This group expresses a strong desire to travel and share new experiences, a mindset that should continue to foster growth for the industry.

These changes in consumer behavior and demographics, along with growing populations, increasing wealth in developing countries and increased spending by consumers on experience versus products, will continue to drive demand for travel and the global cruise industry. These groups of consumers are becoming eager to experience the world through travel, which provides significant growth opportunity for the cruise industry within and beyond the established markets.

c. Wide Appeal

Cruising appeals to a broad range of ages and income levels. Cruising provides something for every generation, from kids' clubs to an array of onboard entertainment designed to appeal to teens and adults. Cruising also offers transportation to a variety of destinations and a diverse range of ship types and sizes, as well as price points, to attract guests with varying tastes and income levels. To encourage first-time and repeat cruisers and better compete with other vacation alternatives the cruise industry has continued to focus on its marketing efforts, enhanced training of travel agents, collaborated with well-known brands and offers the following:

- Expanded entertainment options, shipboard activities and land-based excursions
- Flexible dining options including open-seating dining
- Branded specialty restaurants, bars and cafés
- Enhanced internet and communication capabilities
- Beverage package options
- Money-back guarantees

d. Large Addressable Markets

The global cruise industry is a relatively small part of the wider global vacation industry, which includes a large variety of land-based vacation alternatives. Therefore, we believe there are large, addressable markets with low penetration rates. The penetration rates below were computed based on the 2018 global cruise guests carried from G.P. Wild (International Limited) ("G.P. Wild"), an independent cruise research company, as a percentage of total population:

- 5.2% for Australia and New Zealand
- 3.9% for the United States ("U.S.") and Canada
- 3.0% for the United Kingdom ("UK")
- 2.1% for Germany and Italy

We also believe Asia is a large addressable market, where economic growth has raised discretionary income levels, fueling an increasing demand for travel.

e. Exceptional Value Proposition

We believe the cost of a cruise vacation represents exceptional value in comparison to alternative land-based vacations. Cruising delivers unique benefits, such as transportation to various destinations while also providing accommodations, a diversity of food choices and a selection of daily entertainment options for one all-inclusive, competitive price. To make cruising even more cost effective and more easily accessible to vacationers, the cruise industry typically offers a number of drive-to home ports, which enables many cruise guests to reduce their overall vacation costs by eliminating or reducing air and other transportation costs.

f. Ship Mobility

The mobility of cruise ships enables cruise companies to move their vessels between regions in order to maximize profitability and to meet changing demand. For example, brands can change itineraries over time in order to cater to our guests' tastes or as general economic or geopolitical conditions warrant. In addition, cruise companies have the flexibility to reposition capacity to areas with growing demand. We believe that this unique ability to move ships provides the cruise industry with a competitive advantage compared to land-based vacation alternatives.

III. Passenger Capacity and Cruise Guests Carried by Ocean Going Vessels

(in thousands)

Year	Average Passenger Capacity (a)		Cruise Guests Carried	
	Global Cruise Industry (b)	Carnival Corporation & plc	Global Cruise Industry (c)	Carnival Corporation & plc
2017	490	230	26,700	12,100
2018	520	230	28,500	12,400
2019	550	240	30,100	12,900

(a) In accordance with cruise industry practice, passenger capacity is calculated based on the assumption of two passengers per cabin even though some cabins can accommodate three or more passengers.

- (b) Amounts were based on internal estimates using public industry data.
- (c) The global cruise guests carried for 2017 and 2018 were obtained from G.P. Wild, an independent cruise research company. The estimates for global cruise guests carried for 2019 are internally developed.

The global cruise industry and our compound annual passenger capacity growth rates are estimated to be 6.8% and 5.0%, respectively, from 2019 to 2023. Our estimates of future passenger capacity only include assumptions related to announced ship withdrawals and, accordingly, our estimates likely indicate a higher growth rate than will actually occur.

C. Our Global Cruise Business

I. Segment Information

	November 30, 2019		
	Passenger Capacity	Percentage of Total Capacity	Number of Cruise Ships
North America and Australia (“NAA”) Segment			
Carnival Cruise Line	74,660	30%	27
Princess Cruises	48,900	20	18
Holland America Line	25,640	10	14
P&O Cruises (Australia)	4,850	2	3
Seabourn	2,570	1	5
	<u>156,620</u>	<u>63</u>	<u>67</u>
Europe and Asia (“EA”) Segment			
Costa Cruises (“Costa”)	37,580	15	14
AIDA Cruises (“AIDA”)	31,940	13	14
P&O Cruises (UK)	15,820	6	6
Cunard	6,830	3	3
	<u>92,170</u>	<u>37</u>	<u>37</u>
	<u><u>248,790</u></u>	<u><u>100%</u></u>	<u><u>104</u></u>

We also have a Cruise Support segment that includes our portfolio of leading port destinations and other services, all of which are operated for the benefit of our cruise brands.

In addition to our cruise operations, we own Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon, which complements our Alaska cruise operations. Our tour company owns and operates hotels, lodges, glass-domed railcars and motorcoaches. This tour company and cruise ships, which we charter-out under long-term leases, comprise our Tour and Other segment.

II. Ships Under Contract for Construction

As of November 30, 2019, we have a total of 17 cruise ships scheduled to be delivered through 2025. Our ship construction contracts are with Fincantieri and MARIOTTI in Italy, Meyer Werft in Germany and Meyer Turku in Finland.

	<u>Scheduled Delivery Date</u>	<u>Passenger Capacity Lower Berth</u>
Carnival Cruise Line		
<i>Mardi Gras</i>	October 2020	5,280
Newbuild	October 2022	5,280
Princess Cruises		
<i>Enchanted Princess</i>	June 2020	3,660
<i>Discovery Princess</i>	October 2021	3,660
Newbuild	November 2023	4,280
Newbuild	May 2025	4,280
Holland America Line		
<i>Ryndam</i>	May 2021	2,650
Seabourn		
<i>Seabourn Venture</i>	June 2021	260
Newbuild	May 2022	260
Costa		
<i>Costa Smeralda</i>	December 2019	5,220
<i>Costa Firenze</i>	September 2020	4,240
<i>Costa Toscana</i>	May 2021	5,330
AIDA		
<i>AIDAcosma</i>	May 2021	5,440
Newbuild	May 2023	5,440
P&O Cruises (UK)		
<i>Iona</i>	May 2020	5,200
Newbuild	May 2022	5,280
Cunard		
Newbuild	April 2022	3,000

III. Cruise Brands



Carnival Cruise Line is “The World’s Most Popular Cruise Line®” and provides multi-generational family entertainment at exceptional value to its guests. It is a place where guests can be their most playful selves and choose their fun. Carnival Cruise Line ships are designed to inspire the experience of bringing people together, with limitless opportunities for guests to create their own fun. Carnival Cruise Line ships sail from 18 convenient U.S. home ports, more than any other cruise line. Its cruise ships are within a 5-hour drive for more than half of all Americans and provide opportunities to experience various destinations and itineraries. Carnival Cruise Line annually carries more than 5 million guests, including 900,000 children.

Carnival Panorama will enter service in December 2019 and will be the first new ship Carnival Cruise Line will home port on the west coast of the United States in 20 years when it arrives in Long Beach, California. *Mardi Gras* will enter service in October 2020 and will be followed by a sister ship in 2022. *Mardi Gras* features enhancements including Bolt, the first ever rollercoaster at sea, as well as new rooms which reflect innovative ergonomically-friendly designs. The ship will also be home to Emeril’s Bistro 1396; the first ever seagoing restaurant associated with New Orleans’ most acclaimed and respected chef, Emeril Lagasse. *Mardi Gras* will feature Carnival Corporation’s exclusive green cruising design which will be powered by Liquefied Natural Gas (“LNG”) and will be the first LNG-powered cruise ship in North America.

Carnival Cruise Line continues to enhance its existing fleet by adding a variety of exciting new features, including branded accommodations, dining and entertainment options. The Hub App is popular with guests and facilitates onboard revenue purchases, like shore excursions, pizza and beverage delivery and specialty dining, as well as communications to enable guests to maximize their fun. Carnival Cruise Line also invested in facial recognition technology to expedite embarkation and debarkation processes to improve the guest experience. Lastly, Carnival Cruise Line has a strong and growing roster of partnerships, including: Shaquille O’Neil as the Chief Fun Officer, lending his fun, larger-than-life personality and playful spirit to inspire America to Choose Fun; and with celebrity chef Guy Fieri offering onboard dining experiences such as Guy’s Burger Joint and Guy’s Pig & Anchor Bar-B-Que.

Carnival Cruise Line operates two to 24-day voyages and offers year-round sailings from the United States to the Caribbean and the Mexican Riviera and from Australia to the South Pacific and New Zealand, as well as seasonal sailings to Alaska, Hawaii, Canada, Bermuda and Europe.



As a leading premium cruise line, each moment on Princess Cruises is one of wonderful discovery where guests can relax and explore. The choices are endless - from invigorating activities to more relaxing pursuits—and enable guests to share special moments with family and friends while enjoying unique travel experiences that create inspiring memories.

Princess Cruises’ *Sky Princess* debuted in October 2019. The 3,660-passenger capacity ship features expansive Sky Suites, new al fresco dining options and enhanced entertainment. The ship is the first newbuild to enter service offering MedallionClass vacations powered by the OceanMedallion™ wearable device. *Enchanted Princess*, a sister ship of *Sky Princess*, will debut in June 2020 followed by *Discovery Princess* in 2021. Additionally, Princess Cruises has two 4,280-passenger capacity ships slated to be delivered in 2023 and 2025, which will be the first Princess Cruises’ ships to be powered by LNG.

Princess Cruises features an array of offerings for guests. Designed for fresh cuisine is featured across the spectrum of dining options, including SHARE, a fine-dining experience by Australian award-winning chef and

television personality Curtis Stone, as well as Bistro Sur La Mer by French chef Emmanuel Renaut and other specialty dining restaurants from multiple Michelin star chefs. Modernization of additional dining options is underway with the expansion of World Fresh Marketplace as well as the Eat Street outdoor venues. Interactive onboard activities and shore excursions designed in collaboration with Discovery, Animal Planet, and local experts in key regional destinations provide guests with authentic and exclusive experiences onboard and ashore. Camp Discovery youth and teen centers offer the line's youngest guests the opportunity to connect, play and learn; and the Reef splash zone now available on *Caribbean Princess* invites families and kids to experience a multi-functional area to engage and reconnect. Original production shows created exclusively for Princess Cruises by Grammy® and Academy® award-winning composer, Stephen Schwartz, as well as new experiences, including Five Skies, Rock Opera, Jim Henson's Inspired Silliness and the immersive Take Five jazz lounge are all designed to engage and entertain audiences. With guests' overall wellness in mind, Princess Cruises collaborated with leading experts in both the science and beauty of sleep to develop the award-winning Princess Luxury Bed, a multi-year project which culminated in 2019. Princess Cruises' OceanMedallion™ platform delivers a personalized vacation experience which elevates service through enhanced guest experiences before and during the cruise vacation. MedallionClass vacations are currently onboard five Princess Cruises ships with six additional ships to be added in 2020. In addition, MedallionNet™ offers fast and reliable Wi-Fi connectivity and is rapidly being deployed across the fleet.

Princess Cruises offers guests the opportunity to cover the globe with sailings to all seven continents that call at more than 380 destinations including Princess Cays, an exclusive island destination in The Bahamas, offering recently enhanced MedallionNet connectivity, excursions, retail, bar and marina areas. Princess Cruises offers award-winning itineraries ranging in length from three to 111 days, including world cruises. Princess Cruises sails to nearly every corner of the world, including Alaska, Asia, Australia, the Caribbean, Europe, Mexico, the Panama Canal, South America and more.



For more than 145 years, Holland America Line has delivered a distinctively classic, European style of cruising throughout its fleet of mid-sized premium ships. Guests of all ages enjoy immersive travel through engaging experiences onboard and in-depth cultural experiences as part of their exploration of fascinating destinations around the world. Holland America Line believes travel has the power to change the world and has defined their higher purpose to help make the world a better place through opening minds, building connections and inspiring shared humanity.

Nieuw Statendam was launched in December 2018, with a sister ship, *Ryndam*, scheduled for delivery in 2021. *Nieuw Statendam*, a 2,670-passenger capacity ship, features all of the hallmarks of its class including grand, light-filled spaces as well as visual drama and sumptuous interiors inspired by the fluid curves of musical instruments. *Nieuw Statendam* showcases a spectacular two-story World stage theater featuring a 270-degree high definition screen and also features innovative specialty restaurants from Rudi's Sel de Mer to the Grand Dutch Café. Guests can enjoy authentic music experiences at sea with some of the world's most well-regarded entertainment brands creating exclusive programming for Lincoln Center Stage, B.B. King's Blues Club, Billboard Onboard and the Rolling Stone Rock Room. Holland America Line's partnership with O, The Oprah Magazine, has added inspirational programming and themed cruises. Oprah Winfrey also served as godmother to *Nieuw Statendam*.

Holland America Line has enhanced its onboard products, including locally cultivated items in culinary programs and retail designed to elevate the guests' experience of the region they are cruising. Explorations Central™ is the immersive onboard programming designed to make guests' destination experience even more engaging and meaningful. Holland America Line's revamped retail experience features custom personalized jewelry, a new Fujifilm photo digital creative studio space and an expanded logo-wear collection.

Holland America Line offers cruises to more than 425 ports, including Half Moon Cay, a private island destination in The Bahamas, providing guests with unparalleled natural beauty of a protected preserve, miles of

pristine, white-sand beach, where guests can explore and play all day or simply luxuriate in tranquil solitude. From shorter getaways to 128-day itineraries, Holland America Line cruises visit all seven continents. Holland America Line offers popular sailings to Alaska, the Caribbean, Mexico, Canada & New England, Europe and the Panama Canal as well as more exotic sailings including Antarctica explorations, South America circumnavigations, Australia & New Zealand and Asia voyages, and annual Grand Voyages.



P&O Cruises (Australia) invites guests to embark on a journey to a place that's unlike any other. Each day onboard a P&O Cruises (Australia) cruise packs a new adventure with something for the young and young at heart. Kick off the shoes for a game of barefoot bowls or get the heart racing on the adrenaline-fueled zip line on top deck. When the sun goes down the fun continues across a wide range of entertainment venues featuring live music, top local comedy acts and original stage shows, along with bustling bars and themed parties onboard every cruise. With P&O Cruises (Australia) you can choose to do everything, or nothing at all.

P&O Cruises (Australia)'s *Pacific Adventure* will enter service in October 2020. The 2,640-passenger capacity ship will offer something for everyone, including an expanded range of cabin options such as 5-passenger family cabins, a private onboard beach club and an adults only Oasis pool area spread across multiple decks. *Pacific Adventure* will sail year-round from Sydney to the South Pacific and offer a diverse mix of shorter duration cruises from three to four days and cruises of 13 days and longer. The longer duration itineraries will feature an enrichment program with talks and seminars from notable Australian guest presenters and a gala Masquerade Ball. *Pacific Adventure* will also offer a selection of Main Event cruises taking guests to iconic festivals and events such as the Melbourne Cup horse race.

Proud to be a local favorite, the fleet includes dining options from award-winning, Australian chefs including Luke Mangan and Johnny Di Francesco. P&O Cruises (Australia) continues to innovate and enhance their onboard product offering. *Pacific Explorer* continues to host its annual comedy festival at sea, The Big Laugh. P&O Cruises (Australia) will introduce a Melbourne Comedy festival cruise in 2020 along with a range of previously introduced themed 1980's and Country Music festival cruises on select sailings.

P&O Cruises (Australia) offers cruises generally ranging from three to 18 days to destinations around Australia, New Zealand, Asia and the South Pacific.



Seabourn represents the pinnacle of small-ship, ultra-luxury style of travel. Cruising on a Seabourn ship is unlike any other form of travel. The experience is luxurious and elegant, while also relaxed and casual. Guests who sail with Seabourn enjoy impeccable personalized service, immersive destinations and rare exclusive experiences unmatched by any other ship or destination. Seabourn offers the youngest ultra-luxury fleet of intimate all-suite ships.

Seabourn Venture, a new ultra-luxury expedition ship, is scheduled to launch in 2021 with a sister ship slated to launch in 2022. The new ships will feature a brand new innovative design created specifically for the ultra-luxury expedition traveler. A new and exciting offering will be two custom-built submarines carried onboard, providing an unforgettable up-close encounter of the world beneath the ocean's surface. The ships will also be designed to carry a complement of kayaks and Zodiacs, which will allow for a truly immersive experience. Onboard crew will include expedition teams comprised of experienced wilderness experts, scientists and historians who will provide insights into the history, ecology and culture of the destinations visited.

To enhance the guest experience, Seabourn has entered into several select partnerships to offer a number of innovative programs. These programs include An Evening with Tim Rice, an entertainment experience created

exclusively for the line; and Unique Spa and Wellness Centers offering holistic health and well-being programs in partnership with Dr. Weil, a visionary pioneer in integrative medicine. Exclusive to Seabourn, The Grill by Thomas Keller, reminiscent of the classic American restaurant from the 50's and 60's, is a unique culinary concept focusing on updated versions of iconic dishes. Ventures by Seabourn is an exploration program providing travelers with exciting, adventurous optional activities that are expertly planned, professionally operated and escorted by skilled expert guides. Ventures by Seabourn enables guests to experience nature up close in a way that is unique and exciting. Seabourn's first world cruise in six years will depart from Miami in January 2020 and will delight travelers by making 62 ports of call while also offering a range of musical productions, deck parties and onboard enrichment programming designed to excite every passion and satisfy every taste.

Seabourn ships sail to all seven continents and take guests to places beyond the reach of larger ships. Seabourn itineraries range from seven days to over 100 days. The World of Seabourn includes destinations such as Alaska; Antarctica & Patagonia; Arabia, Africa & India; Asia; Australia & South Pacific; Canada & New England; the Caribbean; the Mediterranean; Northern Europe; Pacific Coastal; Panama Canal and South America.



Costa delivers Italy's finest at sea primarily serving guests from Continental Europe and Asia. Costa brings a modern Italian lifestyle to its ships and provides guests with a true European experience that embodies a uniquely Italian passion for life through warm hospitality, entertainment and gastronomy that makes Costa different from any other cruise experience.

Costa Smeralda is scheduled to enter the fleet in December 2019 and her sister ship, *Costa Toscana*, is slated for delivery in 2021. Both ships will be fueled by LNG. *Costa Smeralda* will feature the triple-deck Colosseo, located in the heart of the ship, showcasing a new story daily on the bright screens and on the dome from dawn to sunset. An onboard museum, Costa Design Museum, will be curated by Matteo Vercelloni and will be dedicated to the excellence of Italian design and feature many of the names that have contributed to the ship's construction and success.

Costa Venezia joined the fleet in February 2019 and is the first Costa ship built for the Chinese market. *Costa Venezia* brings to life the passions of Venetian and Italian culture through such spectacles as the Carnival of Venice and the city's famed gondolas. Guests will also experience the delights of fine Italian dining, luxury Italian shopping and world-class Italian entertainment while enjoying home comforts such as a range of Chinese cuisines and Chinese-style karaoke bars. The main show, Venice in Love, was specifically developed for Chinese guests with some elements in Mandarin, featuring a love story in the old resplendent age of Venice. A sister ship, *Costa Firenze*, also designed for the Chinese market, will be delivered in September 2020.

Costa's guests can experience a variety of activities making vacations onboard its ships even more exclusive and unforgettable, including dining options created by Michelin-starred chef Bruno Barbieri in Europe and three Michelin-starred chef Umberto Bombana in Asia, as well as enriched entertainment, including The Voice of the Sea and Peppa Pig-branded kids games and educational activities. Enhancing the authentic Italian experience for the Chinese market, Costa partnered with Juventus Football Club onboard all ships deployed in China, offering in-depth interactions for fans and activities for guests of all ages. Partnerships have also been developed with Tencent (WeChat) and Alibaba providing local payment methods and other digital onboard functionalities to Chinese guests. Furthermore, Costa leveraged its partnership with Bulgari for the first-of-its-kind at sea, the Bulgari Jewelry Fashion Show, an evening of elegance and glamor highlighting the Italian jeweler's craftsmanship.

Costa sails worldwide with cruises generally ranging from four to 20 days and also offers longer exotic sailings up to 30 days as well as world tours. Costa offers a wide range of sailings in the Mediterranean, Northern Europe, the Caribbean, Dubai and United Arab Emirates, the Indian Ocean, South America, the Transatlantic, China, Japan and South East Asia.

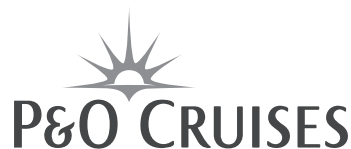


AIDA is the leading and most recognized brand in the German cruise market. Its guests enjoy the German inspired active, premium modern lifestyle cruise experience. AIDA provides a cruising wellness holiday in modern comfort where guests feel at home and enjoy consistently excellent service accompanied by the AIDA smile.

AIDAnova entered the fleet in December 2018 and her sister ship, *AIDAcosma*, will join the fleet in 2021, followed by another sister ship in 2023. These ships unite an innovative design with state-of-the-art technology for environmentally friendly travel and even greater comfort onboard. Highlights onboard include new culinary and entertainment offerings such as the Time Machine Restaurant, a street food mile with culinary treats and a floating TV studio. Guests can also enjoy the popular 360-degree Theatrium, the Four Elements adventure deck, complete with three water slides and a climbing garden under the dome of a retractable glass roof and the Beach Club for relaxing onboard.

Guests onboard the entire AIDA fleet experienced the German Karneval on the high seas as part of the AIDA Karneval Special 2019. The AIDA Selection, a program where guests can experience exploratory cruises to new regions and exclusive destinations, will welcome *AIDAmira* in December 2019 with a new itinerary to South Africa and Namibia in the winter season followed by itineraries in the Mediterranean. To enhance the digital experience and guest satisfaction, AIDA provides mobile apps to attend to the guests before, during and after the cruise. The apps include a microblogging service, inspired with user generated content and provide onboard program and restaurant information as well as a chat feature for onboard messaging.

AIDA visits over 230 ports with cruises generally ranging from three to 21 days and also offers a world cruise departing from Hamburg. AIDA sails to many exciting destinations, including North America, Northern Europe, Western Europe, Southeast Asia, the Canary Islands, the Mediterranean, the Caribbean, Baltic Sea, the Indian Ocean, the Azores & Cape Verde and Dubai.



P&O Cruises (UK) is Britain's favorite cruise line, welcoming guests to experience the good life and enjoy a blend of discovery, relaxation and exceptional service catered towards British tastes. P&O Cruises (UK)'s fleet of premium ships combines genuine service, a sense of occasion and attention to detail, ensuring guests have extraordinary travel experiences and the holiday of a lifetime, every time.

In May 2020, P&O Cruises (UK) will launch *Iona*, a new LNG-powered, 5,200-passenger capacity ship, which will be the largest and most contemporary ship built to serve the UK market. *Iona* will feature enhancements to already successful brand signature venues from the existing fleet, as well as features newly developed for *Iona*. These include a breathtaking three deck atrium in the heart of the ship as well as SkyDome, an exclusively designed glass dome by award-winning British engineer Eckersley O'Callaghan. This will be a world's first at sea and offer a unique space for both relaxing in any weather and providing entertainment, featuring aerial shows and contemporary performers. P&O Cruises (UK) will introduce a sister ship in 2022.

P&O Cruises (UK) continues to enhance its entertainment line-up. Astonishing, the revolutionary guest-interactive magic and illusion show, has been launched across the fleet. This show combines the production talents of BAFTA-winning presenter Stephen Mulhern and singer Jonathan Wilkes with the mind-blowing trickery of master illusionist Guy Barrett. P&O Cruises (UK) also continues to partner with some of the UK's most popular and recognized performers and globally renowned chefs.

P&O Cruises (UK) visits over 200 destinations worldwide and offers itineraries generally ranging from two to 17 days and also an annual world cruise. P&O Cruises (UK) sails to Australia & New Zealand, Baltic, the British Isles, Canada, Spain, Portugal & the Canary Islands, the Caribbean, Central America, Dubai & the Arabian Gulf, the Far East & Asia, the Indian Ocean, the Mediterranean, Scandinavia, South America, the South Pacific, the United States and Western Europe.



Over its 179 year history, the iconic Cunard fleet has perfected the timeless art of luxury ocean travel. While onboard, Cunard guests experience unique signature moments, from Cunard’s white gloved afternoon tea service to spectacular gala evening balls to its renowned Insights Speaker program. Guest expectations are exceeded through Cunard’s exemplary White Star Service®, a legacy from the White Star Line. From the moment a guest steps onboard, every detail of their cruise is curated to ensure an enjoyable, memorable and luxurious experience. Cunard’s flagship, *Queen Mary 2*, is unique in being today’s only true ocean liner, regularly carrying guests on the most iconic of voyages, the Transatlantic Crossing between New York and the United Kingdom.

A new 3,000-passenger capacity ship is to join *Queen Mary 2*, *Queen Victoria* and *Queen Elizabeth* as the fourth member of the fleet in 2022. This will be the first new Cunard ship in 12 years, making it the first time since 2000 that Cunard will have four ships in simultaneous service. Sharing the iconic livery and red funnel, guests will experience today’s distinct Cunard signatures as well as new brand experiences currently in design.

Cunard continues to expand its event voyage program, many with world renowned partners, including:

- Dance the Atlantic voyage with the English National Ballet
- Literature Festival at Sea in association with the Cheltenham Literature Festival, The Times and the Sunday Times
- London Theatre at Sea with the Olivier Awards
- Top Hat, the multi-award winning musical set in 1930’s Hollywood

Cunard has enhanced its onboard products to include:

- Mareel Wellness & Beauty, a new spa concept developed in partnership with wellness innovator, Canyon Ranch, to be rolled out across its fleet
- Steakhouse at the Verandah, a new dining concept offering the finest cuts of beef and seafood paired with craft cocktails

Cunard enhanced the guest experience through carefully curated deployments with a return to Alaskan waters and expanded programs in Australia and Japan. These enhancements include unique speaker programs such as the Alaskan Culture Heritage Guides and local partnerships with the Australian Dance Theatre.

A Cunard cruise is the ultimate luxury way to travel, with cruises generally ranging from seven to 14 days as well as a series of longer voyages, including Round the World Voyages. Cunard sails to destinations in Africa, Australia & South Pacific, Canada, the Caribbean, the Atlantic Islands, the British Isles, the Canary Islands, Central America, the Far East, the Mediterranean, Northern Europe, South America, the Indian Ocean, the Middle East, Scandinavia & Iceland and the United States, including Alaska.

IV. Principal Source Geographic Areas

<i>(in thousands)</i>	Carnival Corporation & plc Cruise Guests Carried			Brands Mainly Serving
	2019	2018	2017	
United States and Canada . . .	7,170	6,790	6,440	Carnival Cruise Line, Princess Cruises, Holland America Line, Seabourn and Cunard
Continental Europe	2,590	2,340	2,290	
Asia	1,110	1,140	1,240	Costa and AIDA
Australia and New Zealand . . .	920	1,020	1,060	Princess Cruises and Costa
United Kingdom	780	810	800	Carnival Cruise Line, Princess Cruises and P&O Cruises (Australia)
Other	300	310	270	P&O Cruises (UK) and Cunard
Total	12,870	12,410	12,100	

V. Cruise Programs

	Carnival Corporation & plc Percentage of Passenger Capacity by Itinerary		
	2020	2019	2018
Caribbean	30%	32%	33%
Europe without Mediterranean	14	14	14
Mediterranean	13	13	13
Australia and New Zealand	7	7	8
Alaska	6	6	6
China	5	4	5
Other	26	25	23
	100%	100%	100%

VI. Cruise Pricing and Payment Terms

Each of our cruise brands publishes prices for the upcoming seasons primarily through the internet, although published materials such as brochures and direct mailings are also used. Our brands have multiple pricing levels that vary by source market, category of guest accommodation, ship, season, duration and itinerary. Cruise prices frequently change in a dynamic pricing environment and are impacted by a number of factors, including the number of available cabins for sale in the marketplace and the level of guest demand. Some cruise prices are increased due to higher demand. We offer a variety of special promotions, including early booking, past guest recognition and travel agent programs. We continue to identify and implement new strategies and tactics to strengthen our cruise ticket revenue management processes and systems across our portfolio of brands, such as optimizing our pricing methodologies and improving our pricing models. We have increased our focus on growing onboard revenues and have invested in new marketing capabilities to further engage our guests by bringing to life the cruise experience.

Our bookings are generally taken several months in advance of the cruise departure date. Typically, the longer the cruise itinerary the further in advance the bookings are made. This lead time allows us to manage our prices in relation to demand for available cabins through the use of advanced revenue management capabilities and other initiatives, with the typical strategy of marketing our ships to fill them while achieving the highest possible overall net revenue yields.

The cruise ticket price typically includes the following:

- Accommodations
- Most meals, including snacks at numerous venues
- Access to amenities such as swimming pools, water slides, water parks, whirlpools, a health club, and sun decks
- Child care and supervised youth programs
- Entertainment, such as theatrical and comedy shows, live music and nightclubs
- Visits to multiple destinations

At times, we offer value added packages to induce ticket sales to guests and groups and to encourage advance purchase of certain onboard items. These packages are bundled with cruise tickets and sold to guests for a single price rather than as a separate package and may include one or more of the following:

- Beverage packages
- Shore excursions
- Air packages
- Specialty restaurants
- Internet packages
- Photo packages
- Onboard spending credits
- Gratuities

Our brands' payment terms generally require that a guest pay a deposit to confirm their reservation and then pay the balance due before the departure date. Additionally, a number of our brands have introduced a new payment plan option which allows our guests to set automatic monthly installments. Our guests are subject to a cancellation fee if they cancel their cruise within a pre-defined period before sailing, unless they purchase a vacation protection package for the ability to obtain a refund or a future cruise credit.

As a convenience to our guests, we sell air transportation to and from airports near the home ports of our ships. In 2019, approximately 11% of our guests purchased scheduled or chartered air transportation from us. We also offer ground transfers from and to the airport near the ship's home port as part of our transfer programs.

VII. Seasonality

Our passenger ticket revenues 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 Alaska's cruise season.

VIII. Onboard and Other Revenues

Onboard and other activities are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee. Concession revenues do not have direct expenses because the costs and services incurred for concession revenues are borne by our concessionaires. In 2019, we earned 30% of our revenues from onboard and other revenue goods and services not included in the cruise ticket price including the following:

- Beverage sales
- Casino gaming
- Shore excursions
- Retail sales
- Photo sales
- Internet and communication services
- Full service spas
- Specialty restaurants
- Art sales
- Laundry and dry cleaning services

We enhance our guests' onboard experiences and increase our onboard revenues by offering value added packages and tailoring our onboard offers with our guest preferences. We have also implemented initiatives to strengthen our onboard revenue by improving our onboard retail offerings. We use various marketing and promotional tools and are supported by point-of-sale systems permitting "cashless" transactions for the sale of these onboard and other products and services. As a convenience to our guests, all our brands allow their guests to pre-book, and in most cases, pre-pay certain of their onboard and other revenue-producing activities in advance of the cruise.

We offer a variety of shore excursions at each ship's ports-of-call that include beach experiences, general sightseeing, cultural tours, adventure outings and local boat rides. We typically utilize local operators who provide shore excursions with guides who speak the same languages as most of our shore excursion guests. For our sailings to destinations in Alaska, shore excursions are operated by our wholly-owned company, Holland America Princess Alaska Tours, or provided by local independent operators. We also offer revenue-producing activities on the private islands and port destinations that we operate that include beach bars and restaurants, water sports, cabana rentals, chair lifts and surf rider attractions.

Our casinos are all owned and operated directly by us and are equipped according to the unique requirements of our brands and their guests. We offer a wide variety of slot machines and a diverse mix of traditional and specialty table games, as well as other innovative games all designed to meet the desires of our guests. We have also developed marketing and promotional arrangements with land-based casino companies in order to increase the number of casino players onboard several of our brands. The casinos are generally open when our ships are at sea in international waters.

IX. Marketing Activities

Guest feedback and research support the development of our overall marketing and business strategies to drive demand for cruises and increase the number of first-time cruisers. Our goal is to increase consumer awareness for cruise vacations and further grow our share of their vacation spend. We measure and evaluate key drivers of guest loyalty and their satisfaction with our products and services that provide valuable insights about guests' cruise experiences. We closely monitor our net promoter scores, which reflect the likelihood that our guests will

recommend our brands' cruise products and services to friends and family. We also regularly initiate customer research studies among guests, travel agent partners, tour operators and others for input on business decisions that enhance our cruise products and services for our guests.

We continue to improve the coordination of our marketing strategies across brands, which enables us to drive demand for cruising while generating significant efficiencies in media costs. We continue to perform psychographic segmentation studies that allow us to better understand our guests' needs, wants and expectations. The results of these studies shape how we communicate and market, as well as refine the booking process, overall onboard experience and post-cruise interactions. Our ability to identify psychographic segments is a powerful differentiator, which allows us to guide guests to the right experiences with the appropriate brands and build advocates for life. In addition, we have tools and are implementing data analytic solutions that identify new market growth opportunities to expand our customer base.

We have implemented strategies to generate new demand by targeting new cruisers who typically vacation at land-based destinations. Our multiple brand marketing initiatives continue to drive increased consideration for cruising with print, TV, digital, social and field marketing elements, keeping a strong commitment and continuous investment to improve the digital journey with the goal of inspiring consumers to purchase a cruise vacation with us.

Our brands have comprehensive marketing and advertising programs across diverse mediums to promote their products and services to vacationers and our travel agent partners. Each brand's marketing activities are generally designed to reach a local region in the local language. We continue to expand our marketing efforts to attract new guests online by leveraging the reach and impact of digital marketing and social media. We continue to invest in new marketing technologies to deliver more engaging and personalized communications. This helps us cultivate guests as advocates of our brands, ships, itineraries and onboard products and services. We also have blogs hosted by ship captains, cruise and entertainment directors, executive pursers and special guests.

Substantially all of our cruise brands offer past guest recognition programs that reward repeat guests with special incentives such as reduced fares, gifts, onboard activity discounts, complimentary laundry and internet services, expedited ship embarkation and disembarkation and special onboard activities.

X. Sales Relationships

We primarily sell our cruises through travel agents and tour operators that serve our guests in their local regions. Our individual cruise brands' relationships with their travel agent partners are generally independent of each of our other brands. Our travel agents relationships are generally not exclusive and travel agents generally receive a base commission, plus the potential of additional commissions, including discounts or complimentary tour conductor cabins, based on the achievement of pre-defined sales volumes.

Travel agent partners are an integral part of our long-term cruise distribution network and are critical to our success. We utilize local sales teams to motivate travel agents to support our products and services with competitive sales and pricing policies and joint marketing and advertising programs. During fiscal 2019, no controlled group of travel agencies accounted for 10% or more of our revenues. We also employ a wide variety of educational programs, including websites, seminars and videos, to train agents on our cruise brands and their products and services.

All of our brands have internet booking engines to allow travel agents to book our cruises. We also support travel agent booking capabilities through global distribution systems. All of our cruise brands have their own consumer websites that provide access to information about their products and services to users and enable their guests to quickly and easily book cruises and other products and services online. These sites interface with our brands' social networks, blogs and other social media sites, which allow them to develop greater contact and interaction with their guests before, during and after their cruise. We also employ vacation planners who support our sales initiatives by offering our guests one-on-one cruise planning expertise and other services.

We are a customer service driven company and continue to invest in our service organization to assist travel agents and guests before, during and after their cruise. We believe that our support systems and infrastructure are among the strongest in the vacation industry. Our investment in customer service includes the development of employees, processes and systems. We continually improve our systems within the reservations and customer relationship management functions, emphasizing the continuing support and training of the travel agency community.

XI. Ethics and Compliance

A clear and strong ethics and compliance culture is imperative for the future success of any corporation. In August 2019, we enhanced our compliance framework and significantly increased the resources we devote to our compliance function by creating an ethics and compliance program, as well as an ethics and compliance program strategic plan. Our Chief Ethics and Compliance Officer, a member of the executive leadership team, leads the effort to further develop our ethics and compliance program throughout the entire corporation. This program involves compliance risk management, improved compliance training programs for our employees, thorough investigations and remedial actions relating to health, environmental and safety incidents and efforts to strengthen our corporate culture. More specifically, the ethics and compliance program's strategic plan sets out the following four goals:

- Align and Build Upon Fundamental Principles - Strengthen culture to support ethics and compliance
- Be Proactive and Embrace a Risk-Based Approach - Develop a more strategic mindset
- Assemble the People, Platform and Processes - Organize ethics and compliance leadership, governance and procedures
- Listen and Learn - Promote open communications: speaking-up, listening, learning and responding

By taking these measures, we heightened our commitment to operate with integrity, which includes not only complying with applicable laws, but also treating our guests, employees and stakeholders with honesty, transparency and respect. To further heighten the focus on ethics and compliance, the Boards of Directors established the Compliance Committees, which will oversee the ethics and compliance program, maintain regular communications with the Chief Ethics and Compliance Officer and ensure implementation of the ethics and compliance program's strategic plan.

XII. Sustainability

Our reputation and success depend on having sustainable and transparent operations. Our commitment and actions to keep our guests and crew members safe and comfortable, protect the environment, develop and provide opportunities for our workforce, strengthen stakeholder relations and enhance both the communities where we work as well as the port communities that our ships visit are vital to our success as a business enterprise and reflective of our brands' core values. We strive to be a company that people want to work for and to be an exemplary global corporate citizen.

We voluntarily publish Sustainability Reports that address governance, stakeholder engagement, environmental, labor, human rights, society, product responsibility, economic and other sustainability-related issues and performance indicators. These reports, which are not incorporated in this document but can be viewed at www.carnivalcorp.com, www.carnivalplc.com and www.carnivalsustainability.com, were developed in accordance with the Sustainability Reporting Guidelines established by the Global Reporting Initiative, the global standard for reporting on environmental, social and governance policies, practices and performance. We have been publishing Sustainability Reports since 2011.

In order to support our environmental strategy, our environmental management system is certified in accordance with ISO 14001. In 2015, we developed a set of 2020 sustainability goals reinforcing our commitment to the environment, our guests, our employees and the communities in which we operate. Our ten goals listed below are aimed at reducing our environmental footprint while enhancing the health, safety and security of our guests and crew members and ensuring sustainable business practices across our brands and business partners:

Environmental Goals

- Reduce the intensity of CO₂e (equivalent carbon dioxide) emissions from our operations by 25% by 2020 relative to our 2005 baseline, measured in grams of CO₂e per ALB-km
- Continue to improve the quality of our emissions into the air by developing, deploying and operating Advanced Air Quality Systems across our fleet
- Increase usage of ship-to-shore power connection capabilities
- Increase Advanced Waste Water Purification System coverage of our fleetwide capacity by 10 percentage points by 2020 relative to our 2014 baseline
- Continue to improve our shipboard operations' water use efficiency by 5% by 2020 relative to our 2010 baseline

- Continue to reduce waste generated by our shipboard operations by 5% by 2020 relative to our 2016 baseline

Health, Safety and Security Goals

- Continue to build on our commitment to protect the health, safety and security of guests, employees and all others working on our behalf

Sustainable Workforce and Community Goals

- Continue to build a diverse and inclusive workforce and provide all employees with a positive work environment and opportunities to build a rewarding career to further drive employee engagement
- Develop and implement vendor assurance procedures ensuring compliance with Carnival Corporation & plc's Business Partner Code of Conduct and Ethics
- Work on initiatives and partnerships that support and sponsor a broad range of organizations for the benefit of the communities where we operate

In addition to our 2020 goals, we are developing our sustainability goals for 2030, which will include reducing the intensity of CO₂e (equivalent carbon dioxide) emissions from our operations by 40% relative to our 2008 baseline.

Reflecting on our commitment to sustainability and to play a leading role in matters of environmental protection in the cruise industry, we are expanding our investment in the use of low carbon fuels, in particular, LNG. *AIDAnova*, the first cruise ship in the industry to be powered at sea by LNG, entered the fleet in December 2018. We have an additional 10 next-generation LNG cruise ships on order, including *Costa Smeralda*, *Iona* and *Mardi Gras*, entering the fleet in December 2019, May 2020 and October 2020. Pioneering a new era in the use of low carbon fuels, these new ships will have the ability to use LNG to generate 100 percent of their power both in port and on the open sea - an innovation that will reduce emissions to help protect the environment. As a pilot, *AIDAprila* will be fitted with the first lithium-ion battery storage system ever deployed on a cruise ship, an environmentally friendly technology capable of powering the ship's propulsion and operation for limited periods of time.

XIII. Employees

Our shipboard and shoreside employees are sourced from over 100 countries. Excluding employees on leave, we have an average of 92,000 employees onboard the 104 ships we operate, which includes crew members and officers. Our shoreside operations have an average of 12,000 full-time and 2,000 part-time/seasonal employees, including seasonal employees of Holland America Princess Alaska Tours which significantly increases its work force during the late spring and summer months in connection with the Alaskan cruise season. Of our total employees, 25,000 are female and 81,000 are male. As of November 30, 2019, four of the 12 members of our Boards of Directors are female. Our five executive officers are male and two of the eight members of our Leadership Team are female. We have entered into agreements with unions covering certain employees on our ships and in our shoreside hotel and transportation operations. The percentages of our shipboard and shoreside employees that are represented by collective bargaining agreements are 58% and 22%, respectively. We consider our employee and union relationships to be strong.

We source our shipboard officers primarily from Italy, the UK, the Netherlands, Germany and Norway. The remaining crew positions are sourced from around the world, with the largest contingent from the Philippines, Indonesia and India. We utilize a limited number of manning agencies to help locate and hire most of our shipboard employees.

XIV. Training

Our cruise brands are committed to providing appropriate hotel and marine-related training to ensure that our shipboard crew, including officers, have the knowledge and skills to properly perform their jobs. We provide a diverse range of shoreside and shipboard training for our hotel staff before and after they join our ships to further enhance their skills. Specifically, we provide beverage, entertainment, guest service, housekeeping, leadership, management and restaurant training. Depending on the brand, we will also provide our hotel staff with in-depth English, German, Italian or Mandarin language training. All our hotel staff also undergo extensive safety training and, depending on their position, will pursue advanced safety certifications. We partner closely with manning agencies to help provide this training in Manila, Philippines; Jakarta, Indonesia; and Mumbai, India.

Our goal is to be a leader in delivering high quality professional maritime training, as evidenced by our Arison Maritime Center. The centerpiece of the campus is the Center for Simulator Maritime Training (“CSMART”). The CSMART Academy features the most advanced bridge and engine room simulator technology and equipment available with the capacity to provide annual professional training for all our bridge and engineering officers. CSMART participants receive a maritime training experience that fosters critical thinking, problem solving, ethical decision making and skill development. CSMART offers an environmental officer training program and additional environmental courses for bridge and engineering officers to further enhance our training on social responsibility and environmental awareness and protection. During 2019, we provided training to nearly 7,500 bridge and engineering officers at CSMART. We also offer environmental training for identified shoreside personnel at our various shoreside locations around the globe.

XV. Information Technology

With the increasing size and sophistication of cruise ships, the technologies employed to enhance guest experiences and operate ships have grown ever more complex and integrated. Our global information technology model is designed to contribute to exceeding expectations of our guests, crew, shoreside employees and other stakeholders. This model is focused on supporting exceptional guest experiences while increasingly leveraging common technologies to drive process efficiency and effectiveness across our portfolio of brands. In order to achieve our goals, we are focusing on applications, connectivity, cybersecurity, data privacy, infrastructure, modernization and innovation. In response to the increasing threat of continuously evolving cybersecurity risks, we are striving to provide protection of guest, employee, company and other data and develop best practices that focus on people, process and technology to combat threats and malicious activity. We have a data privacy committee that continues to oversee our focus on data minimization, tokenization, protection, and proper handling of personal data. In light of numerous jurisdictional data privacy laws and regulations, we are implementing data privacy and protection standards across the corporation. Additionally, we are continuing to improve our information technology infrastructure to enhance effective compliance with laws and regulations.

All of our brands are actively collaborating on our global information technology solutions, standards and processes across our shoreside and shipboard environments. By aligning technology planning, infrastructure, security, privacy and applications, we continue to maximize the business value of our information technology investments by eliminating redundancies and driving synergies across the brands while identifying and leveraging best practices and establishing common standards.

XVI. Innovation

We have successfully delivered innovation to our guests for more than four decades. Our continuous innovation with ship design allows our guests to enjoy carefully crafted experiences while effortlessly en-route to their next port-of-call. Our leading port destination developments provide numerous locations and experiences to our guests.

Our innovation pursuit is focused on creating amazing guest experiences and leveraging our enterprise scale. This focus has driven the creation of our newly developed “Experience Platform”. The guest centric experience platform leverages multiple proprietary technologies that work together to power guest experiences.

- OceanMedallion™ - a wearable device that enables a highly personalized vacation experience that works in conjunction with a portfolio of digital experiences all focused on simplifying guest access to experiences and facilitating a more immersive vacation
- xIOT™ - an invisible network of interactive intelligent sensors and embedded devices mounted throughout the ship, home ports and destinations that uses a guest-centric, Internet of Things approach to enable a seamless guest experience

To date, five Princess Cruises ships have been converted to Medallion Class, leveraging the OceanMedallion and the xIOT platform.

We operate three state-of-the-art Fleet Operations Centers (“FOC”) with advanced ship to shore communications technology. We continue to develop, implement and utilize cutting-edge proprietary technology at these centers to enhance our ability to monitor ship nautical and technical performance in real time, including fuel consumption, engine performance and air emissions. The centers allow for improved communications between the ship and shore, and immediate support to our ships for route planning, maritime safety and risk management.

We continue to enhance our revenue management tools and capabilities including future expansion to additional brands. Additionally, we introduced several new mobile applications, including Carnival Cruise Line’s Hub App, Costa’s MyCosta and AIDA’s myAIDA. AIDA also completed the fleet-wide roll out of Seamless check-in, enabling an embarkation process of just thirty seconds per guest. We also continue to simplify our guest facing booking platforms with a focus on the pre-cruise and e-commerce experiences.

We are committed to reducing our environmental footprint. Among other initiatives, after more than a year of testing food waste digester technology, we have begun a multi-year plan to install food waste digesters on most of our fleet. This technology is an aerobic bio-digester that will enable our ships to process and dispose of nearly all food waste, further reducing our environmental footprint.

XVII. Supply Chain

We incur expenses for goods and services to deliver exceptional cruise experiences to our guests. In addition, we incur significant capital expenditures for materials to support the refurbishment and enhancements of our vessels as well as to build new ships. We approach our spend strategically and look for suppliers who demonstrate the ability to help us leverage our scale in terms of cost, quality, service, innovation and sustainability. We are focused on the creation of strategic partnerships and will streamline our supplier base, where it is prudent. Our largest capital investments are for the construction of new ships. We have agreements in place for the construction of 17 cruise ships with four shipyards.

XVIII. Insurance

a. General

We maintain insurance to cover a number of risks associated with owning and operating our vessels and other non-ship related risks. All such insurance policies are subject to coverage limits, exclusions and deductible levels. Insurance premiums are dependent on our own loss experience and the general premium requirements of our insurers. We maintain certain levels of deductibles for substantially all the below-mentioned coverages. We may increase our deductibles to mitigate future premium increases. We do not carry coverage related to loss of earnings or revenues from our ships or other operations.

b. Protection and Indemnity (“P&I”) Coverages

Liabilities, costs and expenses for illness and injury to crew, guest injury, pollution and other third party claims in connection with our cruise activities are covered by our P&I clubs, which are mutual indemnity associations owned by ship owners.

We are members of three P&I clubs, Gard, Steamship Mutual and UK Club, which are part of a worldwide group of 13 P&I clubs, known as the International Group of P&I Clubs (the “IG”). The IG insures directly, and through broad and established reinsurance markets, a large portion of the world’s shipping fleets. Coverage is subject to the P&I clubs’ rules and the limits of coverage are determined by the IG.

c. Hull and Machinery Insurance

We maintain insurance on the hull and machinery of each of our ships for reasonable amounts as determined by management. The coverage for hull and machinery is provided by large and well-established international marine insurers. Insurers make it a condition for insurance coverage that a ship be certified as “in class” by a classification society that is a member of the International Association of Classification Societies (“IACS”). All of our ships are routinely inspected and certified to be in class by an IACS member.

d. War Risk Insurance

We use a combination of insurance and self-insurance to cover war risk for legal liability to crew, guests and other third parties as well as loss or damage to our vessels arising from war or war-like actions. Our primary war risk insurance coverage is provided by international marine insurers and our excess war risk insurance is provided by our three P&I clubs. Under the terms of our war risk insurance coverage, which are typical for war risk policies in the marine industry, insurers can give us seven days’ notice that the insurance policies will be canceled. However, the policies can be reinstated at different premium rates.

e. Other Insurance

We maintain property insurance covering our shoreside assets and casualty insurance covering liabilities to third parties arising from our hotel and transportation business, shore excursion operations and shoreside operations, including our port and related commercial facilities. We also maintain worker's compensation, director's and officer's liability and other insurance coverages.

XIX. Port Destinations and Private Islands

In select geographies around the world we operate a portfolio of leading port destinations and private islands to grow demand and create relative scarcity. This enables us to offer exceptional guest experiences by creating a wide variety of high quality destinations around the world that are uniquely tailored to our guests' preferences. In addition, to secure preferential berth access to third party ports, we coordinate across brands to negotiate berthing agreements and to secure preferred access through shared agreements and commitments.

XX. Governmental Regulations

a. Maritime Regulations

1. General

Our ships are regulated by numerous international, national, state and local laws, regulations, treaties and other legal requirements, as well as voluntary agreements, that govern health, environmental, safety and security matters in relation to our guests, crew and ships. These requirements change regularly, sometimes on a daily basis, depending on the itineraries of our ships and the ports and countries visited. If we violate or fail to comply with any of these laws, regulations, treaties and other requirements we could be fined or otherwise sanctioned by regulators. We are committed to complying with, or exceeding, all relevant maritime requirements.

The primary regulatory bodies that establish maritime laws and requirements applicable to our ships include:

The International Maritime Organization ("IMO"): All of our ships, and the maritime industry as a whole, are subject to the maritime safety, security and environmental regulations established by the IMO, a specialized agency of the United Nations. The IMO's principal sets of requirements are mandated through its International Convention for the Safety of Life at Sea ("SOLAS") and its International Convention for the Prevention of Pollution from Ships ("MARPOL").

Flag States: Our ships are registered, or flagged, in The Bahamas, Bermuda, Italy, Malta, the Netherlands, Panama and the UK, which are also referred to as Flag States. Our ships are regulated by these Flag States through international conventions that govern, among other things, health, environmental, safety and security matters in relation to our guests, crew and ships. Representatives of each Flag State conduct periodic inspections, surveys and audits to verify compliance with these requirements.

Ship classification societies: Class certification is one of the necessary documents required for our cruise ships to be flagged in a specific country, obtain liability insurance and legally operate as passenger cruise ships. Our ships are subject to periodic class surveys, including dry-dock inspections, by ship classification societies to verify that our ships have been maintained in accordance with the rules of the classification societies and that recommended repairs have been satisfactorily completed. Dry-dock frequency is a statutory requirement mandated by SOLAS. Our ships dry-dock once or twice every five years, depending on the age of the ship.

National, regional and other authorities: We are subject to the decrees, directives, regulations and requirements of the European Union ("EU"), the U.S., other individual countries and hundreds of other authorities including international ports that our ships visit every year.

Port regulatory authorities (Port State Control): Our ships are also subject to inspection by the port regulatory authorities, which are also referred to as Port State Control, in the various countries that they visit. Such inspections include verification of compliance with the maritime safety, security, environmental, customs, immigration, health and labor requirements applicable to each port, as well as with regional, national and international requirements. Many countries have joined together to form regional Port State Control authorities.

As members of the Cruise Lines International Association (“CLIA”), we helped to develop and have implemented policies that are intended to enhance shipboard safety and environmental protection throughout the cruise industry. In some cases this calls for implementing best practices, which are in excess of existing legal requirements. Further details on these and other policies can be found on www.cruising.org.

Our Boards of Directors have HESS Committees, which were comprised of five independent directors as of November 30, 2019. The principal function of the HESS Committees is to assist the boards in fulfilling their responsibility to supervise and monitor our health, environment, safety, security and sustainability related policies, programs and initiatives at sea and ashore and compliance with related legal and regulatory requirements. The HESS Committees and our management team review all significant relevant risks or exposures and associated mitigating actions.

We are committed to implementing appropriate measures to manage identified risks effectively. We have a Chief Maritime Officer to oversee our global maritime operations, including maritime quality assurance and policy, maritime affairs, shipbuilding, ship refits and research and development. In addition, we have a Chief Ethics and Compliance Officer who is responsible for promoting ethics and compliance – with a focus on safety and environmental protection.

To help ensure that we are compliant with legal and regulatory requirements and that these areas of our business operate in an efficient and effective manner we:

- Provide regular health, environmental, safety and security support, training, guidance and information to guests, employees and others working on our behalf
- Develop and implement effective and verifiable management systems to fulfill our health, environmental, safety, security and sustainability commitments
- Perform regular shoreside and shipboard audits and take appropriate action when deficiencies are identified
- Report and investigate health, environmental, safety and security incidents and take appropriate action to prevent recurrence
- Identify those employees responsible for managing health, environment, safety, security and sustainability programs and ensure that there are clear lines of accountability
- Identify the aspects of our business that impact the environment and continue to take appropriate action to minimize that impact
- Monitor an anonymous hotline and the related responses accordingly to allegations and concerns
- Review and improve policies and procedures designed to prevent, detect, respond and correct various regulatory violations and other misconduct

2. Maritime Safety Regulations

The IMO has adopted safety standards as part of SOLAS. To help ensure guest and crew safety, SOLAS establishes requirements for the following:

- | | |
|---|-----------------------------------|
| • Vessel design and structural features | • Life-saving and other equipment |
| • Construction and materials | • Fire protection and detection |
| • Refurbishment standards | • Safe management and operation |
| • Radio communications | • Musters |

All of our crew undergo regular safety training that meets or exceeds all international maritime regulations, including SOLAS requirements, which are periodically revised.

SOLAS requires implementation of the International Safety Management Code (“ISM Code”), which provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code is mandatory for passenger vessel operators. Under the ISM Code, vessel operators are required to:

- Develop and implement a Safety Management System (“SMS”) that includes, among other things, the adoption of safety and environmental protection policies setting forth instructions and procedures for operating vessels safely and describing procedures for responding to emergencies and protecting the environment

- Obtain a Document of Compliance (“DOC”) for the vessel operator, as well as a Safety Management Certificate (“SMC”) for each vessel they operate. These documents are issued by the vessel’s Flag State and evidence compliance with the ISM Code and the SMS
- Verify or renew DOCs and SMCs periodically in accordance with the ISM Code

We have implemented and continue to enhance policies and procedures that demonstrate our commitment to the safety of our guests and crew. These initiatives include the following:

- Training of our bridge, engineering and environmental officers in maritime related best practices at our CSMART Academy, the Center for Simulator Maritime Training located within our Arison Maritime Center in Almere, Netherlands
- Further standardization of our detailed bridge and engine resource management procedures on all of our ships
- Expansion of our existing oversight function to monitor bridge and engine room operations through state of the art fleet operations centers in Miami, Seattle and Hamburg
- Identifying and standardizing best-practice policies and procedures in health, environmental, safety and security disciplines across the entire organization including on all our ships
- Further enhancement of our processes for auditing our HESS performance throughout our operations

3. Maritime Security Regulations

Our ships are subject to numerous security requirements. These requirements include the International Ship and Port Facility Security Code, which is part of SOLAS, the U.S. Maritime Transportation Security Act of 2002, which addresses U.S. port and waterway security and the U.S. Cruise Vessel Security and Safety Act of 2010, which applies to all of our ships that embark or disembark passengers in the U.S. These regulations include requirements as to the following:

- Implementation of specific security measures, including onboard installation of a ship security alert system
- Assessment of vessel security
- Efforts to identify and deter security threats
- Training, drills and exercises
- Security plans that may include guest, vehicle and baggage screening procedures, security patrols, establishment of restricted areas, personnel identification procedures, access control measures and installation of surveillance equipment
- Establishment of procedures and policies for reporting and managing allegations of crimes

4. Maritime Environmental Regulations

We are subject to numerous international, national, state and local environmental laws, regulations and treaties that govern air emissions, waste management, and the storage, handling, use and disposal of hazardous substances such as chemicals, solvents and paints.

As a means of managing and improving our environmental performance and compliance, we adhere to standards set by ISO (International Organization for Standardization), an international standard-setting body, which produces worldwide industrial and commercial standards. The environmental management system of our company and ships is certified in accordance with ISO 14001, the environmental management standard that was developed to help organizations manage the environmental impacts of their processes, products and services. ISO 14001 defines an approach to setting and achieving environmental objectives and targets, within a structured management framework.

i. International Regulations

The principal international convention governing marine pollution prevention and response is MARPOL.

a. Preventing and Minimizing Pollution

MARPOL includes six annexes, four of which are applicable to our cruise ships, containing requirements designed to prevent and minimize both accidental and operational pollution by oil, sewage, garbage and air emissions and sets forth specific requirements related to vessel operations, equipment, recordkeeping and

reporting that are designed to prevent and minimize pollution. All of our ships must carry an International Oil Pollution Prevention Certificate, an International Sewage Pollution Prevention Certificate, an International Air Pollution Prevention Certificate and a Garbage Management Plan. The ship's Flag State issues these certificates, which evidence their compliance with the MARPOL regulations regarding prevention of pollution by oil, sewage, garbage and air emissions. Certain jurisdictions have not adopted all of these MARPOL annexes but have established various national, regional or local laws and regulations that apply to these areas.

As noted above, MARPOL governs the prevention of pollution by oil from operational measures, as well as from accidental discharges. MARPOL requires that discharges of machinery space bilge water pass through pollution prevention equipment that separates oil from the water and monitors the discharged water to ensure that the effluent does not exceed 15 parts per million oil content. During 2019, we voluntarily completed the upgrade of oily water separation equipment to the latest MARPOL standards as set forth by the IMO onboard all of our ships. Our ships have oily water separators with oil content monitors installed and maintain a record of certain engine room operations in an Oil Record Book. In addition, we have voluntarily installed redundant systems on all of our ships that monitor processed bilge water a second time prior to discharge to help ensure that it contains no more than 15 parts per million oil content. This system also provides additional controls to prevent improper bilge water discharges. MARPOL also requires that our ships have Shipboard Oil Pollution Emergency Plans.

MARPOL also governs the discharge of sewage from ships and contains regulations regarding the ships' equipment and systems for the control of sewage discharge, the provision of facilities at ports and terminals for the reception of sewage and requirements for survey and certification.

MARPOL also governs the discharge of garbage from ships and requires the implementation of Garbage Management Plan and the maintenance of a Garbage Record Book.

Furthermore, MARPOL addresses air emissions from vessels, establishes requirements for the prevention of air pollution from ships to reduce emissions of sulfur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter. It also contains restrictions on the use of ozone depleting substances ("ODS") and requires the recording of ODS use, equipment containing ODS and the emission of ODS.

b. Sulfur Emissions

MARPOL addresses air emissions from both auxiliary and main propulsion diesel engines on ships and further specifies requirements for Emission Control Areas ("ECAs") with stricter limitations on sulfur emissions in these areas. Since 2015, ships operating in ECAs have been required to use fuel with a sulfur content of no more than 0.1%, or to use alternative emission reduction methods, such as Advanced Air Quality Systems. Local and regional emissions control areas have come into force since 2015, such as in China.

The International Maritime Organization has adopted a global 0.5% sulfur cap for marine fuel beginning in 2020. The EU Parliament and Council have also set a 2020 implementation date for their 0.5% sulfur content fuel requirement (the "EU Sulfur Directive"). The options to comply with both the global 0.5% sulfur cap and the EU Sulfur Directive include installation of Advanced Air Quality Systems, or the use of low sulfur or alternative fuels, which will likely increase our fuel costs.

We have been installing Advanced Air Quality Systems on our ships, which are aiding in partially mitigating the financial impact from the ECAs and global 0.5% sulfur requirements. Beginning in 2020, we expect to use a greater percentage mix of low sulfur fuel, which will likely increase our fuel costs.

c. Other Ship Emission Abatement Methods

In the long-term, the cost impacts of meeting progressively lower sulfur fuel requirements may be further mitigated by the favorable impact of future changes in the supply and demand balance for marine and other types of fuel, future developments of and investments in improved sulfur emission abatement technologies, the use of alternative lower cost and lower emission fuels and our continued efforts to improve the overall fuel efficiency across our fleet. Since 2007, we have achieved approximately 32% cumulative reduction in unit fuel consumption by focusing on more efficient itineraries, a wide variety of ships' system hardware and software, energy-efficiency upgrades (including hull coatings, air conditioning and engine performance improvements, fresh water savers and LED lighting), creating collaborative energy-savings groups across operating lines and ships' staff energy use awareness and training.

As part of our emission abatement program, we have continued our work with several local port authorities to utilize cruise ship shore power connections and have equipped 47 ships with the ability to utilize shore power technology. This technology enables our ships to use power from the local electricity provider rather than running their engines while in port to power their onboard services, thus reducing our ship air emissions.

Similarly, in an effort to extend our commitment to sustainability and to play a leading role in matters of environmental protection in the cruise industry, we are expanding our investment in the use of low carbon fuels, in particular, LNG:

- *AIDAprima* and *AIDAprila* were the first cruise ships in the world equipped with dual-fuel engines that can use LNG for their energy supply while in ports on Northern European and other itineraries
- *AIDAnova* is the first cruise ship in the world with the ability to use LNG to generate 100 percent of its power both in port and on the open sea. We have 10 more next generation LNG cruise ships on order, including *Costa Smeralda*, *Iona* and *Mardi Gras*, entering the fleet in December 2019, May 2020 and October 2020. These innovative ships generate significantly less exhaust emissions than traditionally powered ships and greatly reduce our impact on the environment

d. Greenhouse Gas Emissions (“GHG”)

In 2013, the IMO approved measures to improve energy efficiency and reduce emissions of GHGs from international shipping by adopting technical and operational measures for all ships. The technical measures apply to the design of new vessels, and the operational reduction measures apply to all vessels. Operational reduction measures have been implemented through a variety of means, including a Ship Energy Efficiency Management Plan, improved voyage planning and more frequent propeller and hull cleanings. We have established objectives within the ISO 14001 environmental management system for each of our brands to further reduce fuel consumption rates and the resulting GHG emissions.

In 2016, the IMO approved the implementation of a mandatory data collection system (“DCS”) for fuel oil consumption. The DCS requires ships of 5,000 gross tons and above to provide fuel oil consumption data to their respective flag State at the end of each calendar year, beginning in 2019. Flag States validate the data and transfer it to an IMO database. The IMO will produce a summary annual report with anonymous data. In early 2018, the IMO also set aspirations to achieve several shipping industry GHG emission reduction goals with 2030 and 2050 target dates.

e. Ballast Water

In 2017, the IMO’s Ballast Water Management Convention entered into force, which governs the discharge of ballast water from ships. Subsequent amendments effectively extended the implementation date for installation of ballast water management systems for existing ships by about two years, though other requirements went into effect immediately, including requirements for ballast water exchange, record keeping, and maintaining an approved Ballast Water Management Plan. Ballast water is water used to stabilize ships at sea and maintain safe operating conditions throughout a voyage. Ballast water can carry a multitude of marine species. The Convention is designed to regulate the treatment of ballast water prior to discharging overboard in order to avoid the transfer of marine species to new environments, as well as establish other ballast water management practices for monitoring and environmental protection.

ii. U.S. Federal and State Regulations

The Act to Prevent Pollution from Ships implements several MARPOL Annexes in the U.S. and imposes numerous requirements on our ships, as discussed above. Administrative, civil and criminal penalties may be assessed for violations.

The Oil Pollution Act of 1990 (“OPA 90”) established a comprehensive federal liability regime, as well as prevention and response requirements, relating to discharges of oil in U.S. waters. The major requirements include demonstrating financial responsibility up to the liability limits set by OPA 90 and having oil spill response plans in place. We have Certificates of Financial Responsibility (“COFR”) that demonstrate our ability to meet the liability limits of OPA 90 based on the gross tonnage of our ships for removal costs and damages, such as from an oil spill. The COFR also covers a release of a hazardous substance. It is possible, however, for our liability limits to be broken, which could expose us to unlimited liability. Under OPA 90, owners or operators

of vessels operating in U.S. waters must file Vessel Response Plans with the U.S. Coast Guard and must operate and conduct any response action in compliance with these plans. As OPA 90 expressly allows coastal states to impose liabilities and requirements beyond those imposed under federal law, many U.S. states have enacted laws more stringent than OPA 90. Some of these state laws impose unlimited liability for oil spills and contain more stringent financial responsibility and contingency planning requirements. Most coastal states have also enacted environmental regulations that impose strict liability for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance, similar to OPA 90.

The Clean Water Act (“CWA”) provides the U.S. Environmental Protection Agency (“EPA”) with the authority to regulate incidental discharges from commercial vessels, including discharges of ballast water, bilge water, gray water, anti-fouling paints and other substances during normal operations within the U.S. three mile territorial sea and inland waters. Pursuant to the CWA authority, the U.S. National Pollutant Discharge Elimination System was designed to minimize pollution within U.S. territorial waters. For our affected ships, the incidental discharge requirements are set forth in EPA’s Vessel General Permit (“VGP”) for discharges incidental to the normal operations of vessels. The VGP establishes effluent limits for 27 specific discharges incidental to the normal operation of a vessel, many of which apply to our cruise ships. In addition to the requirements associated with these discharges and more stringent vessel-specific requirements, the VGP includes requirements for inspections, monitoring, reporting and record-keeping. In December 2018, the Vessel Incidental Discharge Act (VIDA) was signed into law and was intended to clarify and streamline discharge requirements for the incidental discharges covered by the VGP. More specifically, a new section was added to the CWA called “Uniform National Standards for Discharges Incidental to Normal Operation of Vessels.” Once fully implemented, VIDA will replace the VGP; however, while the standards and regulations are being developed, which is expected to take at least until the end of 2022, the 2013 VGP has been administratively extended and will remain in effect. Because the new standards are in the early stages of development, there is uncertainty over what to expect with VIDA, including what discharge limits may apply to the various covered incidental discharges and the mechanism through which state-specific standards may be implemented.

We are subject to the requirements of the U.S. Resource Conservation and Recovery Act for the disposal of both hazardous and non-hazardous solid wastes that are generated by our ships. In general, vessel owners are required to determine if their wastes are hazardous and, when landing waste ashore, comply with certain standards for the proper management of hazardous wastes, including the use of hazardous waste manifests for shipments to approved disposal facilities.

The U.S. National Invasive Species Act (“NISA”) was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. waters through ballast water taken on by vessels in foreign waters. The U.S. Coast Guard adopted regulations under NISA that impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters. Depending on a vessel’s compliance date for installation of a U.S. Coast Guard type-approved ballast water management system, these requirements may now be met by performing mid-ocean ballast exchange, by retaining ballast water onboard the vessel or by using a ballast water management system authorized or approved by the U.S. Coast Guard. In the near future, ballast exchange will no longer be permissible. These U.S. Coast Guard regulations, however, will ultimately be replaced with the new regulatory regime being developed under VIDA, which is expected to contain similar requirements.

The state of Alaska has enacted legislation that prohibits certain discharges in designated Alaskan waters and sets effluent limits on others, which are applicable to cruise ships. Further, the state of Alaska requires that certain discharges be reported and monitored to verify compliance with the standards established by the legislation. Environmental regimes in Alaska are more stringent than the U.S. federal requirements with regard to discharges from vessels. The legislation also provides that repeat violators of the regulations could be prohibited from operating in Alaskan waters. The state of California also has environmental requirements significantly more stringent than federal requirements for water discharges and air emissions.

iii. EU Regulations

The EU has adopted a broad range of substantial environmental measures aimed at improving the quality of the environment for European citizens. To support the implementation and enforcement of European environmental legislation, the EU has adopted directives on environmental liability and enforcement and a recommendation providing for minimum criteria for environmental inspections.

The European Commission's ("EC") strategy is to reduce emissions from ships. The EC strategy seeks to implement SOx Emission Control Areas set out in MARPOL, as discussed above.

The EC has also implemented regulations aimed at reducing GHG emissions from maritime shipping through a Monitoring, Reporting and Verification regulation, which involves collecting emissions data from ships over 5,000 gross tons to monitor and report carbon emissions on all voyages to, from and between European Union ports.

5. Maritime Health Regulations

We are committed to providing a healthy environment for all of our guests and crew. We collaborate with public health inspection programs throughout the world, such as the Centers for Disease Control and Prevention ("CDC") in the U.S. and the SHIPSAN Project in the EU to ensure that development of these programs leads to enhanced health and hygiene onboard our ships. Through our collaborative efforts, we work with the authorities to develop and revise guidelines, review plans and conduct on-site inspections for all newbuilds and significant ship renovations. In addition, we continue to maintain our ships by meeting, and often exceeding, applicable public health guidelines and requirements, complying with inspections, reporting communicable illnesses and conducting regular crew training and guest education programs.

6. Maritime Labor Regulations

The International Labor Organization ("ILO") develops and oversees international labor standards and includes a broad range of requirements, such as the definition of a seafarer, minimum age of seafarers, medical certificates, recruitment practices, training, repatriation, food, recreational facilities, health and welfare, hours of work and rest, accommodations, wages and entitlements.

The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, as amended, establishes additional minimum standards relating to training, including security training, certification and watchkeeping for our seafarers.

b. Other Governmental Regulations

In most major countries where we source our guests, we are required to establish financial responsibility, such as obtaining a guarantee from stable financial institutions and insurance companies, to satisfy liability in cases of our non-performance of obligations to our guests. The amount of financial responsibility varies by jurisdiction based on the amount mandated by the applicable local regulatory agencies or association.

In Australia and most of Europe, we may be obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we receive these payments.

We are also subject to many other laws and regulations which require our compliance, including those addressing antitrust, anti-money laundering, data privacy, securities, sanctions, bribery and corruption, as well as human resources related matters.

XXI. Taxation

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

a. U.S. Income Tax

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

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

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

1. Application of Section 883 of the Internal Revenue Code

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

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

2. Exemption Under Applicable Income Tax Treaties

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

3. U.S. State Income Tax

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

b. UK and Australian Income Tax

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

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

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

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

c. Italian and German Income Tax

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

Most of Costa's and AIDA's earnings that are not eligible for taxation under the Italian tonnage tax regime will be taxed at an effective tax rate of 4.8% in 2019 and 2018.

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

d. Asian Countries Income and Other Taxes

Substantially all of our brands' income from their international operations in Asian countries is exempt from income tax by virtue of relevant income tax treaties. In addition, the income is exempt from indirect taxes in China under relevant income tax treaties and other circulars.

e. Other

In addition to or in place of income taxes, virtually all jurisdictions where our ships call impose taxes, fees and other charges based on guest counts, ship tonnage, passenger capacity or some other measure.

XXII. Trademarks and Other Intellectual Property

We own, use and/or have registered or licensed numerous trademarks, patents and patent pending designs and technology, copyrights and domain names, which have considerable value and some of which are widely recognized throughout the world. These intangible assets enable us to distinguish our cruise products and services, ships and programs from those of our competitors. We own or license the trademarks for the trade names of our cruise brands, each of which we believe is a widely-recognized brand in the cruise industry, as well as our ship names and a wide variety of cruise products and services.

XXIII. Competition

We compete with land-based vacation alternatives throughout the world, such as hotels, resorts (including all-inclusive resorts), theme parks, organized tours, casinos, vacation ownership properties, and other internet-based alternative lodging sites. Based on the most recent G.P. Wild Cruise Industry Statistical Review, we, along with our principal cruise competitors Royal Caribbean Cruises Ltd., Norwegian Cruise Line Holdings, Ltd. and MSC Cruises, carry approximately 83% of all global cruise guests.

D. Website Access to Carnival Corporation & plc SEC Reports

We use our websites as channels of distribution of company information. Our Form 10-K, joint Quarterly Reports on Form 10-Q, joint Current Reports on Form 8-K, joint Proxy Statement related to our annual shareholders meeting, Section 16 filings and all amendments to those reports are available free of charge at www.carnivalcorp.com and www.carnivalplc.com and on the SEC's website at www.sec.gov as soon as reasonably practicable after we have electronically filed or furnished these reports with the SEC. In addition, you may automatically receive email alerts and other information when you enroll your email address by visiting the Investor Services section of our websites. The content of any website referred to in this document is not incorporated by reference into this document.

E. Industry and Market Data

This document includes market share and industry data and forecasts that we obtained from industry publications, third-party surveys and internal company surveys. Industry publications, including those from CLIA, G.P. Wild, and surveys and forecasts, including those from ASTA, generally state that the information contained therein has been obtained from sources believed to be reliable. CLIA is a non-profit marketing and training organization formed in 1975 to promote cruising and offer support and training for the travel agent community in North America. CLIA participates in the regulatory and policy development process while supporting measures that foster a safe, secure and healthy cruise ship environment. In addition, CLIA facilitates strategic relationships between cruise industry suppliers and organizations, cruise lines, ports and shipyards and provides a forum for interaction with governmental agencies. All CLIA information, obtained from the CLIA website www.cruising.org, relates to the CLIA member cruise lines. In 2019, CLIA represents over 50 cruise brands that operate more than 95% of cruise industry capacity. G.P. Wild is an authoritative source of cruise industry statistics and publishes a number of reports and industry reviews. All G.P. Wild information is obtained from their annual Cruise Industry Statistical Review. All other references to third party information are publicly

available at nominal or no cost. We use the most currently available industry and market data to support statements as to our market positions. Although we believe that the industry publications and third-party sources are reliable, we have not independently verified any of the data. Similarly, while we believe our internal estimates with respect to our industry are reliable, they have not been verified by any independent sources. While we are not aware of any misstatements regarding any industry data presented herein, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under Item 4. Risk Management and/or Mitigation of Principal Risks within this Strategic Report.

2. Business Review.

2019 Executive Overview

Key information for 2019 compared to the prior year (see “Key Performance Non-GAAP Financial Indicators” for definitions and reconciliations):

- Net income of \$3.0 billion or \$4.32 diluted earnings per share, compared to net income of \$3.2 billion or \$4.44 diluted earnings per share in 2018.
- Record adjusted net income of \$3.0 billion, or \$4.40 adjusted diluted earnings per share, compared to adjusted net income of \$3.0 billion or \$4.26 adjusted diluted earnings per share in 2018. Adjusted net income excludes net charges of \$52 million for 2019 and net gains of \$123 million for 2018.
- Record total revenues were \$20.8 billion, higher than \$18.9 billion in 2018.
 - Gross cruise revenues of \$20.4 billion, higher than \$18.6 billion in 2018.
 - In constant currency, net cruise revenues of \$16.0 billion, higher than \$15.4 billion in 2018, an increase of 4.0%.
- Gross revenue yields increased 5.4%. In constant currency, net revenue yields decreased 0.2%, comprised of a 1.0% decrease in net passenger ticket revenue yields and a 2.0% increase in net onboard and other revenue yields.
- Gross cruise costs including fuel per ALBD increased 8.6%. Net cruise costs excluding fuel per ALBD in constant currency decreased 0.3%.
- Changes in fuel prices and currency exchange rates decreased earnings by \$0.01 per share.

After five years of strong adjusted earnings growth for our company, 2019 brought with it more than our fair share of challenges including the abrupt regulatory change preventing travel to Cuba, geopolitical events in the Arabian Gulf, Hurricane Dorian, a costly unscheduled dry-dock, and multiple shipyard delays, all of which necessitated the cancellation of cruises and in many instances resulted in shorter booking windows negatively impacting yields. The impact from these events was compounded by an unanticipated decline in consumer attitude affecting leisure travel broadly in our Continental European source markets. As a global company with nearly 50 percent of our guests sourced from outside the U.S., we are subject to uneven economies around the world. We have a large percentage of our portfolio weighted in regions that are currently challenged. We have already taken actions to adapt to what is proving to be a persistent challenge. These actions include changing itineraries to optimize our performance and implementing an action plan to accelerate demand and right-size capacity sourced from Southern Europe.

Our 150,000 team members collectively worked to offset numerous headwinds and delivered memorable cruise experiences for our 13 million guests as well as achieved our highest full year adjusted diluted earnings per share for our shareholders. Although earnings growth was broadly in line with capacity growth, we believe our business is inherently capable of, and we are working to ensure we are, doing even better.

Globally, we are taking actions to further stimulate demand and increase our cost efficiencies. We have conducted an analysis of our marketing activities and spend and have identified areas of opportunity to increase marketing impressions to generate demand and support future yield growth. In 2019, we increased investments in media spend to support our brands and destinations around the world. We have also been successful in increasing our analytical rigor in marketing and media spend to drive demand generation and to better balance brand support activities with price and promotion efforts.

From a guest experience perspective, we continue to deliver with both our guest experience scores and net promoter scores toward the top end of prior ranges. In addition, we have made several investments to continue to further enhance the guest experience.

- Our newbuild schedule peaks in 2020 with six new ships entering service across six distinct markets: *Carnival Panorama* for the West Coast of the U.S., Carnival Cruise Line’s *Mardi Gras* for the East Coast of the U.S., *Enchanted Princess*, the second new ship delivered with Ocean Medallion, *Costa Smeralda* for Continental Europe, *Costa Firenze* for China and P&O Cruises’ *Iona* for the UK.
- We continue to roll out our most popular features on our existing fleet, with significant re-imaginings like the recently introduced *Carnival Sunrise*, to be joined by *Carnival Radiance* in mid-2020.

- In the Princess fleet, the Ocean Medallion roll out continues with five ships already completed and six more to be completed in 2020.
- The expansion of app-based technology across our other brands continues, including pre-cruise purchases.
- We have two major destination developments underway, on Grand Bahama Island and a second destination on Half Moon Cay, complementing the six destinations we had already developed and are operating in the Caribbean.

We are elevating the guest experience without increasing operating costs on a per available lower berth day (“ALBD”) basis. Through our global sourcing, we achieved over \$125 million of cost savings in 2019, bringing the cumulative total to over \$480 million since 2014.

Our highest responsibility and top priorities are excellence in safety, environmental protection and compliance. Our reputation and success depends on having sustainable and transparent operations. We continue to lead the industry in the development of environmentally friendly fuel solutions.

- We achieved a four percent reduction in per unit fuel consumption in 2019. We expect another four percent in 2020 which will bring the cumulative reduction in fuel consumption per ALBD to 35 percent since 2007.
- In 2019 we delivered *AIDAnova*, the first cruise ship with the ability to be solely powered by LNG, the most environmentally friendly fossil fuel. We have 10 more next generation LNG cruise ships on order, including Carnival Cruise Line’s *Mardi Gras*, *Costa Smeralda* and P&O Cruises’ *Iona*, entering the fleet during 2020.
- We announced a ground breaking pilot on *AIDAprera*, the first lithium-ion battery storage system to power a cruise ship’s propulsion and operation for limited periods of time. Also, as early as 2021, AIDA Cruises will be the world’s first cruise company to test the use of fuel cells on a large passenger ship. The fuel cells will be powered by hydrogen derived from methanol.

These will compliment other industry leading technologies we have already deployed to reduce carbon emissions including cold ironing (or shore power), which we have the capability for on over 40 percent of our fleet, and Advanced Air Quality Systems deployed on nearly 80 percent of our fleet. The investments we have made in Advanced Air Quality Systems will also help to mitigate increased costs in the wake of IMO 2020.

We are also focused on other areas concerning the environment including the roll out of additional Advanced Waste Water Purification Systems and food bio-digesters. We have also made considerable progress on our goal to significantly reduce single use plastics. In addition, we joined the Getting to Zero Coalition, an alliance of organizations across the maritime, energy, infrastructure and finance sectors committed to accelerating the decarbonization of the international shipping industry. Sustainability efforts remain at the forefront of our strategic goals.

We are continuing to work to improve our performance in fiscal 2020 and beyond. With annual cash from operations of \$5.5 billion, our balance sheet is strong, as are our brands. We continue to generate value for our shareholders, returning over \$2.0 billion during 2019, \$1.4 billion through our quarterly dividend and approximately \$600 million through our share repurchase program. Although there are multiple external impacts outside of our control, we are aggressively managing those levers we do control or can strongly influence which include demand, supply and controlling costs. We are investing to stimulate demand through advertising, marketing and public relations efforts to maintain price discipline. We are working to moderate capacity additions and at the same time accelerate capacity leaving the fleet. We are leveraging our scale to achieve efficiencies and to fund investments without a significant net increase in costs. In the best interest of long-term shareholders, we are making disciplined decisions to optimize our performance in the short-term while leaving us best positioned to capture the full benefit of global travel and tourism growth over the long-term.

New Accounting Pronouncements

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

Critical Accounting Estimates

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

Ship Accounting

We make several critical accounting estimates with respect to our ship accounting.

We account for ship improvement costs, including replacements of certain significant components and parts, by capitalizing those costs we believe add value to our ships and have a useful life greater than one year and depreciating those improvements over their estimated remaining useful life. The costs of repairs and maintenance, including minor improvement costs and expenses related to dry-docks, are charged to expense as incurred. If we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs.

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

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

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

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. For Carnival Corporation & plc, our 2019 ship depreciation expense would have increased by approximately \$44 million assuming we had reduced our estimated 30-year ship useful life estimate by one year at the time we took delivery or acquired each of our ships. In addition, our 2019 ship depreciation expense would have increased by approximately \$228 million assuming we had estimated our ships to have no residual value.

We believe that the estimates we made for ship accounting purposes are reasonable and our methods are consistently applied in all material respects and result in depreciation expense that is based on a rational and systematic method to equitably allocate the costs of our ships to the periods during which we use them.

Valuation of Ships

Impairment reviews of our ships require us to make significant estimates.

We evaluate ship asset impairments at the individual ship level which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We review our ships for impairment whenever events or circumstances indicate that the carrying value of a ship may not be recoverable. If estimated future cash flows are less than the carrying value of a ship, an impairment charge is recognized to the extent its carrying value exceeds fair value.

The estimation of a ship's fair value includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used in our ship impairment reviews consist of:

- Changes in strategy, including decisions about itineraries and the transfer of ships between brands
- Forecasted future operating results, including net revenue yields and fuel expenses
- Estimated ship sale timing and proceeds

Refer to our consolidated financial statements for additional discussion of our property and equipment policy and ship impairment reviews.

We believe that we have made reasonable estimates and judgments.

Valuation of Goodwill

Impairment reviews of our goodwill require us to make significant estimates.

We review our goodwill for impairment at the reporting unit level as of July 31 every year, or more frequently if events or circumstances dictate. If the estimated fair value of any of our reporting units is less than the reporting unit's carrying value, goodwill is written down based on the difference between the reporting unit's carrying amount and its estimated fair value, limited to the amount of goodwill allocated to the reporting unit.

The estimation of our reporting unit fair value includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used in our goodwill impairment reviews consist of:

- Changes in conditions or strategy, including decisions about the allocation of new ships amongst brands and transfer of ships between brands
- Forecasted future operating results, including net revenue yields and fuel expenses
- Weighted-average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate

Refer to our consolidated financial statements for additional discussion of our goodwill accounting policy and impairment reviews.

We believe that we have made reasonable estimates and judgments.

Contingencies

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, regulatory and guest and crew matters. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine the appropriate amounts to record in our consolidated financial statements.

We accrue a liability and establish a reserve when we believe a loss is probable and the amount of the loss can be reasonably estimated. In assessing probable losses, we make estimates of the amount of probable insurance recoveries, if any, which are recorded as assets where appropriate. Such accruals and reserves are typically based on developments to date, management's estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar matters, historical claims experience, actuarially determined estimates of liabilities and any related insurance coverages.

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

Refer to our consolidated financial statements for additional discussion of contingencies.

Results of Operations

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

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

These goods and services are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee. Concession revenues do not have direct expenses because the costs and services incurred for concession revenues are borne by our concessionaires.

We earn our tour and other revenues from our hotel and transportation operations, long-term leasing of ships and other revenues.

We incur cruise operating costs and expenses for the following:

- The costs of passenger cruise bookings, which include travel agent commissions, cost of air and other transportation, port fees, taxes, and charges that directly vary with guest head counts and credit and debit card fees
- Onboard and other cruise costs, which include the costs of beverage sales, costs of shore excursions, costs of retail sales, communication costs, credit and debit card fees, other onboard costs, costs of cruise vacation protection programs and pre- and post-cruise land packages
- Payroll and related costs, which include the costs of officers and crew in bridge, engineering and hotel operations. Substantially all costs associated with our shoreside personnel are included in selling and administrative expenses
- Fuel costs, which include fuel delivery costs
- Food costs, which include both our guest and crew food costs
- Other ship operating expenses, which include port costs that do not vary with guest head counts; repairs and maintenance, including minor improvements and dry-dock expenses; hotel costs; entertainment; gains and losses on ship sales; ship impairments; freight and logistics; insurance premiums and all other ship operating expenses

We incur tour and other costs and expenses for our hotel and transportation operations, long-term leasing of ships and other expenses.

Statistical Information

	Years Ended November 30,	
	2019	2018
ALBDs (in thousands) (a) (b)	87,424	83,872
Occupancy percentage (c)	106.8%	106.9%
Passengers carried (in thousands)	12,866	12,407
Fuel consumption in metric tons (in thousands)	3,312	3,296
Fuel consumption in metric tons per thousand ALBDs	37.9	39.3
Fuel cost per metric ton consumed \$	472	\$ 491
Currencies (USD to 1)		
AUD \$	0.70	\$ 0.75
CAD \$	0.75	\$ 0.78
EUR \$	1.12	\$ 1.18
GBP \$	1.27	\$ 1.34
RMB \$	0.14	\$ 0.15

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

(b) In 2019 compared to 2018, we had a 4.2% capacity increase in ALBDs comprised of a 1.8% capacity increase in our NAA segment and a 8.6% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Partial period impact from one Carnival Cruise Line 3,960-passenger capacity ship that entered into service in April 2018
- Partial period impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018
- Partial period impact from one Holland America Line 2,670-passenger capacity ship that entered into service in December 2018
- Partial period impact from one Princess Cruises 3,660-passenger capacity ship that entered into service in October 2019

These increases were partially offset by:

- Partial period impact from one P&O Cruises (Australia) 1,680-passenger capacity ship removed in March 2019
- Partial period impact from one P&O Cruises (Australia) 1,260-passenger capacity ship removed in April 2019
- Partial period impact from one Holland America Line 840-passenger capacity ship removed in July 2019

Our EA segment's capacity increase was caused by:

- Partial period impact from one AIDA 5,230-passenger capacity ship that entered into service in December 2018
- Partial period impact from one Costa 4,200-passenger capacity ship that entered into service in March 2019

These increases were partially offset by:

- Partial period impact from one P&O Cruises (UK) 700-passenger capacity ship removed from service in March 2018
- Partial period impact from one Costa 1,300-passenger capacity ship removed from service in April 2018
- Partial period impact from one P&O Cruises (UK) 1,880-passenger capacity ship removed from service in August 2019

(c) In accordance with cruise industry practice, occupancy is calculated using a denominator of ALBDs, which assumes two passengers per cabin even though some cabins can accommodate three or more passengers. Percentages in excess of 100% indicate that on average more than two passengers occupied some cabins.

2019 Compared to 2018

Revenues

Consolidated

Cruise passenger ticket revenues made up 68% of our 2019 total revenues. Cruise passenger ticket revenues increased by \$174 million, or 1.2%, to \$14.1 billion in 2019 from \$13.9 billion in 2018.

This increase was caused by:

- \$607 million - 4.2% capacity increase in ALBDs
- \$113 million - increase in air transportation revenues

These increases were partially offset by:

- \$305 million - net unfavorable foreign currency translational impact
- \$240 million - decrease in cruise ticket revenues, driven primarily by sourcing in Continental Europe, our Alaska programs and net unfavorable foreign currency transactional impact, partially offset by price improvements in the Caribbean program

Onboard and other cruise revenues made up 30% of our 2019 total revenues. Onboard and other cruise revenues increased by \$1.7 billion, or 35%, to \$6.3 billion in 2019 from \$4.7 billion in 2018.

This increase was caused by:

- \$1.4 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$200 million - 4.2% capacity increase in ALBDs
- \$124 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translational impact of \$89 million.

Tour and other revenues made up 1.9% of our 2019 total revenues. Tour and other revenues increased by \$118 million, or 43%, to \$390 million in 2019 from \$272 million in 2018.

This increase was driven by the sale of Advanced Air Quality Systems to third parties, which accounted for \$117 million.

Concession revenues, which are included in onboard and other revenues, increased by \$24 million, or 2.1%, to \$1.2 billion in 2019 from \$1.1 billion in 2018.

NAA Segment

Cruise passenger ticket revenues made up 66% of our NAA segment's 2019 total revenues. Cruise passenger ticket revenues increased by \$159 million, or 1.8% to \$9.0 billion in 2019 from \$8.8 billion in 2018.

This increase was caused by:

- \$152 million - 1.8% capacity increase in ALBDs
- \$57 million - increase in air transportation revenues

These increases were partially offset by net unfavorable foreign currency translational impact of \$20 million.

The remaining 34% of our NAA segment's 2019 total revenues were comprised of onboard and other cruise revenues, which increased by \$1.2 billion, or 36%, to \$4.6 billion in 2019 from \$3.4 billion in 2018.

This increase was caused by:

- \$1.1 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$58 million - 1.8% capacity increase in ALBDs
- \$39 million - higher onboard spending by our guests

Concession revenues, which are included in onboard and other revenues, increased by \$14 million, or 1.7%, to \$821 million in 2019 from \$807 million in 2018.

EA Segment

Cruise passenger ticket revenues made up 78% of our EA segment's 2019 total revenues. Cruise passenger ticket revenues increased by \$68 million, or 1.3%, to \$5.2 billion in 2019 from \$5.1 billion in 2018.

This increase was caused by:

- \$451 million - 8.6% capacity increase in ALBDs
- \$50 million - increase in air transportation revenues

These increases were partially offset by

- \$285 million - net unfavorable foreign currency translational impact
- \$159 million - decrease in cruise ticket revenues, driven primarily by sourcing in Continental Europe

The remaining 22% of our EA segment's 2019 total revenues were comprised of onboard and other cruise revenues, which increased by \$339 million, or 31%, to \$1.4 billion in 2019 from \$1.1 billion in 2018.

This increase was caused by:

- \$268 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$96 million - 8.6% capacity increase in ALBDs
- \$51 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translational impact of \$79 million.

Concession revenues, which are included in onboard and other revenues, increased by \$10 million, or 3.0%, to \$337 million in 2019 from \$328 million in 2018.

Costs and Expenses

Consolidated

Operating costs and expenses increased by \$1.8 billion or 16%, to \$12.9 billion in 2019 from \$11.1 billion in 2018.

This increase was caused by:

- \$1.4 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$464 million - 4.2% capacity increase in ALBDs
- \$88 million - increase in tour and other costs
- \$87 million - higher commissions, transportation and other expenses
- \$67 million - increase in various other ship operating costs
- \$35 million - gains on ship sales in 2018, net of gains on ship sales in 2019

These increases were partially offset by:

- \$221 million - net favorable foreign currency translational impact
- \$63 million - lower fuel prices
- \$62 million - improved fuel consumption per ALBD
- \$46 million - lower dry-dock expenses and repair and maintenance expenses

Selling and administrative expenses increased by \$30 million, or 1.2%, to \$2.5 billion in 2019 compared to \$2.5 billion in 2018.

Depreciation and amortization expenses increased by \$143 million, or 7.1%, to \$2.2 billion in 2019 from \$2.0 billion in 2018.

NAA Segment

Operating costs and expenses increased by \$1.2 billion, or 17%, to \$8.4 billion in 2019 from \$7.2 billion in 2018.

This increase was caused by:

- \$1.1 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$124 million - 1.8% capacity increase in ALBDs
- \$59 million - higher commissions, transportation and other expenses

These increases were partially offset by:

- \$58 million - lower fuel prices
- \$40 million - lower cruise payroll and related expenses

Selling and administrative expenses increased by \$24 million, or 1.7%, to \$1.4 billion in 2019 compared to \$1.4 billion in 2018.

Depreciation and amortization expenses increased by \$100 million, or 7.9%, to \$1.4 billion in 2019 from \$1.3 billion in 2018.

EA Segment

Operating costs and expenses increased by \$470 million, or 13%, to \$4.1 billion in 2019 from 3.7 billion in 2018.

This increase was caused by:

- \$307 million - 8.6% capacity increase in ALBDs
- \$268 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$46 million - gains on ship sales in 2018, net of gains on ship sales in 2019
- \$39 million - increase in various other ship operating costs
- \$36 million - higher commissions, transportation and other expenses
- \$28 million - higher cruise payroll and related expenses

These increases were partially offset by:

- \$203 million - net favorable foreign currency translational impact
- \$38 million - improved fuel consumption per ALBD
- \$21 million - lower dry-dock expenses and repair and maintenance expenses

Selling and administrative expenses decreased by \$7 million, or 1.0%, to \$744 million in 2019 from \$751 million in 2018.

Depreciation and amortization expenses increased by \$34 million, or 5.5%, to \$645 million in 2019 from \$611 million in 2018.

Operating Income

Our consolidated operating income decreased by \$49 million, or 1.5%, to \$3.3 billion in 2019 compared to \$3.3 billion in 2018. Our NAA segment's operating income increased by \$62 million, or 2.6%, to \$2.5 billion in 2019 from \$2.4 billion in 2018, and our EA segment's operating income decreased by \$90 million, or 7.5%, to \$1.1 billion in 2019 from \$1.2 billion in 2018. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

(in millions)

	Year Ended November 30, 2018
Unrealized gains on fuel derivatives, net	\$ 94
Realized losses on fuel derivatives, net	(35)
Gains on fuel derivatives, net	<u>\$ 59</u>

There were no unrealized or realized gains or losses on fuel derivatives in 2019.

Explanations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

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

We believe that gains and losses on ship sales, impairment charges, restructuring and other expenses are not part of our core operating business and are not an indication of our future earnings performance. Therefore, we believe it is more meaningful for gains and losses on ship sales, impairment charges, and restructuring and other non-core gains and charges to be excluded from our net income and earnings per share and, accordingly, we present adjusted net income and adjusted earnings per share excluding these items.

The presentation of our non-GAAP financial information is not intended to be considered in isolation from, as substitute for, or superior to the financial information prepared in accordance with U.S. GAAP. It is possible that our non-GAAP financial measures may not be exactly comparable to the like-kind information presented by other companies, which is a potential risk associated with using these measures to compare us to other companies.

Net revenue yields are commonly used in the cruise industry to measure a company’s cruise segment revenue performance and for revenue management purposes. We use “net cruise revenues” rather than “gross cruise revenues” to calculate net revenue yields. We believe that net cruise revenues is a more meaningful measure in determining revenue yield than gross cruise revenues because it reflects the cruise revenues earned net of our most significant variable costs, which are travel agent commissions, cost of air and other transportation, certain other costs that are directly associated with onboard and other revenues and credit and debit card fees.

Net passenger ticket revenues reflect gross passenger ticket revenues, net of commissions, transportation and other costs.

Net onboard and other revenues reflect gross onboard and other revenues, net of onboard and other cruise costs.

Net cruise costs excluding fuel per ALBD is the measure we use to monitor our ability to control our cruise segments’ costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues as well as fuel expense to calculate net cruise costs without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. Substantially all of our net cruise costs excluding fuel are largely fixed, except for the impact of changing prices once the number of ALBDs has been determined.

Reconciliation of Forecasted Data

We have not provided a reconciliation of forecasted gross cruise revenues to forecasted net cruise revenues or forecasted gross cruise costs to forecasted net cruise costs without fuel or forecasted U.S. GAAP net income to forecasted adjusted net income or forecasted U.S. GAAP earnings per share to forecasted adjusted earnings per

share because preparation of meaningful U.S. GAAP forecasts of gross cruise revenues, gross cruise costs, net income and earnings per share would require unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates and fuel prices. We are unable to determine the future impact of gains or losses on ships sales, restructuring expenses and other non-core gains and charges.

Constant Dollar and Constant Currency

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

We report net revenue yields, net passenger revenue yields, net onboard and other revenue yields and net cruise costs excluding fuel per ALBD on a “constant dollar” and “constant currency” basis assuming the 2019 and 2018 periods’ currency exchange rates have remained constant with the 2018 and 2017 periods’ rates. These metrics facilitate a comparative view for the changes in our business in an environment with fluctuating exchange rates.

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

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

Examples:

- The translation of our operations with functional currencies other than U.S. dollar to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies.
- Our operations have revenue and expense transactions in currencies other than their functional currency. If their functional currency strengthens against these other currencies, it reduces the functional currency revenues and expenses. If the functional currency weakens against these other currencies, it increases the functional currency revenues and expenses.

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

	Years Ended November 30,		
	2019	2019 Constant Dollar	2018
<i>(dollars in millions, except yields)</i>			
Passenger ticket revenues	\$ 14,104	\$ 14,409	\$ 13,930
Onboard and other revenues	6,331	6,420	4,679
Gross cruise revenues	20,435	20,828	18,609
Less cruise costs			
Commissions, transportation and other	(2,720)	(2,786)	(2,590)
Onboard and other	(2,101)	(2,128)	(638)
	(4,822)	(4,914)	(3,228)
Net passenger ticket revenues	11,384	11,623	11,340
Net onboard and other revenues	4,230	4,292	4,041
Net cruise revenues	\$ 15,613	\$ 15,915	\$ 15,381
ALBDs	87,424,190	87,424,190	83,872,441
Gross revenue yields	\$ 233.74	\$ 238.25	\$ 221.87
% increase (decrease)	5.4 %	7.4 %	5.7%
Net revenue yields	\$ 178.59	\$ 182.04	\$ 183.38
% increase (decrease)	(2.6)%	(0.7)%	5.3%
Net passenger ticket revenue yields	\$ 130.21	\$ 132.95	\$ 135.21
% increase (decrease)	(3.7)%	(1.7)%	5.1%
Net onboard and other revenue yields	\$ 48.38	\$ 49.09	\$ 48.17
% increase (decrease)	0.4 %	1.9 %	5.9%

	Years Ended November 30,		
	2019	2019 Constant Currency	2018
<i>(dollars in millions, except yields)</i>			
Net passenger ticket revenues	\$ 11,384	\$ 11,702	\$ 11,340
Net onboard and other revenues	4,230	4,294	4,041
Net cruise revenues	\$ 15,613	\$ 15,996	\$ 15,381
ALBDs	87,424,190	87,424,190	83,872,441
Net revenue yields	\$ 178.59	\$ 182.98	\$ 183.38
% increase (decrease)	(2.6)%	(0.2)%	5.3%
Net passenger ticket revenue yields	\$ 130.21	\$ 133.86	\$ 135.21
% increase (decrease)	(3.7)%	(1.0)%	5.1%
Net onboard and other revenue yields	\$ 48.38	\$ 49.12	\$ 48.17
% increase (decrease)	0.4 %	2.0 %	5.9%

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:

	Years Ended November 30,		
<i>(dollars in millions, except costs per ALBD)</i>	2019	2019 Constant Dollar	2018
Cruise operating expenses	\$ 12,641	\$ 12,862	\$ 10,910
Cruise selling and administrative expenses	2,452	2,496	2,422
Gross cruise costs	15,093	15,359	13,332
Less cruise costs included above			
Commissions, transportation and other	(2,720)	(2,786)	(2,590)
Onboard and other	(2,101)	(2,128)	(638)
Gains (losses) on ship sales and impairments	16	17	38
Restructuring expenses	(10)	(10)	(1)
Other	(43)	(43)	(2)
Net cruise costs	10,234	10,409	10,139
Less fuel	(1,562)	(1,562)	(1,619)
Net cruise costs excluding fuel	\$ 8,672	\$ 8,847	\$ 8,521
ALBDs	87,424,190	87,424,190	83,872,441
Gross cruise costs per ALBD	\$ 172.64	\$ 175.68	\$ 158.96
% increase (decrease)	8.6 %	10.5 %	3.9 %
Net cruise costs excluding fuel per ALBD	\$ 99.20	\$ 101.20	\$ 101.59
% increase (decrease)	(2.4)%	(0.4)%	3.3 %

	Years Ended November 30,		
<i>(dollars in millions, except costs per ALBD)</i>	2019	2019 Constant Currency	2018
Net cruise costs excluding fuel	\$ 8,672	\$ 8,858	\$ 8,521
ALBDs	87,424,190	87,424,190	83,872,441
Net cruise costs excluding fuel per ALBD	\$ 99.20	\$ 101.32	\$ 101.59
% increase (decrease)	(2.4)%	(0.3)%	3.3%

	Years Ended November 30,	
	2019	2018
<i>(dollars in millions, except per share data)</i>		
Net income		
U.S. GAAP net income	\$ 2,990	\$ 3,152
Unrealized (gains) losses on fuel derivatives, net	—	(94)
(Gains) losses on ship sales and impairments	(6)	(38)
Restructuring expenses	10	1
Other	47	8
Adjusted net income	<u>\$ 3,041</u>	<u>\$ 3,029</u>
Weighted-average shares outstanding	<u>692</u>	<u>710</u>
Earnings per share		
U.S. GAAP earnings per share	\$ 4.32	\$ 4.44
Unrealized (gains) losses on fuel derivatives, net	—	(0.13)
(Gains) losses on ship sales and impairments	(0.01)	(0.05)
Restructuring expenses	0.01	—
Other	0.07	0.01
Adjusted earnings per share	<u>\$ 4.40</u>	<u>\$ 4.26</u>

Net cruise revenues increased by \$232 million, or 1.5%, to \$15.6 billion in 2019 from \$15.4 billion in 2018.

The increase was caused by a 4.2% capacity increase in ALBDs of \$668 million.

This increase was partially offset by:

- \$383 million - foreign currency impacts (including both foreign currency translational and transactional impacts)
- \$52 million - 0.2% decrease in constant currency net revenue yields

The 0.2% decrease in net revenue yields on a constant currency basis was due to a 1.0% decrease in net passenger ticket revenue yields partially offset by a 2.0% increase in net onboard and other revenue yields.

The 1.0% decrease in net passenger ticket revenue yields was driven by sourcing in Continental Europe and our Alaska programs, partially offset by price improvements in the Caribbean program. This 1.0% decrease in net passenger ticket revenue yields was comprised of a 0.7% increase from our NAA segment and a 2.7% decrease from our EA segment.

The 2.0% increase in net onboard and other revenue yields was comprised of a 1.0% increase from our NAA segment and a 3.1% increase from our EA segment.

Net cruise costs excluding fuel increased by \$151 million, or 1.8%, to \$8.7 billion in 2019 from \$8.5 billion in 2018.

The increase was caused by a 4.2% capacity increase in ALBDs of \$359 million.

This increase was partially offset by:

- \$186 million - foreign currency impacts (including both foreign currency translational and transactional impacts)
- \$22 million - 0.3% decrease in constant currency net cruise costs excluding fuel

Fuel costs decreased by \$57 million, or 3.5%, to \$1.6 billion in 2019 compared to \$1.6 billion in 2018.

This decrease was caused by:

- \$63 million - lower fuel prices
- \$62 million - lower fuel consumption per ALBD

These decreases were partially offset by a 4.2% capacity increase in ALBDs of \$68 million.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and grow ROIC over time, while maintaining a strong balance sheet and investment grade credit ratings. (We define ROIC as the twelve-month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress.) Our ability to generate significant operating cash flow allows us to internally fund our capital improvements, debt maturities and dividend payments. We have \$9.5 billion of committed export credit facilities available to fund the vast majority of our new ship growth capital. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity through our available cash and cash equivalents and committed financings for immediate and future liquidity needs and to maintain a reasonable debt maturity profile.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital improvements, new ship growth capital, debt maturities and dividend payments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet, as evidenced by our strong investment grade credit ratings, provide us with the ability, in most financial credit market environments, to obtain debt financing.

We had a working capital deficit of \$7.1 billion as of November 30, 2019 compared to a working capital deficit of \$7.0 billion as of November 30, 2018. The increase in working capital deficit was caused by a decrease in cash and cash equivalents and an increase in customer deposits partially offset by a decrease in short-term debt. We operate with a substantial working capital deficit. This deficit is mainly attributable to the fact that, under our

business model, substantially all of our passenger ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts remain a current liability until the sailing date. The cash generated from these advance receipts is used interchangeably with cash on hand from other sources, such as our borrowings and other cash from operations. The cash received as advanced receipts can be used to fund operating expenses, pay down our debt, make long-term investments or any other use of cash. Included within our working capital deficit are \$4.7 billion and \$4.4 billion of customer deposits as of November 30, 2019 and 2018, respectively. In addition, we have a relatively low-level of accounts receivable and limited investment in inventories. We generate substantial cash flows from operations and our business model has historically allowed us to maintain this working capital deficit and still meet our operating, investing and financing needs. We expect that we will continue to have working capital deficits in the future.

Sources and Uses of Cash

Operating Activities

Our business provided \$5.5 billion of net cash from operations during 2019, a decrease of \$73 million, or (1.3)%, compared to \$5.5 billion in 2018. This decrease was driven by a lower year over year growth in customer deposits.

Investing Activities

During 2019, net cash used in investing activities was \$5.3 billion. This was caused by:

- Capital expenditures of \$3.8 billion for our ongoing new shipbuilding program
- Capital expenditures of \$1.7 billion for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sales of ships of \$26 million

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

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

Financing Activities

During 2019, net cash used in financing activities of \$655 million was substantially all due to the following:

- Net repayments from short-term borrowings of \$605 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of \$1.7 billion of long-term debt
- Issuances of \$3.7 billion of long-term debt
- Payments of cash dividends of \$1.4 billion
- Purchases of \$603 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions under our Repurchase Program

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

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

Future Commitments

<i>(in millions)</i>	Payments Due by					Thereafter	Total
	2020	2021	2022	2023	2024		
Debt (a)	\$ 2,065	\$ 2,102	\$ 1,518	\$ 2,370	\$ 791	\$ 3,950	\$ 12,796
Other long-term liabilities reflected on the balance sheet (b)	—	124	82	61	93	234	594
New ship growth capital	4,811	3,622	3,035	2,011	49	1,003	14,531
Port facilities leases	145	140	121	137	131	1,218	1,892
Other operating leases	74	56	40	36	36	190	432
Other long-term commitments	267	202	75	22	15	25	607
Short-term purchase obligations	403	—	—	—	—	—	403
Total Contractual Cash Obligations	\$ 7,765	\$ 6,246	\$ 4,873	\$ 4,637	\$ 1,116	\$ 6,620	\$ 31,256

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

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

Capital Expenditure and Capacity Forecast

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

<i>(in billions)</i>	2020	2021	2022
Annual capital expenditure forecast	\$ 7.0	\$ 5.7	\$ 5.2

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

	2020	2021	2022
Annual capacity forecast	6.6%	4.9%	5.2%

Share Repurchase Program

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

Funding Sources

At November 30, 2019, we had liquidity of \$12.5 billion. Our liquidity consisted of \$182 million of cash and cash equivalents, which excludes \$336 million of cash used for current operations, \$2.8 billion available for borrowing under our revolving credit facility, net of our outstanding commercial paper borrowing, and \$9.5 billion under our committed future financings, which are comprised of ship export credit facilities. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

<i>(in billions)</i>	2020	2021	2022	2023
Availability of committed future financing at November 30, 2019	\$ 3.6	\$ 2.7	\$ 2.3	\$ 0.9

At November 30, 2019, our revolving credit facility is scheduled to mature in 2024.

Substantially all of our debt agreements contain financial covenants as described in the consolidated financial statements. At November 30, 2019, we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in

compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

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

Fuel Price Risks

Substantially all our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We have been installing Advanced Air Quality Systems on our ships, which are aiding in partially mitigating the financial impact from the ECAs and global 0.5% sulfur requirements. Beginning in 2020, we expect to use a greater percentage mix of low sulfur fuel, 40% to 45% compared to 21% in 2019, which will likely increase our fuel costs.

Based on a 10% change in each of the fuel prices versus the current spot price that was used to calculate fuel expense in our December 20, 2019 guidance, we estimate that our adjusted diluted earnings per share would change by the following:

Heavy Fuel Oil (“HFO”) impact:

- \$0.08 per share on an annualized basis for 2020
- \$0.02 per share for the first quarter of 2020

Marine Gasoil (“MGO”) impact:

- \$0.12 per share on an annualized basis for 2020
- \$0.03 per share for the first quarter of 2020

Foreign Currency Exchange Rate Risks

Operational Currency Risks

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

Based on a 10% change in all currency exchange rates that were used in our December 20, 2019 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- \$0.21 per share on an annualized basis for 2020
- \$0.02 per share for the first quarter of 2020

Investment Currency Risks

The foreign currency exchange rates were as follows:

USD to 1:	November 30,	
	2019	2018
AUD	\$ 0.68	\$ 0.73
CAD	\$ 0.75	\$ 0.75
EUR	\$ 1.10	\$ 1.14
GBP	\$ 1.29	\$ 1.28
RMB	\$ 0.14	\$ 0.14

If the November 30, 2018 currency exchange rates had been used to translate our November 30, 2019 non-U.S. dollar functional currency operations' assets and liabilities (instead of the November 30, 2019 U.S. dollar exchange rates), our total assets would have been higher by \$382 million and our total liabilities would have been higher by \$266 million.

As of November 30, 2019, we had cross currency swaps totaling of \$1.9 billion which settle through 2031. These cross currency swaps are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting the foreign currency exchange rate risk. Based on a 10% change in the U.S. dollar to euro exchange rate as of November 30, 2019, we estimate that the fair value of these cross currency swaps and offsetting change in U.S. dollar value of our net investments would change by \$196 million.

Newbuild Currency Risks

At November 30, 2019, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of \$7.3 billion and relates to newbuilds scheduled to be delivered from 2020 through 2025 to non-euro functional currency brands. The functional currency cost of each of these ships will increase or decrease based on changes in the exchange rates until the unhedged payments are made under the shipbuilding contract. We may enter into additional foreign currency derivatives to mitigate some of this foreign currency exchange rate risk. Based on a 10% change in euro to U.S. dollar exchange rates as of November 30, 2019, the remaining unhedged cost of these ships would have a corresponding change of \$728 million.

Interest Rate Risks

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

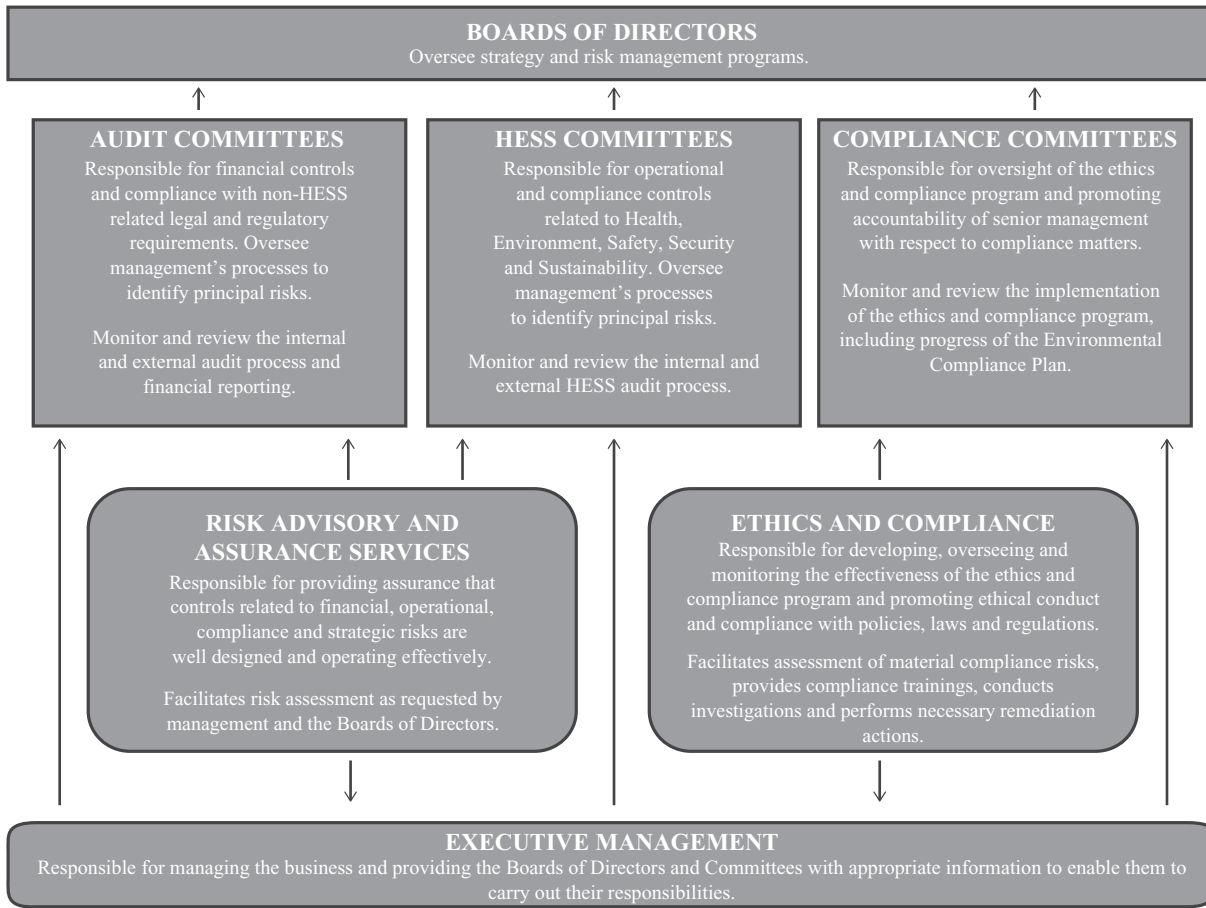
	<u>November 30, 2019</u>
Fixed rate	24%
EUR fixed rate	43%
Floating rate	4%
EUR floating rate	22%
GBP floating rate	7%

At November 30, 2019, we had interest rate swaps that have effectively changed \$300 million of EURIBOR-based floating rate euro debt to fixed rate euro debt. Based on a 10% change in the November 30, 2019 market interest rates, our annual interest expense on floating rate debt, including the effect of our interest rate swaps, would change by an insignificant amount. Substantially all of our fixed rate debt can be called or prepaid by incurring additional costs.

Fiscal Year 2020 Coronavirus Risk

In response to the ongoing coronavirus outbreak, China has implemented travel restrictions. As a result, we have suspended cruise operations from Chinese ports between January 25th and February 4th, canceling nine cruises. We also expect that travel restrictions will result in cancellations from Chinese fly-cruise guests booked on cruises embarking in ports outside China. We estimate that this will impact our financial performance by \$0.03 to \$0.04 per share. If the travel restrictions in China continue until the end of February, we estimate that this will further impact our financial performance by an additional \$0.05 to \$0.06 per share. Five percent of our capacity was scheduled to be deployed in China in fiscal year 2020. If these travel restrictions continue for an extended period of time, they could have a material impact on our financial performance.

3. Internal Control and Risk Assessment.



Note: The Boards of Directors Compensation and Nominating & Governance Committees are also responsible for some strategy and risk management programs.

Carnival Corporation & plc's Boards of Directors

The Boards of Directors have overall responsibility for determining the strategic direction of Carnival Corporation & plc and the nature and extent of the risk assumed by it. The Boards of Directors have carried out a robust assessment to ensure that principal risks, including those that would threaten its business model, future performance, solvency or liquidity are effectively managed and/or mitigated to help ensure Carnival Corporation & plc is viable. As a result of this assessment, the Boards of Directors have identified principal risks and their management and/or mitigation as listed in Item 4. Risk Management and/or Mitigation of Principal Risks within this Strategic Report. The Boards of Directors oversight includes briefings by management, review of audit results and corrective actions, and the results of risk assessment and risk monitoring activities. The framework above illustrates the interaction between the Boards of Directors, its Committees and Carnival Corporation & plc management in order to continuously and annually assess, manage and/or mitigate risks. In this regard, the Boards of Directors delegate certain risk management activities to its Committees and principally to the Audit, HESS and Compliance Committees as follows:

Audit Committees

The Audit Committees are responsible for oversight of Carnival Corporation & plc financial controls and compliance activities and oversee management's processes to identify principal risks. They monitor Carnival Corporation & plc's principal financial risks and non-HESS operational and compliance risks identified by the risk assessment processes and report their findings to the BODs. They are also responsible for overseeing the adequacy of Carnival Corporation & plc's system of internal control policies and procedures for the identification, assessment and reporting of risk, including identifying new risks as they arise. They review and make recommendations arising from management reports on the effectiveness of internal controls and risk

management systems. In addition, the Audit Committees review audit coverage, the audit plan for the upcoming year and results of any testing carried out by Carnival Corporation & plc's internal audit department called Risk Advisory & Assurance Services ("RAAS"), and its external auditors. The Audit Committees also review any concerns about improprieties in Carnival Corporation & plc's financial reporting and financial controls, which employees may confidentially raise. Finally, in connection with their risk oversight role, the Audit Committees regularly meet privately with representatives from Carnival Corporation & plc's independent auditors and registered certified public accounting firm, the Chief Financial Officer and Chief Accounting Officer, the Chief Audit Officer and as needed, with the General Counsel and the Chief Ethics and Compliance Officer.

HESS Committees

The HESS Committees monitor Carnival Corporation & plc's performance in managing and/or mitigating principal non-financial risks, principally those arising in respect of health, environment, safety, security and sustainability and report their findings to the Boards of Directors on a regular basis. The HESS Committees oversee management's processes to identify principal HESS-related risks and review with management the actions required to minimize such risks. In addition, the HESS Committees review audit coverage, the HESS audit plan for the upcoming year, the HESS long-term strategic plan and results of any testing carried out by RAAS. In connection with their oversight role, the HESS Committees regularly meet privately with the Chief Maritime Officer and the Chief Ethics and Compliance Officer.

Compliance Committees

The Compliance Committees are responsible for providing oversight of Carnival Corporation & plc's ethics and compliance program. Specifically, they receive regular reports from the Chief Ethics and Compliance Officer regarding the overall performance and implementation of the ethics and compliance strategic plan, including the adequacy of staffing and resources. They monitor the implementation of the environmental compliance plan. In addition, they are responsible for taking steps, in coordination with the Audit and HESS Committees, to ensure that all allegations of material misconduct by management, employees or agents are reported and receive appropriate attention and remediation. They also make recommendations to the Boards for the framework, structure and design of the Boards' permanent, steady-state oversight of Carnival Corporation & plc's ethics and compliance program and perform any other duties as requested by the Boards.

RAAS

RAAS reports directly to the Chairs of the Audit and HESS Committees. RAAS supports the Audit and HESS Committees in fulfilling their governance and oversight responsibilities and are recognized as the Boards of Directors primary partner for providing risk advisory and assurance services. RAAS is responsible for providing assurance that controls related to financial (including the U.S. Sarbanes-Oxley Act of 2002 ("SOX")), operational, compliance and strategic risks are well designed and operate effectively. This is achieved through the performance of annual audits and other reviews as requested by senior executive management and the Audit and HESS Committees. In support of compliance with maritime regulations, RAAS also conducts annual HESS audits of each brand's head office and of each ship in Carnival Corporation & plc's fleet.

The primary purpose of RAAS is to identify and evaluate risks in the business. In doing so, RAAS provides senior management and the Boards of Directors with formal reports that include internal control opportunities related to Carnival Corporation & plc's global operations. These reports also include management's action plans for addressing the opportunities and RAAS actively tracks the status of implementation. Any significant delays in plan implementations are highlighted and discussed with the Boards of Directors. To the extent that opportunities at one of our business units is applicable to one or more of our other business units, RAAS has various mechanisms for facilitating sharing and "lessons learned." In carrying out its functions, the RAAS Department works closely with the Global Accounting and Reporting Services and Corporate Legal Departments, the Chief Financial Officer and Chief Accounting Officer, the Chief Maritime Officer as well as the Chief Ethics and Compliance Officer.

Ethics and Compliance

The Ethics and Compliance department is responsible for promoting, maintaining, overseeing and monitoring the effectiveness of Carnival Corporation & plc ethics and compliance program, including promoting ethical conduct, and compliance with all relevant policies, laws and regulations. The primary focus of the Ethics and Compliance department relates to promoting and maintaining safety, environmental protection and certain other

compliance activities, through compliance risk management, environmental awareness and compliance training, investigations and compliance communications. All of these efforts seek to promote a strong corporate culture and to implement the goals and activities of the Ethics and compliance strategic plan.

Executive Management

Executive Management is responsible for ensuring that we have active plans and adequate resources to manage and/or mitigate the principal financial and non-financial risks, including HESS and compliance related risks, identified by the business from the risk assessment processes that are integrated within Carnival Corporation & plc's operations to ensure ongoing viability. As new risks arise, Executive Management ensures they are properly reviewed and monitored.

Internal Control

The Certifying Officers are required by SEC rules to file written certifications on a quarterly basis certifying, among other items, that they have disclosed to the auditors and the Audit Committees all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Carnival Corporation & plc's ability to record, process, summarize and report financial information and any fraud, whether or not material, that involves management or other employees who have a significant role in Carnival Corporation & plc's internal control over financial reporting.

Internal control and risk management within Carnival Corporation & plc is an ongoing process embedded in each of our operations. It is designed to identify, evaluate and manage the principal risks faced by the units. A system of internal controls designed to be capable of responding quickly to evolving risks in the business has been established, comprising procedures for the prompt reporting of significant and material internal control deficiencies together with the appropriate remedial actions.

Carnival Corporation & plc has adopted the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") guidance for implementing its internal controls as part of our SOX compliance plan. COSO is considered to be the model internal control framework and references the same internal control objectives and components as are used by the UK Corporate Governance Code in assessing the effectiveness of a company's risk and control processes.

The system of internal control was in place throughout 2019 and has continued in place up to the date of approval of this Strategic Report. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Boards of Directors confirm that they have performed their annual review of its effectiveness and that it is in compliance with the UK Corporate Governance Code. The Boards of Directors review of the system of internal controls has not identified any significant failings or weaknesses, and therefore, no remedial actions are required.

4. Risk Management and/or Mitigation of Principal Risks.

You should carefully consider the following discussion of significant factors, events and uncertainties that make an investment in the Company's securities risky and provide important information for the understanding of the "forward-looking" statements discussed in this Form 10-K and elsewhere. These risk factors should be read in conjunction with other information in this Form 10-K.

The events and consequences discussed in these risk factors could have a material adverse effect on the Company's business, financial condition, operating results and stock price. These risk factors do not identify all risks that the Company faces; operations could also be affected by factors, events, or uncertainties that are not presently known to the Company or that the Company currently does not consider to present significant risks to its operations. In addition, the current global economic climate amplifies many of these risks. Some of the statements in this item and elsewhere in this document are "forward-looking statements." For a discussion of those statements and of other factors to consider see the "Cautionary Note Concerning Factors That May Affect Future Results" section below.

The ordering and lettering of the risk factors set forth below is not intended to reflect any Company indication of priority or likelihood.

a. World events impacting the ability or desire of people to travel may lead to a decline in demand for cruises

We may be impacted by the public's concerns regarding the health, safety and security of travel, including government travel advisories and travel restrictions, political instability and civil unrest, and other general concerns. Additionally, we may be impacted by heightened regulations around customs and border control, travel bans to and from certain geographical areas, government policies increasing the difficulty of travel and limitations on issuing international travel visas. We may also be impacted by adverse changes in the perceived or actual economic climate, such as global or regional recessions, higher unemployment and underemployment rates and declines in income levels. Furthermore, uncertainties resulting from the UK's expected exit from the European Union may impact our business.

Examples of how we manage and/or mitigate this principal risk:

- We coordinate with law enforcement and intelligence agencies around the globe and endeavor to identify security-related threats at sea and ashore
- We have communications programs to help mitigate the adverse impacts of publicity
- We have the ability to redeploit our ships to alternative regions of the world

b. Incidents concerning our ships, guests or the cruise vacation industry as well as adverse weather conditions and other natural disasters may impact the satisfaction of our guests and crew and lead to reputational damage

Our operations involve the risk of incidents and media coverage thereof. Such incidents include, but are not limited to, the improper operation or maintenance of ships, motorcoaches and trains; guest and crew illnesses; mechanical failures, fires and collisions; repair delays, groundings and navigational errors; oil spills and other maritime and environmental issues as well as other incidents at sea or while in port or on land which may cause guest and crew discomfort, injury, or death. Although our commitment to the safety and comfort of our guests and crew is paramount to the success of our business, our ships have been involved in accidents and other incidents in the past and we may experience similar or other incidents in the future. Our ability to attract and retain guests and crew, depends in part, upon the perception and reputation of our company.

Our cruise ships, hotels, land tours, port and related commercial facilities and shore excursions may be impacted by adverse weather patterns or other natural disasters, such as hurricanes, earthquakes, floods, fires, tornadoes, tsunamis, typhoons and volcanic eruptions. It is possible that we could be forced to alter itineraries or cancel a cruise or a series of cruises or tours due to these or other types of disruptions. Changes in climate may increase the frequency and intensity of adverse weather patterns, make certain destinations less desirable or impact our business in other ways. In addition, these and any other events which impact the travel industry more generally may negatively impact our guests' or crew's ability or desire to travel to or from our ships and/or interrupt the supply of critical goods and services.

Examples of how we manage and/or mitigate this principal risk:

- We provide training to employees related to their job responsibilities to ensure understanding of and compliance with our policies and procedures
- We monitor weather conditions and have the ability to change our ship itineraries to avoid adverse weather or regions impacted by adverse weather
- We report health, environmental, safety and security incidents and take appropriate action to reduce the risk of recurrence
- We have appropriate policies that govern behavior
- We have communications programs to help mitigate the adverse impacts of publicity

c. Changes in and non-compliance with laws and regulations under which we operate, such as those relating to health, environment, safety and security, data privacy and protection, anti-corruption, economic sanctions, trade protection and tax may lead to litigation, enforcement actions, fines, penalties, and reputational damage

We are subject to numerous international, national, state and local laws, regulations, treaties and other legal requirements that govern health, environmental, safety and security matters in relation to our guests, crew and ships. These requirements change regularly, sometimes on a daily basis, depending on the itineraries of our ships and the ports and countries visited. If we violate or fail to comply with any of these laws, regulations, treaties and other requirements we could be, and have previously been, fined or otherwise sanctioned by regulators. In addition, there is increased global focus on climate change, which may lead to additional regulatory requirements. We are subject to a court-ordered environmental compliance plan supervised by the U.S. District

Court for the Southern District of Florida, which is operative until at least April 2022 and subjects our operations to additional review and other obligations. Failure to comply with the requirements of this environmental compliance plan or other special conditions of probation could result in fines, which the court has imposed in the past, and restrictions on our operations.

We are subject to laws and requirements related to the treatment and protection of sensitive data in the jurisdictions where we operate. Various governments, agencies and regulatory organizations have enacted or are considering new rules and regulations. In the course of doing business, we collect guest, employee, company and other third-party data, including personally identifiable information and other sensitive data.

Our operations subject us to potential liability under anti-corruption laws and regulations. We may also be affected by economic sanctions, trade protection laws, policies and other regulatory requirements affecting trade and investment.

We are subject to compliance with tax laws, regulations and treaties in the jurisdictions in which we are incorporated or operate. These tax laws, regulations and treaties are subject to change at any time, which may result in substantially higher tax liabilities. Additionally, the relevant authorities' interpretation of tax laws, regulations and treaties could differ materially from ours.

Examples of how we manage and/or mitigate this principal risk:

- We monitor for changes in laws and regulations and changes in interpretation of these laws and regulations relating to our business. Where necessary, we obtain specialist advice to implement programs to help ensure compliance
- We have appropriate policies and procedures that govern behavior
- We provide training to employees related to their job responsibilities to ensure understanding of and compliance with our policies and procedures
- We monitor our own compliance and where incidents occur, take appropriate action, including conducting investigations, to prevent recurrence

d. Breaches in data security and lapses in data privacy as well as disruptions and other damages to our principal offices, information technology operations and system networks and failure to keep pace with developments in technology may adversely impact our business operations, the satisfaction of our guests and crew and lead to reputational damage

We may be impacted by breaches in data security and lapses in data privacy, which occur from time to time. These can vary in scope and intent from economically driven attacks to malicious attacks targeting our key operating systems with the intent to disrupt or compromise our shoreside and shipboard operations. Like many companies, we have been and continue to be subject to unauthorized access or use of digital systems and networks through human error or for purposes of misappropriating assets or obtaining sensitive financial, medical or other personal or business information.

Our principal offices, information technology operations and system networks may be impacted by actual or threatened natural disasters (for example, hurricanes, earthquakes, floods, fires, tornadoes, tsunamis, typhoons and volcanic eruptions) or other disruptive events. Our maritime and/or shoreside operations, including our ability to manage our inventory of cabins held for sale and set pricing, control costs, and serve our guests, depends on the reliability of our information technology operations and system networks as well as our ability to refine and update to more advanced systems and technologies.

Examples of how we manage and/or mitigate this principal risk:

- We have appropriate policies and procedures that govern data security, data privacy and disaster recovery
- We provide training to employees related to their job responsibilities to ensure understanding of and compliance with our policies and procedures related to data security, data privacy and disaster recovery
- We incorporate security and privacy designs in the development of new systems and infrastructure
- We monitor and test our own ability to detect and respond to an incident which could cause a breach in data security, lapse in data privacy or natural disaster and where incidents occur, take appropriate action
- We continue to align our technology planning, infrastructure, security, data privacy and applications to maximize the business value of our information technology investments

e. Ability to recruit, develop and retain qualified shipboard personnel who live away from home for extended periods of time may adversely impact our business operations, guest services and satisfaction

We hire a significant number of qualified shipboard personnel each year and, thus, our ability to adequately recruit, develop and retain these individuals is critical to our success. Incidents involving cruise ships and the related adverse media publicity, adverse economic conditions that negatively affect our profitability and increasing demand as a result of our and the industry's projected growth could negatively impact our ability to recruit, develop and retain sufficient qualified shipboard personnel.

Examples of how we manage and/or mitigate this principal risk:

- We have programs to attract, develop and retain top talent and use employee feedback tools to monitor employees' perspectives and take appropriate actions
- We provide training to continue the development of our employees related to their job responsibilities and to ensure understanding of and compliance with policies and procedures
- We provide total compensation that allows us to be competitive in the labor markets in which we operate
- We continue to expand the number of countries from which we recruit our employees

f. Increases in fuel prices, changes in the types of fuel consumed and availability of fuel supply may adversely impact our scheduled itineraries and costs

We may be impacted, and have been impacted in the past, by economic, market and political conditions around the world, such as fuel demand, regulatory requirements, supply disruptions and related infrastructure needs, which make it difficult to predict the future price and availability of fuel. Future increases in the global price of fuel would increase the cost of our cruise ship operations as well as some of our other expenses, such as crew travel, freight and commodity prices. Increases in airfares, which could result from increases in the price of fuel, would increase our guests' overall vacation costs as many of our guests depend on airlines to transport them to or from the airports near the ports where our cruises embark and disembark.

As a result of changes in regulations, we expect to consume a larger percentage of low sulfur fuel in 2020, which will likely increase our fuel costs. Additionally, certain of our ships are designed to use LNG as their primary fuel source. At this time, the marine LNG distribution infrastructure is in the early stages of development with a limited number of suppliers.

Examples of how we manage and/or mitigate this principal risk:

- We manage fuel consumption through ship maintenance practices
- We have the ability to change our itineraries to reduce fuel consumption
- We research and implement innovative technologies to reduce fuel consumption
- We are adding new, more fuel-efficient ships to our fleet and are opportunistically disposing of smaller, less fuel efficient ships
- We enter into supply agreements to help ensure availability

g. Fluctuations in foreign currency exchange rates may adversely impact our financial results

We earn revenues, pay expenses, purchase and own assets and incur liabilities in currencies other than the U.S. dollar. Additionally, our shipbuilding contracts are typically denominated in euros. Movements in foreign currency exchange rates will affect our financial results.

Examples of how we manage and/or mitigate this principal risk:

- We net certain exposures to take advantage of natural offsets and continuously evaluate the use of financial instruments
- We hedge certain of our ship commitments and net investments in foreign operations
- We sell/buy foreign currencies throughout the year to manage the economic impact of foreign currency exchange volatility
- We adjust our procurement activities

h. Overcapacity and competition in the cruise and land-based vacation industry may lead to a decline in our cruise sales, pricing and destination options

We may be impacted by increases in capacity in the cruise and land-based vacation industry, which may result in capacity growth beyond demand, either globally or for a region, or for a particular itinerary. We face competition from other cruise brands on the basis of overall experience, destinations, types and sizes of ships and cabins, travel agent preferences and value. In addition, we compete with land-based vacation alternatives throughout the world on the basis of overall experience, destinations and value.

Examples of how we manage and/or mitigate this principal risk:

- We have strategies to grow demand by increasing consumer awareness and consideration of our cruise brands and the global cruise industry
- We have the ability to change our itineraries to alternative regions of the world
- We offer a wide variety of brands, itineraries, products and services to our guests

i. Geographic regions in which we try to expand our business may be slow to develop or ultimately not develop how we expect

As we continue to expand our global presence, it requires, among other things, significant levels of management resources, capital and other investments. For example, we may be required to localize our cruise products and services to conform to local cultures, standards, policies and regulations. As a result, it may be more difficult for us to replicate our successful core business models and we may not be able to recover our investments in these markets. In addition, we cannot be certain that these markets, such as China, will ultimately develop as we expect.

Examples of how we manage and/or mitigate this principal risk:

- We utilize local sales teams to motivate travel agents to support our products and services
- We have the ability to change our ship itineraries
- We have global strategies to grow demand by increasing consumer awareness and consideration of our cruise brands and the global cruise industry

j. Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests

We may be impacted by unforeseen events, such as work stoppages, insolvencies, “force majeure” events or other financial difficulties experienced by shipyards, their subcontractors and our suppliers. This may result in less shipyard availability resulting in delays or preventing the delivery of our ships under construction and/or the completion of the repair, maintenance, or refurbishment of our existing ships. This may lead to potential delays or cancellations of cruises. In addition, the prices of various commodities that are used in the construction of ships and for repair, maintenance and refurbishment of existing ships, such as steel, are subject to volatility.

Examples of how we manage and/or mitigate this principal risk:

- We ensure access and priority for ship repairs as part owners and part of the governance teams of two shipyards
- We require shipyards to obtain insurance
- Our shipbuilding contracts include refund and performance guarantees

Cautionary Note Concerning Factors That May Affect Future Results

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

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

- Net revenue yields
- Booking levels
- Pricing and occupancy
- Interest, tax and fuel expenses
- Currency exchange rates
- Net cruise costs, excluding fuel per available lower berth day
- Estimates of ship depreciable lives and residual values
- Goodwill, ship and trademark fair values
- Liquidity
- Adjusted earnings per share

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this Strategic Report. This Strategic Report 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.

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

5. Going Concern Confirmation.

The review of future commitments and funding sources within the business review indicates that Carnival Corporation & plc is well positioned to meet its commitments and obligations for at least 12 months from the date of this report. In light of these circumstances, the Boards of Directors have a reasonable expectation that Carnival Corporation & plc has adequate resources to continue in operational existence. Accordingly, they continue to adopt the going concern basis in preparing the Carnival plc consolidated IFRS financial statements. Refer to Carnival Corporation & plc's Liquidity, Financial Condition and Capital Resources Section for further discussion.

6. Viability Statement.

The Boards of Directors consider that, within the DLC arrangement, the most appropriate presentation of Carnival plc's viability is by reference to the consolidated viability of Carnival Corporation & plc. Accordingly, this Viability Statement presents the combined group and the Boards of Directors have assessed the prospects of Carnival Corporation & plc over a longer period than the twelve months required by the going concern basis of preparation. Whilst the Boards of Directors have no reason to believe Carnival Corporation & plc will not be viable over a longer period, the period over which the Boards of Directors considered viability is three years. The principal reasons why this period was selected are as follows:

- It aligns with management's strategic planning cycle
- Management plans its guest sourcing and ship itinerary strategies over a two to three year horizon

The Carnival Corporation & plc three-year financial plan considers the following factors, among others:

- Net revenue yields
- Net cruise costs per ALBD excluding fuel
- Fuel expense
- Foreign exchange rates
- Operating income
- Operating income per ALBD
- Earnings per share
- Liquidity
- Return on invested capital

Certain of these items were subject to sensitivity analysis both individually and in unison. Where appropriate, this analysis was carried out to evaluate the potential impact of Carnival Corporation & plc's principal risks actually occurring. In addition, the three-year financial plan makes certain assumptions about new ship orders, improvements and disposals that are likely to occur during the financial plan period, and considers the committed export credit financings that are associated with the ship deliveries.

Furthermore, based on Carnival Corporation & plc's historical results, projections and financial condition, the Boards of Directors believe that the company's future operating cash flows and liquidity will be sufficient to fund all of its expected capital improvements, new ship growth capital, debt maturities and dividend payments. This belief is supported by the following factors, among others:

- Carnival Corporation & plc had liquidity of \$12.5 billion at November 30, 2019 consisting of \$182 million of cash and cash equivalents, which excludes \$336 million of cash used for current operations, \$2.8 billion available for borrowing under our revolving credit facility, net of our outstanding commercial paper borrowing, and \$9.5 billion under our committed future financings, which are comprised of ship export credit facilities
- Carnival Corporation & plc's primary financial goals include maintaining a strong balance sheet and investment grade credit ratings
- Carnival Corporation & plc is the world's largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries

Based on the above, the Boards of Directors risk appetite and how these risks are managed or mitigated, the Boards of Directors have a reasonable expectation that Carnival Corporation & plc will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

7. Repurchase Authorizations.

I. Repurchase Program

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

II. Carnival plc Shareholder Approvals

Carnival plc ordinary share repurchases under the Repurchase Program require annual shareholder approval. The existing shareholder approval is limited to a maximum of 19.2 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2020 annual general meeting or July 15, 2020.

8. Non-Financial Information Statement.

Non-financial information related to anti-corruption and anti-bribery is included in the section Risk Management and/or Mitigation of Principal Risks of this Strategic Report. Additional information related to environmental, employee, health, safety and security, governance and social matters is included in Annex A - Carnival plc Directors' Report and Annex C - Carnival plc Corporate Governance Report of the Proxy Statement.

This Strategic Report has been approved by the Board.

By order of the Board



Micky Arison

Chairman of the Board of Directors

January 28, 2020

**INTRODUCTORY NOTE TO THE CARNIVAL PLC IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2019**

The Carnival plc consolidated IFRS Financial Statements on pages 60 to 108 are required to satisfy reporting requirements of the Companies Act 2006, incorporate the results of Carnival plc and its subsidiaries and, accordingly, do not include the IFRS consolidated results and financial position of Carnival Corporation and its subsidiaries.

The Directors of Carnival plc consider that within the Carnival Corporation and Carnival plc dual listed company arrangement, the most appropriate presentation of Carnival plc's results and financial position is by reference to the Carnival Corporation & plc U.S. GAAP consolidated financial statements ("DLC Financial Statements"), which are included in Annex 1, but do not form part of these Carnival plc financial statements.

CARNIVAL PLC
GROUP STATEMENTS OF INCOME
(in millions, except per share data)

	Years Ended November 30,	
	2019	2018
Revenues		
Cruise		
Passenger ticket	\$ 6,350	\$ 6,483
Onboard and other (a)	1,905	1,580
Tour and other	390	272
	<u>8,645</u>	<u>8,335</u>
Operating Costs and Expenses		
Cruise		
Commissions, transportation and other	1,249	1,215
Onboard and other (a)	583	251
Payroll and related	935	899
Fuel	678	715
Food	424	434
Other ship operating	1,648	1,724
Tour and other	274	179
	<u>5,791</u>	<u>5,417</u>
Selling and administrative	896	915
Depreciation and amortisation	721	710
	<u>7,408</u>	<u>7,041</u>
Operating Income	<u>1,237</u>	<u>1,293</u>
Nonoperating Income (Expense)		
Interest income	8	4
Interest expense, net of capitalised interest	(20)	(21)
Other income (expense), net	16	(84)
	<u>4</u>	<u>(100)</u>
Income Before Income Taxes	1,241	1,193
Income Tax Benefit (Expense), Net	(40)	(29)
Net Income	<u>\$ 1,201</u>	<u>\$ 1,164</u>
Earnings Per Share		
Basic	<u>\$ 6.37</u>	<u>\$ 5.71</u>
Diluted	<u>\$ 6.36</u>	<u>\$ 5.70</u>

(a) Includes the effect of the adoption of new accounting guidance of \$342 million for the year ended November 30, 2019.

The accompanying notes are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation. In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Statements of Income or Statements of Comprehensive Income.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements. Under the contracts governing the DLC arrangement, the Carnival Corporation & plc consolidated earnings accrue equally to each share of Carnival Corporation common stock and each Carnival plc ordinary share and for this reason we also provide the U.S. GAAP earnings per share for Carnival Corporation & plc in the Group Statements of Income. Set out below is the U.S. GAAP and adjusted consolidated earnings per share included within the DLC Financial Statements of the DLC Annual Report and the Business Review section of the Strategic Report for the years ended November 30:

	2019	2018
DLC basic earnings per share	<u>\$ 4.34</u>	<u>\$ 4.45</u>
DLC diluted earnings per share	<u>\$ 4.32</u>	<u>\$ 4.44</u>
DLC adjusted diluted earnings per share	<u>\$ 4.40</u>	<u>\$ 4.26</u>

CARNIVAL PLC
GROUP STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Years Ended November 30,	
	2019	2018
Net Income	\$ 1,201	\$ 1,164
Other Comprehensive Income (Loss)		
Items that will not be reclassified through the Statements of Income		
Remeasurements of post-employment benefit obligations	(2)	14
Items that may be reclassified through the Statements of Income		
Changes in foreign currency translation adjustment	(154)	(264)
Other	35	76
	(120)	(188)
Other Comprehensive Income (Loss)	(121)	(174)
Total Comprehensive Income	\$ 1,079	\$ 990

The accompanying notes are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

CARNIVAL PLC
BALANCE SHEETS
(in millions)

	Group		Company	
	November 30,			
	2019	2018	2019	2018
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 219	\$ 368	\$ 82	\$ 267
Trade and other receivables, net	275	202	80	64
Inventories	230	231	83	98
Prepaid expenses and other	225	157	116	66
Total current assets	948	959	361	496
Property and Equipment, Net	14,277	12,985	3,805	3,848
Amount Owed from Subsidiaries	—	—	2,176	739
Goodwill	582	595	142	141
Other Assets	532	484	296	262
Investments in Subsidiaries	—	—	5,457	5,472
	\$ 16,338	\$ 15,022	\$ 12,235	\$ 10,957
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Short-term borrowings	\$ 231	\$ 848	\$ 231	\$ 621
Current portion of long-term debt	329	168	289	126
Amount owed to the Carnival Corporation group	474	268	515	322
Accounts payable	361	328	108	105
Accrued liabilities and other	844	738	432	395
Customer deposits	1,883	1,768	1,150	1,101
Total current liabilities	4,122	4,117	2,725	2,671
Long-Term Debt	3,257	2,007	2,132	1,258
Other Long-Term Liabilities	300	361	158	209
Shareholders' Equity				
Share capital	358	358	358	358
Share premium	186	173	185	175
Retained earnings	11,076	10,257	9,060	8,161
Other reserves	(2,961)	(2,250)	(2,384)	(1,874)
Total shareholders' equity	8,659	8,537	7,219	6,820
	\$ 16,338	\$ 15,022	\$ 12,235	\$ 10,957

Net income for the Company was \$1.3 billion in 2019 (\$1.7 billion in 2018).

The accompanying notes are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

The Carnival plc Group financial statements (registered number 04039524) were authorised for issue by the Board of Directors on January 28, 2020 and signed on their behalf by



Micky Arison
Chairman of the Board of Directors



Arnold W. Donald
President and Chief Executive Officer and Director

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

CARNIVAL PLC
STATEMENTS OF CASH FLOWS
(in millions)

	Group		Company	
	Years Ended November 30,			
	2019	2018	2019	2018
OPERATING ACTIVITIES				
Income before income taxes	\$ 1,241	\$ 1,193	\$ 1,281	\$ 1,741
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities				
Depreciation and amortisation	721	710	211	237
Share-based compensation	11	12	3	4
Interest expense, net	23	17	13	11
Other, net	11	(18)	—	(20)
	2,007	1,914	1,508	1,975
Changes in operating assets and liabilities				
Receivables	(80)	(51)	(6)	8
Inventories	51	(28)	9	(4)
Prepaid expenses and other	(115)	(31)	(73)	(27)
Accounts payable	40	(33)	7	(38)
Accrued and other liabilities	11	32	(7)	34
Customer deposits	129	209	44	70
	2,043	2,013	1,483	2,018
Cash provided by (used in) operations before interest and income taxes	2,043	2,013	1,483	2,018
Interest received	8	4	5	2
Interest paid	(28)	(39)	(16)	(29)
Income taxes paid, net	(30)	(39)	—	(3)
Net cash provided by (used in) operating activities	1,992	1,939	1,471	1,988
INVESTING ACTIVITIES				
Purchases of property and equipment	(2,451)	(897)	(288)	(304)
Proceeds from sales of ships	26	307	17	294
Other, net	60	(149)	56	(152)
Net cash provided by (used in) investing activities	(2,365)	(739)	(216)	(162)
FINANCING ACTIVITIES				
Changes in loans with the Carnival Corporation group and Group companies	328	(1,134)	(1,166)	(1,053)
Proceeds from (repayments of) short-term borrowings, net	(605)	837	(377)	593
Principal repayments of long-term debt	(190)	(367)	(149)	(321)
Proceeds from issuance of long-term debt	1,695	980	1,247	469
Dividends paid	(385)	(394)	(382)	(393)
Purchases of treasury shares	(577)	(990)	(577)	(990)
Other, net	(34)	(26)	(33)	(26)
Net cash provided by (used in) financing activities	232	(1,094)	(1,437)	(1,720)
Effect of exchange rate changes on cash and cash equivalents	(8)	(3)	(3)	6
Net increase (decrease) in cash and cash equivalents	(149)	104	(185)	112
Cash and cash equivalents at beginning of year	368	265	267	155
Cash and cash equivalents at end of year	\$ 219	\$ 368	\$ 82	\$ 267

The accompanying notes are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

CARNIVAL PLC
GROUP STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions)

	Share capital	Share premium	Retained earnings	Reserves					Total shareholders' equity	
				Translation reserve	Cash flow hedges	Treasury shares	Other reserves	Merger reserve		Total
At November 30,										
2017	\$ 358	\$ 164	\$ 9,474	\$ (2,058)	\$ (55)	\$ (372)	\$ (170)	\$ 1,503	\$(1,152)	\$ 8,844
Comprehensive income (loss)										
Net income	—	—	1,164	—	—	—	—	—	—	1,164
Changes in foreign currency translation adjustment	—	—	—	(264)	—	—	—	—	(264)	(264)
Net gains on cash flow derivative hedges	—	—	—	—	4	—	—	—	4	4
Net losses on hedges of net investments in foreign operations	—	—	—	72	—	—	—	—	72	72
Remeasurements of post-employment benefit obligations	—	—	14	—	—	—	—	—	—	14
Total comprehensive income	—	—	1,178	(192)	4	—	—	—	(188)	990
Purchase of treasury shares	—	—	—	—	—	(989)	—	—	(989)	(989)
Share repurchase obligations	—	—	—	—	—	—	59	—	59	59
Cash dividends declared	—	—	(396)	—	—	—	—	—	—	(396)
Other, net	—	9	—	—	—	—	20	—	20	29
At November 30,										
2018	358	173	10,257	(2,250)	(51)	(1,361)	(91)	1,503	(2,250)	8,537
Comprehensive income (loss)										
Net income	—	—	1,201	—	—	—	—	—	—	1,201
Changes in foreign currency translation adjustment	—	—	—	(154)	—	—	—	—	(154)	(154)
Net gains on cash flow derivative hedges	—	—	—	—	2	—	—	—	2	2
Net gains on hedges of net investments in foreign operations	—	—	—	33	—	—	—	—	33	33
Remeasurements of post-employment benefit obligations	—	—	(2)	—	—	—	—	—	—	(2)
Total comprehensive income	—	—	1,199	(121)	2	—	—	—	(120)	1,079
Purchase of treasury shares	—	—	—	—	—	(574)	—	—	(574)	(574)
Share repurchase obligations	—	—	—	—	—	—	(18)	—	(18)	(18)
Cash dividends declared	—	—	(376)	—	—	—	—	—	—	(376)
Other, net	—	13	(3)	—	—	—	—	—	—	10
At November 30,										
2019	\$ 358	\$ 186	\$ 11,076	\$ (2,371)	\$ (49)	\$(1,935)	\$ (109)	\$ 1,503	\$(2,961)	\$ 8,659

The accompanying notes are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

CARNIVAL PLC
COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions)

	Share capital	Share premium	Retained earnings	Reserves					Total	Total shareholders' equity
				Translation reserve	Cash flow hedges	Treasury shares	Other reserves	Merger reserve		
At November 30, 2017	\$ 358	\$ 164	\$ 6,804	\$ (505)	\$ (55)	\$ (372)	\$ (170)	\$ 36	\$ (1,066)	\$ 6,260
Comprehensive income (loss)										
Net income	—	—	1,738	—	—	—	—	—	—	1,738
Changes in foreign currency translation adjustment	—	—	—	26	—	—	—	—	26	26
Net gains on cash flow derivative hedges	—	—	—	—	4	—	—	—	4	4
Net losses on hedges of net investments in foreign operations	—	—	—	72	—	—	—	—	72	72
Remeasurements of post-employment benefit obligations	—	—	14	—	—	—	—	—	—	14
Total comprehensive income	—	—	1,753	98	4	—	—	—	102	1,855
Purchases of treasury shares	—	—	—	—	—	(989)	—	—	(989)	(989)
Share repurchase obligations	—	—	—	—	—	—	59	—	59	59
Cash dividends declared	—	—	(396)	—	—	—	—	—	—	(396)
Other, net	—	11	—	—	—	—	20	—	20	31
At November 30, 2018	358	175	8,161	(407)	(51)	(1,361)	(91)	36	(1,874)	6,820
Comprehensive income (loss)										
Net income	—	—	1,276	—	—	—	—	—	—	1,276
Changes in foreign currency translation adjustment	—	—	—	47	—	—	—	—	47	47
Net gains on cash flow derivative hedges	—	—	—	—	2	—	—	—	2	2
Net gains on hedges of net investments in foreign operations	—	—	—	33	—	—	—	—	33	33
Remeasurements of post-employment benefit obligations	—	—	(2)	—	—	—	—	—	—	(2)
Total comprehensive income	—	—	1,275	80	2	—	—	—	82	1,356
Purchases of treasury shares	—	—	—	—	—	(574)	—	—	(574)	(574)
Share repurchase obligations	—	—	—	—	—	—	(18)	—	(18)	(18)
Cash dividends declared	—	—	(376)	—	—	—	—	—	—	(376)
Other, net	—	10	—	—	—	—	—	—	—	11
At November 30, 2019	\$ 358	\$ 185	\$ 9,060	\$ (327)	\$ (49)	\$ (1,935)	\$ (109)	\$ 36	\$ (2,384)	\$ 7,219

The accompanying notes are an integral part of these financial statements. These financial statements only present the Carnival plc consolidated IFRS Financial Statements and, accordingly, do not include the consolidated IFRS results of Carnival Corporation.

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

CARNIVAL PLC
NOTES TO GROUP AND COMPANY IFRS FINANCIAL STATEMENTS

NOTE 1 – General

Description of Business

Carnival plc was incorporated in England and Wales in 2000 and is domiciled in the UK with its headquarters located at Carnival House, 100 Harbour Parade, Southampton, Hampshire, SO15 1ST, UK (registration number 04039524). Carnival plc (the “Company”) and its subsidiaries and associates are referred to collectively in these financial statements as the “Group,” “our,” “us” and “we.” Carnival Corporation and Carnival plc, together with their consolidated subsidiaries, are referred to collectively in these financial statements as “Carnival Corporation & plc.”

Carnival Corporation & plc is the world’s largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries. Carnival Corporation & plc is also the largest cruise company, carrying nearly 45 percent of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, Carnival Corporation & plc operates a portfolio of leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences on 104 cruise ships (48 ships operated by Carnival plc) to the world’s most desirable destinations.

DLC Arrangement

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

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

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

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

The Boards of Directors consider that within the DLC arrangement, the most appropriate presentation of Carnival plc’s results and financial position is by reference to the U.S. generally accepted accounting principles (“U.S. GAAP”) DLC Financial Statements because all significant financial and operating decisions affecting the DLC companies are made on a joint basis to optimize the consolidated performance as a single economic entity. Accordingly, the DLC Financial Statements are provided to shareholders as supplementary information, which are included in Annex 1, but do not form part of these Carnival plc financial statements.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Preparation

The Carnival plc Group and Company financial statements are presented in U.S. dollars unless otherwise noted. They are prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) that are stated at fair value.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and International Financial Reporting Standards Interpretations Committee interpretations. The financial statements have been prepared on a going concern basis. The Board of Directors of the Group have a reasonable expectation that, on the basis of current financial projections and available borrowing facilities and based on our reassessment of principal risks, we are well positioned to meet our commitments and obligations, and will remain in operational existence for at least the next 12 months from the date of this report.

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported and disclosed amounts in these financial statements. The estimates and underlying assumptions are based on historical experience and various other factors that we believe to be reasonable under the circumstances and form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates used in preparing these financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. A review of the critical accounting estimates and judgements made by management is disclosed in Critical Accounting Estimates within the Business Review section of the Strategic Report and in the Significant Accounting Judgements within Annex C, Carnival plc Corporate Governance Report. These disclosures form part of the financial statements.

Basis of Consolidation

The Carnival plc Group financial statements include the results of the Company and all of its controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All significant intra-Group balances and transactions are eliminated in consolidation. These financial statements are required to satisfy reporting requirements of the Companies Act 2006 and do not include the IFRS consolidated results and financial position of Carnival Corporation and its subsidiaries.

The following are included as part of the 2019 Carnival plc annual accounts and reports:

- Strategic Report (a)
- Notice of Annual Meetings and Proxy statement (“Proxy Statement”) dated January 28, 2020

Included in or annexed to the Proxy Statement are:

- Carnival plc Directors’ Remuneration Report Part I
- Annex A - Carnival plc Directors’ Report (a)
- Annex B - Carnival plc Directors’ Remuneration Report Part II
- Annex C - Carnival plc Corporate Governance Report (a)

(a) Additional information related to environmental, social and governance issues are included in these documents.

The above mentioned Proxy Statement information can be found at the Carnival Corporation & plc website at www.carnivalcorp.com or www.carnivalplc.com.

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment

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

	<u>Years</u>	<u>Residual Values</u>
Ships	30	15%
Ship improvements	3-30	0%
Buildings and improvements	10-40	0% or 10%
Computer hardware and software	2-12	0% or 10%
Transportation equipment and other	3-20	0% or 10%
Leasehold improvements, including port facilities . . .	Shorter of the remaining lease term or related asset life (3-30)	0%

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

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

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

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on our ability to recover the carrying value of our asset based on our estimate of its recoverable amount, which is the higher of the fair value less costs of disposal and its value in use. This is determined by using the asset's estimated discounted future cash flows. If these estimated discounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess. The lowest level for which we maintain identifiable cash flows is at the individual ship level. If subsequent to the impairment there has been a change in the estimates used to determine our ships' recoverable amount, then the carrying amount of the ship may be increased by the reversal of the impairment. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the ship in prior years. A significant amount of judgement is required in estimating the future cash flows and fair values of our cruise ships.

The determination of value in use includes numerous assumptions that are subject to various risks and uncertainties, unless a comparable, viable actively-traded market exists, which is usually not the case for cruise ships. Our ships' value in use are typically estimated based either on ship sales price negotiations and the associated probability of the ship selling and/or discounted future cash flows. We believe that we have made reasonable estimates and judgements in determining whether ships have been impaired, or reversals have been recognized. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, we may need to recognize an impairment loss or reversal.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business acquisition. We review our goodwill for impairment as of July 31 every year, or more frequently if events or circumstances dictate. All of our goodwill has been allocated to our reporting units and is stated at cost less accumulated goodwill impairment charges. The recoverability of goodwill is determined by comparing the carrying amount of the net assets allocated to each cash-generating unit ("CGU") with its recoverable amount. The estimated recoverable amount is the higher of the cruise brands' fair value less costs of disposal and its value in use. If the recoverable amount is greater than the cruise brand net asset carrying value, then the goodwill amount is deemed recoverable. A significant amount of judgement is required in estimating the recoverable amounts of our cruise brands' goodwill.

Derivatives and Other Financial Instruments

We utilize derivative and non-derivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates. We use interest rate swaps primarily to manage our interest rate exposure to achieve a desired proportion of fixed and floating rate debt. Our policy is to not use financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. If a derivative is designated as a cash flow hedge, then the change 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 effective portion of the fair value of the financial instrument are recognized as a component of AOCI to offset the change in the translated value of the designated portion of net investment being hedged until the investment is sold or substantially liquidated, while the impact attributable to components excluded from the assessment of hedge effectiveness is recorded in interest expense, net of capitalized interest, on a systematic and rational basis. For derivatives that do not qualify for hedge accounting treatment, the change in fair value is recognized in earnings.

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

Derivative valuations are based on observable inputs such as interest rates forward currency exchange rates, credit spreads, maturity dates, volatilities, and cross currency basis spreads. We use the income approach to value derivatives for foreign currency options and forwards, interest rate swaps and cross currency swaps using observable market data for all significant inputs and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact.

Foreign Currency Translation and Transactions

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

We execute transactions in a number of different currencies. At the date that the transaction is recognized, each asset, liability, revenue, expense, gain or loss arising from the transaction is measured and recorded in the functional currency of the recording entity using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the functional currency are adjusted using the exchange rate at the balance sheet date, with gains or losses recorded in other income or other expense, unless such monetary balances have been designated as hedges of net investments in our foreign entities. The net gains or losses resulting from foreign currency transactions, and included in other income (expense), net, were net gains of \$17 million in 2019 and net losses of \$89 million in 2018. The unrealised gains or losses on our long-term intercompany receivables and payables which are denominated in a non-functional currency and are not expected to be repaid in the foreseeable future are recorded in translation reserves.

Revenue and Expense Recognition

Guest cruise deposits represent unearned revenues and are initially included in customer deposit liabilities when received. Customer deposits are subsequently recognized as cruise revenues, together with revenues from onboard and other activities, and all associated direct costs and expenses of a voyage are recognized as cruise costs and expenses, upon completion of voyages, with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. The impact of recognizing these shorter duration cruise revenues and costs and expenses on a completed voyage basis versus on a pro rata basis is not significant. Certain of our product offerings are bundled and we allocate the value of the bundled services and goods between passenger ticket revenues, onboard and other revenues and tour and other revenues based upon the estimated standalone selling prices of those goods and services.

Future travel discount vouchers are included as a reduction of cruise passenger ticket revenues when such vouchers are utilized. Guest cancellation fees are recognized in cruise passenger ticket revenues at the time of cancellation.

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

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. A portion of these fees, taxes and charges vary with guest head counts and are directly imposed on a revenue-producing arrangement. This portion of the fees, taxes and charges is expensed in commissions, transportation and other costs when the corresponding revenues are recognized. These fees, taxes and charges included in commissions, transportation and other costs were \$164 million in 2019 and \$157 million in 2018. The remaining portion of fees, taxes and charges are expensed in other ship operating expenses when the corresponding revenues are recognized.

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

Customer Deposits

Our payment terms generally require an initial deposit to confirm a reservation, with the balance due prior to the voyage. Cash received from guests in advance of the cruise is recorded in customer deposits and in other long-term liabilities on our Consolidated Balance Sheets. These amounts include refundable deposits. We had customer deposits of \$2.0 billion in 2019 and \$1.9 billion in 2018. During 2019, we recognized in revenues substantially all of our customer deposits as of December 1, 2018. Our customer deposits balance changes due to the seasonal nature of cash collections, the recognition of revenue and foreign currency translation.

Contract Receivables

Although we generally require full payment from our customers prior to or concurrently with their cruise, we grant credit terms to a relatively small portion of our revenue source. We also have receivables from credit card merchants for cruise ticket purchases and onboard revenue. These receivables are included within trade and other receivables, net.

Contract Assets

Contract assets are amounts paid prior to the start of a voyage, which we record as an asset within prepaid expenses and other and which are subsequently recognized as commissions, transportation and other at the time of revenue recognition. We have contract assets of \$62 million and \$60 million as of November 30, 2019 and December 1, 2018.

Insurance

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

Selling and Administrative Expenses

Selling expenses include a broad range of advertising, marketing and promotional expenses. Advertising is charged to expense as incurred. Selling expenses totaled \$320 million in 2019 and \$322 million in 2018. Administrative expenses represent the costs of our shoreside ship support, reservations and other administrative functions, and include salaries and related benefits, professional fees and building occupancy costs, which are typically expensed as incurred.

Share-Based Compensation

We recognize compensation expense for all share-based compensation awards using the fair value method. For time-based share awards, we recognize compensation cost ratably using the straight-line attribution method over the expected vesting period or to the retirement eligibility date, if earlier than the vesting period. For performance-based share awards, we estimate compensation cost based on the probability of the performance condition being achieved and recognize expense ratably using the straight-line attribution method over the expected vesting period. If all or a portion of the performance condition is not expected to be met, the appropriate amount of previously recognized compensation expense is reversed and future compensation expense is adjusted accordingly. For market-based share awards, we recognize compensation cost ratably using the straight-line attribution method over the expected vesting period. If the target market conditions are not expected to be met, compensation expense will still be recognized.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares and common stock equivalents outstanding during each period.

Pensions

The Group operates both defined benefit and defined contribution plans. The net deficit or surplus for each defined benefit pension plan is calculated based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The calculation is performed by a qualified external actuary using the projected unit credit method. The discount rate is the yield at the balance sheet date on AA credit rated bonds or local equivalents that have maturity dates approximating the terms of the pension plans' obligations.

Actuarial gains and losses that arise in calculating the defined benefit pension plans' obligations are recognized in the period in which they arise directly in the Group's and Company's comprehensive income.

The operating and financing costs of defined benefit pension plans are recognized in the Statements of Income; current service costs are spread systematically over the expected average remaining service lives of employees and financing costs are recognized in the periods within which they arise. To the extent that the benefits vest immediately, the expense is recognized immediately.

Defined contribution plan expenses are recognized in the period to which they relate. We contribute to these plans based on employee contributions, salary levels and length of service. The assets of these plans are held separately from the Group in independently administered funds.

Income Taxes

Deferred income taxes are provided using the balance sheet liability method. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. Deferred income taxes are measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Current income taxes are the taxes payable on the taxable income for the year, applying current rates and any adjustments in respect of previous years.

Dividends

Dividend distributions are recognized in the period in which the dividends are declared because under the DLC arrangement, the declaration of a dividend by the Boards of Directors of Carnival Corporation & plc establishes a liability for Carnival plc.

Accounting Pronouncements

The International Accounting Standards Board (“IASB”) issued a new standard, IFRS 15, *Revenue from Contracts with Customers*. On December 1, 2018, we adopted this guidance using the modified retrospective method for all contracts as of the adoption date. Results for reporting periods beginning after December 1, 2018 are presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with IAS 18, *Revenue*.

The impact of the adoption of IFRS 15 on our consolidated financial statements primarily relates to the gross presentation of prepaid travel agent commissions (Consolidated Balance Sheet), shore excursions and other onboard revenues and costs (Consolidated Statement of Income) which were historically presented net.

The following tables summarize the impacts of IFRS 15 adoption on our financial statements:

<i>(in millions)</i>	Year ended November 30, 2019			
	Prior to adoption of			As Reported
	IFRS 15	Adjustments		
<u>Statement of Income</u>				
Onboard and other (Revenues)	\$ 1,562	\$ 342	\$	1,905
Revenues (Total)	\$ 8,302	\$ 342	\$	8,645
Onboard and other (Operating Costs and Expenses)	\$ 240	\$ 342	\$	583
Operating Costs and Expenses (Total) . . .	\$ 7,065	\$ 342	\$	7,408
Operating Income	\$ 1,237	\$ —	\$	1,237
Net Income	\$ 1,201	\$ —	\$	1,201
	At November 30, 2019			
	Prior to adoption of			As Reported
	IFRS 15	Adjustments		
<u>Balance Sheet</u>				
Prepaid expenses and other	\$ 163	\$ 62	\$	225
Total current assets	\$ 886	\$ 62	\$	948
Customer deposits	\$ 1,821	\$ 62	\$	1,883
Total current liabilities	\$ 4,060	\$ 62	\$	4,122

Year ended November 30, 2019

<i>(in millions)</i>	Prior to adoption of		Adjustments		As Reported
	IFRS 15				
Statement of Cash Flows					
Prepaid expenses and other	\$	(53)	\$	(62)	\$ (115)
Customer deposits	\$	68	\$	62	\$ 129
Net cash provided by operating activities	\$	1,992	\$	—	\$ 1,992

The IASB issued a new standard, IFRS 9, *Financial Instruments*, which replaces the previous standard and includes changes on classification, measurement and derecognition of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. On December 1, 2018, we adopted the new standard and it did not have a material impact on our consolidated financial statements.

The IASB has issued amendments to the standard, IFRS 3, *Business Combinations*, aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. On December 1, 2018, we early adopted this guidance using the prospective transition method. The adoption of this guidance had no impact on our consolidated financial statements.

The IASB issued a new standard, IFRS 16, *Leases*. This standard will result in almost all leases being recognized on the balance sheet as the distinction between operating and finance leases is removed for lessees. The only exceptions are short-term and low-value leases. The total operating lease expense will be replaced with depreciation and interest expense. This standard is required to be adopted by us for the financial year commencing December 1, 2019. We have elected to apply the new guidance at the date of adoption without restating comparative periods.

We have implemented a new lease accounting system and are executing changes to our internal controls to address the collection, recording, and accounting for leases in accordance with the new guidance. While we are substantially complete with the process of quantifying the impacts that will result from applying the new guidance, our assessment will be finalised during the first quarter of 2020. Based on the currently contracted commitments and our assessment to date, the initial adoption of this guidance is expected to increase both our total assets and total liabilities by approximately \$300 million to \$500 million, reflecting the lease rights and obligations arising from our lease arrangements, and will require some additional disclosures. We do not expect this guidance to have a significant impact to our statements of income, statements of comprehensive income, statements of cash flows or the compliance with debt-covenants under our current agreements.

The IASB issued amendments to the standards, IFRS 9, *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 7 *Financial Instruments: Disclosures*, aimed at resolving issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and addressing the implications for specific hedge accounting requirements in IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*, which require forward-looking analysis. The amendments to IFRS 7 *Financial Instruments: Disclosures* specify additional disclosures around uncertainty arising from the interest rate benchmark reform. These amendments are required to be adopted by us for the financial year commencing December 1, 2020 and must be applied retrospectively. We are still evaluating the impact this guidance will have on our consolidated financial statements.

NOTE 3 – Segment Information

As previously discussed, within the DLC arrangement, the most appropriate presentation of Carnival plc’s results and financial position is by reference to the DLC Financial Statements, which are included in Annex 1, but do not form part of these Carnival plc financial statements. The operating segments are reported on the same basis as the internally reported information that is provided to the 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 the segments. Carnival Corporation & plc has four reportable segments comprised of (1) NAA cruise operations, (2) EA cruise operations, (3) Cruise Support and (4) Tour and Other.

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

Selected information for the Carnival Corporation & plc segments and the reconciliation to the corresponding Carnival plc amounts as of and for the years ended November 30 was as follows:

<i>(in millions)</i>	<u>Revenues</u>	<u>Operating costs and expenses</u>	<u>Selling and administrative</u>	<u>Depreciation and amortisation</u>	<u>Operating income (loss)</u>	<u>Capital expenditures</u>	<u>Total assets</u>
2019							
NAA	\$ 13,612	\$ 8,370	\$ 1,427	\$ 1,364	\$ 2,451	\$ 2,781	\$ 27,102
EA	6,650	4,146	744	645	1,115	2,462	15,473
Cruise Support	173	125	281	115	(347)	143	1,861
Tour and Other	390	268	28	36	56	43	623
Carnival Corporation & plc - U.S. GAAP	20,825	12,909	2,480	2,160	3,276	5,429	45,058
Carnival Corporation, U.S. GAAP vs IFRS differences and eliminations (a)	<u>(12,180)</u>	<u>(7,119)</u>	<u>(1,584)</u>	<u>(1,439)</u>	<u>(2,039)</u>	<u>(2,978)</u>	<u>(28,720)</u>
Carnival plc - IFRS	<u>\$ 8,645</u>	<u>\$ 5,791</u>	<u>\$ 896</u>	<u>\$ 721</u>	<u>\$ 1,237</u>	<u>\$ 2,451</u>	<u>\$ 16,338</u>
2018							
NAA	\$ 12,236	\$ 7,180	\$ 1,403	\$ 1,264	\$ 2,389	\$ 2,614	\$ 25,613
EA	6,243	3,676	751	611	1,205	945	13,825
Cruise Support	129	53	268	103	(296)	38	2,303
Tour and Other	272	180	28	39	26	152	660
Carnival Corporation & plc - U.S. GAAP	18,881	11,089	2,450	2,017	3,325	3,749	42,401
Carnival Corporation, U.S. GAAP vs IFRS differences and eliminations (a)	<u>(10,546)</u>	<u>(5,672)</u>	<u>(1,535)</u>	<u>(1,307)</u>	<u>(2,032)</u>	<u>(2,853)</u>	<u>(27,378)</u>
Carnival plc - IFRS	<u>\$ 8,335</u>	<u>\$ 5,417</u>	<u>\$ 915</u>	<u>\$ 710</u>	<u>\$ 1,293</u>	<u>\$ 897</u>	<u>\$ 15,022</u>

(a) Carnival Corporation consists primarily of cruise brands that do not form part of the Group; however, these brands are included in Carnival Corporation & plc and thus represent substantially all of the reconciling items. The U.S. GAAP vs IFRS accounting differences principally relate to differences in the carrying value of goodwill and other intangibles, ships and related depreciation expenses. The eliminations include ship charters between Carnival Corporation and the Group.

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

<i>(in millions)</i>	Years Ended November 30,	
	<u>2019</u>	<u>2018</u>
Europe	\$ 5,649	\$ 5,392
Australia and Asia	2,000	2,090
North America	714	621
Others	282	231
	<u>\$ 8,645</u>	<u>\$ 8,335</u>

Substantially all of our long-lived assets consist of our ships and move between geographic areas. Segment information relating to liabilities is not reported to or used by the CODM in order to assess performance and allocate resources to a segment.

NOTE 4 – Other Income and Expense

Auditors’ remuneration was as follows:

<i>(in millions)</i>	Years Ended November 30,	
	2019	2018
Fees payable to the Company’s auditor for the audit of the Group and Company financial statements	\$ 2	\$ 2
Fees payable to the Company’s auditor and their associates for the audit of the Company’s subsidiaries pursuant to legislation	—	—
	<u>\$ 2</u>	<u>\$ 2</u>

In addition, during 2019, non-audit service fees of \$0.0 million were paid to our auditors (\$0.1 million were paid to our auditors for consulting services related to the analysis of customer data in 2018).

NOTE 5 – Taxation

<i>(in millions)</i>	Years Ended November 30,	
	2019	2018
Current taxes	\$ (43)	\$ (39)
Deferred taxes	3	9
Income tax benefit (expense), net	<u>\$ (40)</u>	<u>\$ (29)</u>

Total income tax expense is reconciled to income taxes calculated at the UK standard tax rate as follows:

<i>(in millions)</i>	Years Ended November 30,	
	2019	2018
Income before income taxes	\$ 1,241	\$ 1,193
Notional tax expense at UK standard tax rate (2019-19.0% and 2018-19.0%)	(236)	(227)
Effect of Italian and UK tonnage tax and other taxes at different rates	195	197
	<u>\$ (40)</u>	<u>\$ (29)</u>

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

UK and Australian Income Tax

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

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

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

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

Italian and German Income Tax

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

Most of Costa's and AIDA's earnings that are not eligible for taxation under the Italian tonnage tax regime will be taxed at an effective tax rate of 4.8% in 2019 and 2018.

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

Asian Countries Income Taxes

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

U.S. Income Tax

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

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

Other

We recognize income tax provisions for uncertain tax positions, based solely on their technical merits, and the most likely outcome to be sustained upon examination by the relevant tax authority. Based on all known facts and circumstances and current tax law, we believe that the total amount of our uncertain income tax position liabilities and related accrued interest are not significant to our financial position. All interest expense related to income tax liabilities is included in income tax expense.

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

NOTE 6 – Earnings Per Share

	Years Ended November 30,	
	2019	2018
<i>(in millions, except per share data)</i>		
Net income for basic and diluted earnings per share	\$ 1,201	\$ 1,164
Weighted-average shares outstanding	188	204
Dilutive effect of equity plans	—	—
Diluted weighted-average shares outstanding	189	204
Basic earnings per share	\$ 6.37	\$ 5.71
Diluted earnings per share	\$ 6.36	\$ 5.70

Under the contracts governing the DLC arrangement, the Carnival Corporation & plc consolidated earnings accrue equally to each share of Carnival Corporation common stock and each Carnival plc ordinary share and for this reason we also provide the U.S. GAAP earnings per share for Carnival Corporation & plc in the Group Statements of Income.

The dilutive effect of equity plans relate to ordinary shares to be issued on vesting of restricted stock units, performance-based share awards and market-based share awards. The calculation of weighted-average shares outstanding does not include treasury shares.

NOTE 7 – Cash and Cash Equivalents

	<u>Group</u>		<u>Company</u>	
	<u>November 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<i>(in millions)</i>				
Cash	\$ 169	\$ 123	\$ 54	\$ 42
Cash equivalents (money market funds and time deposits)	50	245	28	225
	<u>\$ 219</u>	<u>\$ 368</u>	<u>\$ 82</u>	<u>\$ 267</u>

Substantially all material cash balances are held with financial institutions that are investment grade rated.

NOTE 8 – Trade and Other Receivables

	<u>Group</u>		<u>Company</u>	
	<u>November 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<i>(in millions)</i>				
Trade	\$ 219	\$ 158	\$ 51	\$ 47
VAT, income taxes and other	56	45	29	17
	<u>\$ 275</u>	<u>\$ 202</u>	<u>\$ 80</u>	<u>\$ 64</u>

The aging of trade receivables was as follows:

	<u>Group</u>		<u>Company</u>	
	<u>November 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<i>(in millions)</i>				
Current	\$ 178	\$ 133	\$ 45	\$ 42
1 to 30 days	20	14	4	3
31 days and thereafter	31	18	3	3
	229	165	52	48
Allowance for expected credit losses	(10)	(7)	(1)	(1)
	<u>\$ 219</u>	<u>\$ 158</u>	<u>\$ 51</u>	<u>\$ 47</u>

NOTE 9 – Inventories

	<u>Group</u>		<u>Company</u>	
	<u>November 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<i>(in millions)</i>				
Food, beverages and hotel supplies, net	\$ 115	\$ 119	\$ 37	\$ 40
Fuel	42	52	20	30
Other	73	60	27	27
	<u>\$ 230</u>	<u>\$ 231</u>	<u>\$ 83</u>	<u>\$ 98</u>

NOTE 10 – Property and Equipment

<i>(in millions)</i>	Group			Company		
	Ships and ship improvements	Other property and equipment	Total	Ships and ship improvements	Other property and equipment	Total
Cost						
At November 30, 2017	\$ 18,670	\$ 1,544	\$ 20,214	\$ 6,040	\$ 198	\$ 6,238
Exchange movements	(725)	(28)	(753)	(207)	(8)	(215)
Additions	773	144	917	284	30	314
Disposals	(776)	(34)	(810)	(488)	(16)	(504)
At November 30, 2018	17,942	1,626	19,568	5,629	204	5,833
Exchange movements	(433)	(26)	(459)	(8)	(4)	(12)
Additions	2,367	66	2,433	247	22	269
Disposals	(563)	(47)	(610)	(333)	(19)	(352)
At November 30, 2019	\$ 19,313	\$ 1,619	\$ 20,932	\$ 5,535	\$ 203	\$ 5,738
Accumulated depreciation						
At November 30, 2017	\$ (5,932)	\$ (785)	\$ (6,717)	\$ (2,077)	\$ (78)	\$ (2,155)
Exchange movements	224	18	242	59	3	62
Depreciation	(613)	(95)	(708)	(221)	(16)	(237)
Disposals	570	30	600	330	15	345
At November 30, 2018	(5,751)	(832)	(6,583)	(1,909)	(76)	(1,985)
Exchange movements	132	13	145	7	2	9
Depreciation	(625)	(87)	(712)	(198)	(16)	(214)
Disposals	449	46	495	238	19	257
At November 30, 2019	\$ (5,795)	\$ (860)	\$ (6,655)	\$ (1,862)	\$ (71)	\$ (1,933)
Net book value						
At November 30, 2019	\$ 13,518	\$ 759	\$ 14,277	\$ 3,673	\$ 132	\$ 3,805
At November 30, 2018	\$ 12,191	\$ 794	\$ 12,985	\$ 3,720	\$ 128	\$ 3,848

We review our long-lived assets for impairment whenever events or circumstances indicate potential impairment. We performed discounted future cash flow analyses on certain ships as of July 31, 2019. We had no impairment charges or reversals in 2019 or 2018.

The principal assumptions used in our analyses consisted of changes in strategy, including decisions about itineraries and the transfer of ships between brands, forecasted future operating results, including net revenue yields and fuel expenses and estimated ship sale timing and proceeds. We used relevant historical experience as well as economic and external industry data in determining an estimate of future cash flows. All principal assumptions are considered Level 3 inputs.

At November 30, 2019, the cost of assets under construction, which are included in the above table, totaled \$1.2 billion (\$1.1 billion at November 30, 2018).

At November 30, 2019, the net book value of assets is shown after deducting government construction grants of \$82 million (\$91 million at November 30, 2018).

Capitalised interest amounted to \$19 million in 2019 (\$18 million in 2018). The interest capitalisation rate is based on the weighted-average interest rates applicable to borrowings within the DLC during each period. During 2019, the average capitalisation rate was 2.2% (2018 2.5%).

In March 2019, we sold and transferred an NAA segment 1,680-passenger capacity ship.

In April 2019, we sold and transferred an NAA segment 1,260-passenger capacity ship.

In August 2019, we transferred an EA segment 1,880-passenger capacity ship.

In November 2019, we entered into an agreement to sell an NAA segment 1,600-passenger capacity ship. The ship will be transferred to the buyer in 2021.

In November 2019, we entered into an agreement to sell an NAA segment 1,260-passenger capacity ship. The ship will be transferred to the buyer in 2021.

NOTE 11 – Goodwill

At November 30, 2019, the carrying value of our CGUs’ or cruise brands’ goodwill balance was \$127 million (2018 \$131 million) for AIDA, \$313 million (2018 \$323 million) for Costa and \$142 million (2018 \$141 million) for Cunard. P&O Cruises (UK) and P&O Cruises (Australia) do not carry goodwill.

As of July 31, 2019 and 2018, we performed our annual goodwill impairment reviews. For the impairment reviews, the estimated recoverable amounts were based on the higher of the cruise brands’ fair value less cost of disposal and its value in use. Recoverable amounts for our brands that carried goodwill were determined using a discounted future cash flow analysis, after which a terminal growth rate is applied. For one brand, we used a probability weighted discounted cash flow analysis. Our annual impairment reviews resulted in no goodwill impairment for 2019 and 2018.

For AIDA and Cunard we have significant headroom. Based on the sensitivity analysis performed, no reasonably possible changes in the assumptions would cause the carrying amount of the brands’ goodwill to exceed their recoverable amounts.

As of November 30, 2019, we performed an additional goodwill impairment review for our Costa reporting unit and we determined there was no impairment for goodwill.

Costa’s fair value currently exceeds the carrying value. Changes in the individual assumptions would cause the recoverable amount to fall below the carrying amount as follows:

- the inability to achieve a net revenue yield growth of 1.0% or more on average per year
- an increase from the current projections of total cruise operating costs by approximately more than 5%
- an increase in the discount rate from 8.5% to 9.5% or more

The determination of our reporting unit goodwill fair values includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used in our goodwill impairment reviews consist of:

- Changes in conditions or strategy, including decisions about the allocation of new ships amongst brands and transfer of ships between brands
- Forecasted future operating results, including net revenue yields and fuel expenses
- Weighted-average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate, ranged from 6.0% to 8.5% (from 6.5% to 8.5% in 2018)

The cash flows were estimated based on those a market participant would expect to derive from the businesses. For all the cruise brands, we used relevant past experience in determining an estimate of future cash flows.

We believe that we have made reasonable estimates and judgements in determining whether our goodwill has been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognize an impairment charge.

The changes in the carrying amounts of our goodwill were as follows:

<i>(in millions)</i>	Goodwill	
	Group	Company
At November 30, 2017	\$ 620	\$ 146
Foreign currency translation adjustment	(25)	(6)
At November 30, 2018	595	141
Foreign currency translation adjustment	(13)	1
At November 30, 2019	<u>\$ 582</u>	<u>\$ 142</u>

NOTE 12 – Other Assets

<i>(in millions)</i>	<u>Group</u>		<u>Company</u>	
	<u>November 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Investments	\$ 186	\$ 216	\$ 102	\$ 131
Other receivables	180	114	96	35
Insurance recoverables, prepaid expenses and other	148	137	98	96
Deferred taxes	15	12	—	—
	<u>\$ 529</u>	<u>\$ 479</u>	<u>\$ 295</u>	<u>\$ 262</u>

The Group had gross deferred tax assets of \$140 million at November 30, 2019 (\$139 million at November 30, 2018) and the Company had gross deferred tax assets of \$105 million at November 30, 2019 (\$105 million at November 30, 2018), which were not recognized.

We have a minority interest in the White Pass & Yukon Route (“White Pass”) that includes port, railroad and retail operations in Skagway, Alaska. White Pass has provided services to us of \$22 million in 2019 (\$8 million in 2018). As of November 30, 2019, our investment in White Pass was \$102 million, consisting of \$84 million in equity and a loan of \$18 million. As of November 30, 2018, our investment in White Pass was \$131 million, consisting of \$81 million in equity and a loan of \$50 million.

We have a minority interest in CSSC Carnival Cruise Shipping Limited (“CSSC-Carnival”), a China-based cruise company which will operate its own fleet designed to serve the Chinese market. As of November 30, 2019 and 2018, our investment in CSSC-Carnival was \$48 million and \$49 million. In December 2019, we sold a controlling interest in an entity with full ownership of two EA segment ships to CSSC-Carnival for \$251 million. We will continue to operate both EA segment ships under bareboat charter agreements into 2021.

Following a relocation of one of our Executive Officers, we over withheld taxes for the years 2015 to 2017. While the Executive Officer has filed for a refund of the overage from the tax authorities, we cannot be certain as to the timing nor likelihood of a full refund. We have reimbursed the Executive Officer for the amount over withheld by us in the amount of €4 million. In return, we are entitled to any refund received in relation to the over withheld taxes from the tax authorities. We have also paid a portion of the Executive Officer’s professional services fees incurred related to this matter.

NOTE 13 – Investments in Subsidiaries

<i>(in millions)</i>	<u>Investments in Subsidiaries</u>	
At November 30, 2018	\$	5,472
Additions		—
Exchange movements		(15)
At November 30, 2019	<u>\$</u>	<u>5,457</u>

At November 30, 2019, the Company’s principal operating subsidiary was Costa Crociere S.p.A. This subsidiary owns and operates the Costa and AIDA cruise brands. Cunard, P&O Cruises (Australia) and P&O Cruises (UK) are divisions of the Company.

The Company's undertakings, whose ownership interest is through ordinary shares, including the UK subsidiaries exempt from the requirement to prepare individual audited accounts or individual accounts at November 30, 2019 were as follows:

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
<u>United Kingdom</u>			
Carnival (UK) Limited	100.0%	03141044	3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT
Carnival Port Holdings Limited (a)	100.0%	11523367	Carnival House, 100 Harbour Parade, Southampton, Hampshire, SO15 1ST
Carnival Technical Services (UK) Limited (b)	100.0%	10613960	Carnival House, 100 Harbour Parade, Southampton, Hampshire, SO15 1ST
Costa Cruise Lines UK Limited (a) (c)	99.9%	02482631	Carnival House, 100 Harbour Parade, Southampton, Hampshire, SO15 1ST
P&O Princess American Holdings (a)	100.0%	01453164	3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT
P&O Princess Cruises International Limited (b)	100.0%	03902746	3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT
P&O Princess Cruises Pension Trustee Limited (a)	100.0%	04069014	3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT
P&O Travel Limited (a) (c)	100.0%	00773151	3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT
SeaVacations Limited (a)	100.0%	03681272	Carnival House, 100 Harbour Parade, Southampton, Hampshire, SO15 1ST
SeaVacations UK Limited (b) (c)	100.0%	03633566	Carnival House, 100 Harbour Parade, Southampton, Hampshire, SO15 1ST
<u>Argentina</u>			
Costa Cruceiros S.A. (c)	99.9%		Avenida Corrientes, 327, Piso 10°, Buenos Aires
<u>Australia</u>			
A. C. N. 098 290 834 Pty. Ltd.	100.0%		Level 5, 465 Victoria Avenue Chatswood NSW 2067
<u>Bermuda</u>			
Fleet Maritime Services (Bermuda) Limited	100.0%		3rd Floor, Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton
Fleet Maritime Services Holdings (Bermuda) Limited	100.0%		3rd Floor, Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton
Fleet Maritime Services International Limited	100.0%		3rd Floor, Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton
<u>Brazil</u>			
Costa Cruzeiros Agencia Maritime e Turismo Ltda. (c)	99.9%		Av. Paulista, 460, 9° - 10° andar, Bela Vista, São Paulo, SP 01310.100
Ibero Cruzeiros Ltda. (c)	99.9%		Av. Paulista, 460, 9° - 10° andar, Bela Vista, São Paulo, SP 01310.100
<u>Canada</u>			
Westmark Hotels of Canada, Ltd. (c)	100.0%		2900-550 Burrad Street, Vancouver, British Columbia, V6C0A3
<u>China</u>			
Carnival Corporation Hong Kong Limited	100.0%		Unit 1207, The Gateway Tower 1, Harbour City, Kowloon, Hong Kong
Costa Cruises Shipping Services (Shanghai) Company Limited (c)	99.9%		Room 276, No 58 Wu Hua Road, Hongkou District, Shanghai
Costa Cruises Travel Agency (Shanghai) Co., Ltd. (c)	99.9%		Room 712, Floor 7, No 710 Siping Road, Hongkou District, Shanghai
CSSC Carnival Cruise Operations Limited (c)	40.0%		3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
CSSC Carnival Cruise Shipping Limited (c)	40.0%		3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Global Shipping Service (Shanghai) Co., Ltd.	100.0%		Room 3601L, No. 9, Lane 360 Feihong Road, Hongkou District, Shanghai

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
Shanghai Coast Cruise Consulting Co. Lda (c)	50.0%		1115, Building One, Corporate Avenue, No. 222 HuBin Road, P.R.C - 200021, Shanghai
World Leading Cruise Management (Shanghai) Co., Ltd. (c)	99.5%		Room 1501-36, No. 8, Lane 803, Shuang Cheng Road, Baoshan District, Shanghai
<u>Curacao</u>			
Cruise Ships Catering & Services International N.V. (c)	99.9%		Ara Hill Top Building A-10 Pletterijweg Oost 1
Milestone N.V. (c)	99.9%		Ara Hill Top Building A-10 Pletterijweg Oost 1
Prestige Cruises N.V. (c)	99.9%		Ara Hill Top Building A-10 Pletterijweg Oost 1
Spanish Cruise Services N.V. (c)	99.9%		Schottgatweg Oost 44
<u>Dominican Republic</u>			
Operadora Catalina S.r.L. (c)	99.9%		Muelle Turistico Buena Vista Sur S/n La Romana
<u>Finland</u>			
Carnival Technical Services Finland Limited (c)	100%		Telakkakatu 1, 20240 Turku, FI-20240
<u>France</u>			
Chantier Naval de Marseille SAS (c)	33.3%		Terre Plein de Mourepiane - Porte 4, 13015 Marseille
Marseille Provence Cruise Terminal SAS (c) ..	50.0%		Marseille Provence Cruise Terminal, Terminal Croisieres, 13016 Marseille
<u>French Polynesia</u>			
F.P.M. SAS (c)	100.0%		C/O Mamao Bureaux, 121 Avenue Georges Clemenceau, BP 43503 Fare Tony, Papeete
<u>Germany</u>			
AIDA Kundencenter GmbH (c)	99.9%		Am Strande 4, 18055 Rostock
Carnival Maritime GmbH (c)	99.9%		Großer Grasbrook 9, 20457 Hamburg
Carnival Technical Services GmbH (c)	100.0%		Am Strande 4, 18055 Rostock
Costa Group Digital & Strategic Services GmbH (c)	99.9%		Großer Grasbrook 9, 20457 Hamburg
HSE Hamburg School of Entertainment GmbH (c)	99.9%		Seilerstraße 41-43, 20359 Hamburg
<u>India</u>			
Carnival Support Services India Private Limited (c)	100.0%		Kohinoor City, Tower 2, Floor 5, Kirol Road, Off. LBS. Marg, Kurla West, Mumbai – 400070
<u>Italy</u>			
APVS S.r.L. (c)	12.0%		Fondamenta San Basilio, Fabbriato 16, 30123 Venezia VE
CGTH S.r.L. (c)	4.8%		Corso D'Italia 35/B, 00198 Roma RM
Costa Crociere S.p.A.	99.9%		Piazza Piccapietra 48, 16121 Genova GE
Costamed Ship Services S.r.L. (c)	50.0%		Calata delle Vele, Darsena Nuova, Palacrociere, 17100 Savona SV
CSSC Carnival Italy Cruise Investment S.r.L (c)	99.9%		Piazza Piccapietra, 48 , 16121 Genova- GE
Ecospray Technologies S.r.L. (c)	60.9%		Via Circonvallazione 14, 15050 Alzano Scrivia AL
Finpax S.r.L. (c)	21.5%		Ses San Marco 2568, 30124 Venezia VE
GEO S.p.A. (c)	45.9%		Viale Zara 52, 20124 Milano MI
Roma Cruise Terminal S.r.L. (c)	33.3%		Via Darsena Romana, 11, 00053 Civitavecchia RM
Societa per il Nuovo Deposito Franco Darsena del porto di Genova S.r.L (c)	20.2%		Via de Marini 60, 16149 Genova GE
Spezia & Carrara Terminal S.R.L. (c)	33.0%		Largo Michele Fiorillo 19124 La Spezia
Stazioni Marittime S.p.A. (c)	13.3%		Ponte Dei Mille 1, 16126 Genova GE
Terminal Napoli S.p.A. (c)	22.5%		Stazione Marittima Molo Angioino, 80133 Napoli NA

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
Trieste Adriatic Maritime Initiatives S.r.L. (c) . . .	34.5%		Via della Cassa di Risparmio 10, 34121 Trieste TS
Venezia Investimenti S.r.L (c)	25.0%		Via Agnello 12, 20100 Milano MI
Venezia Terminal Passeggeri S.p.A. (c)	11.1%		Fabbricato 248, 30100 Venezia VE
Welcome Travel Group S.p.A. (c)	50.0%		Viale Piave 43, 20129 Milano MI
Zena Cruise Terminal S.R.L (c)	40.0%		Piazza Piccapietra 48, 16121 Genova GE
<u>Japan</u>			
Carnival Corporation Ports Group	99.9%		Sanno Park Tower 12F, 2-11-1 Nagata-cho, Chiyoda-ku, Tokyo
Japan KK (c)			Daiwa Ginza Bldg., 6F., 6-2-1 Ginza Chuo-Ku, Tokyo 104-0061
Carnival Japan, Inc.	100.0%		4-3-9, Nihonbashi Muromachi, Chuo-ku, Tokyo 103-0022
Carnival Technical Services, Inc.	100.0%		
<u>Korea</u>			
Carnival Corporation Korea Ltd.	100.0%		33rd Floor, Center One Building West Tower, Euljiro 5-Gil 26, Joong-gu, Seoul, South Korea
<u>Mexico</u>			
Cozumel Cruise Terminal S.A. de C.V.	100.0%		Carretera a Chankannab Km 4.5 Interior Puerta Maya Cozumel, Quintana Roo
Cruise Terminal Services S.A. de C.V. (c)	100.0%		Carretera a Chankannab Km 4.5 Interior Puerta Maya Cozumel, Quintana Roo
International Cruise Services, S.A. de C.V. . . .	100.0%		c/o RVA Abogados, S.C., Rio Duero 31, Col. Cuauhtemoc, Del. Cuauhtemoc, Mexico City 06500
International Maritime Recruitment Agency, S.A. de C.V.	100.0%		c/o RVA Abogados, S.C., Rio Duero 31, Col. Cuauhtemoc, Del. Cuauhtemoc, Mexico City 06500
<u>Monaco</u>			
Prestige Cruises Management S.A.M. (c)	96.0%		Siège de la liquidation: 42 Boulevard d'Italie Monte-Carlo
<u>Netherlands</u>			
Costa International B.V. (c)	99.9%		Telestone 8 - Teleport, Naritaweg 165, 1043 BW, Amsterdam
Navitrans B.V.	100.0%		Otto Reuchlinweg 1110, 3072 MD, Rotterdam
<u>Portugal</u>			
Grand Cruise Shipping Unipessoal Lda	100.0%		Rua Dr. Brito Câmara nº20, 1º – 9000-039 Funchal, Madeira
<u>Singapore</u>			
Carnival Corporation & plc Asia Pte. Ltd.	100.0%		80 Raffles Place #32-01 UOB Plaza, 048624
Costa Crociere PTE Ltd. (c)	99.9%		10 Marina Boulevard Tower 2 #14-02 Marina Bay Financial Centre Singapore, 018983
<u>Spain</u>			
Barcelona Cruise Terminal SLU (c)	99.9%		Vial Moll Adossat, 122 Terminal D&E. Port de Barcelona 08039 Barcelona
Holding Division Iberocruceros SLU (c)	99.9%		Avda. De burgos, 89c edificio 3 planta 4º, Las Tablas, Ciudad Empresarial Adequa, 28050 Madrid
Iberocruceros SLU (c)	99.9%		Avda. De burgos, 89c edificio 3 planta 4º, Las Tablas, Ciudad Empresarial Adequa, 28050 Madrid
Santa Cruz Terminal, S.L (c)	99.9%		Muelle de Ribera de la Dársena de Anaga del Puerto de Santa Cruz de Tenerife - 38001 Santa Cruz de Tenerife
<u>Switzerland</u>			
Air-Sea Holiday GmbH (c)	99.9%		Dornacherplatz 7, 4500 Solothurn
Costa Kreuzfahrten GmbH (c)	99.9%		Stampfenbachstrasse 61, 8035 Zurich
<u>United Arab Emirates</u>			
Shamal Venture Cruise Terminal LLC (c)	49.0%		303 Emaar Square Building Bur Dubai Burj Khalifa, Dubai

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
United States			
1972 Productions, Inc. (c)	100.0%		3655 N.W. 87th Avenue, Miami, Florida 33178
A.J. Juneau Dock, LLC (c)	50.0%		1429 Tongass Avenue, Ketchikan, Alaska 99901
Alaska Hotel Properties LLC (c)	100.0%		Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
CC U.S. Ventures, Inc. (c)	100.0%		3655 N.W. 87th Avenue, Miami, Florida 33178
Costa Cruise Lines Inc. (c)	99.9%		200 South park Road, Suite 200, Hollywood, Florida 33021
Gibs, Inc. (c)	100.0%		160 Greentree Drive, Suite 101, Dover, Delaware 19904
Global Experience Innovators, Inc. (c)	100.0%		3655 N.W. 87th Avenue, Miami, Florida 33178
Global Fine Arts, Inc. (c)	100.0%		24305 Town Center Drive, Santa Clarita, California 91355
Holland America Line Inc. (c)	100.0%		450 Third Avenue West, Seattle, Washington 98119
Holland America Line U.S.A., Inc. (c)	100.0%		450 Third Avenue West, Seattle, Washington 98119
Ketchikan Dock Company, LLC (c)	30.0%		1429 Tongass Avenue, Ketchikan, Alaska 99901
Klondike Holdings, LLC	45.0%		251 Little Falls Drive, Wilmington, Delaware 19808
P&O Properties (California), Inc. (c)	100.0%		24305 Town Center Drive, Santa Clarita, California 91355
Princess Cruises and Tours, Inc. (c)	100.0%		1201 North Market Street, 18th Floor, Wilmington, Delaware 19081
Princess U.S. Holdings, Inc. (c)	100.0%		24305 Town Center Drive, Santa Clarita, California 91355
Royal Hyway Tours, Inc. (c)	100.0%		C/O CT Corporation System, 9630 Glacier Highway, Suite 202, Juneau, Alaska 99801
Skagway Port & Rail, Inc. (c)	45.0%		601 Union Street #3920, Seattle, Washington 98101
Tour Alaska, LLC (c)	100.0%		Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
Westmark Hotels, Inc. (c)	100.0%		C/O CT Corporation System, 9630 Glacier Highway, Suite 202, Juneau, Alaska 99801
Westours Motor Coaches, LLC (c)	100.0%		CT Corporation System, 711 Capitol Way S STE 204, Olympia, Washington 98501

- (a) Exempt from preparing individual accounts by virtue of Section 394A of the Companies Act 2006 and from filing individual accounts by virtue of Section 448A of the Companies Act 2006.
- (b) Exempt from preparing individual audited accounts by virtue of Section 479A of the Companies Act 2006.
- (c) Not directly owned by Carnival plc.

In order to obtain the above filing exemptions, the Company has guaranteed the outstanding liabilities to which each of the above companies is subject at November 30, 2019.

NOTE 14 – Unsecured Debt

	Group			
	November 30, 2019		November 30,	
	Interest Rates	Maturities Through	2019	2018
<i>(in millions)</i>				
Long-Term Debt				
Export Credit Facilities				
Fixed rate	0.0%	—	\$ —	\$ 36
EUR fixed rate	1.1% to 4.5%	2031	699	189
EUR floating rate	0.0% to 0.6%	2026	317	400
Bank Loans				
EUR fixed rate	0.5% to 3.9%	2021	221	257
EUR floating rate	0.0% to 0.7%	2023	1,266	852
GBP floating rate	1.7%	2023	452	449
Publicly-Traded Notes				
EUR fixed rate	1.0%	2029	660	—
Short-Term Borrowings				
EUR fixed rate bank loans	—%	—	—	227
EUR floating rate commercial paper	(0.3)%	2020	231	621
Total Debt			3,847	3,032
Less: Unamortized debt issuance costs			(29)	(9)
Total Debt, net of unamortized debt issuance costs			3,818	3,023
Less short-term borrowings			(231)	(848)
Less current portion of long-term debt			(329)	(168)
Long-Term Debt			<u>\$ 3,257</u>	<u>\$ 2,007</u>

	Company			
	November 30, 2019		November 30,	
	Interest Rates	Maturities Through	2019	2018
<i>(in millions)</i>				
Long-Term Debt				
Export Credit Facilities				
Fixed rate	0.0%	—	\$ —	\$ 36
EUR fixed rate	1.1%	2031	545	—
EUR floating rate	0.0%	2025	240	309
Bank Loans				
EUR fixed rate	0.5% to 3.9%	2021	221	257
EUR floating rate	0.1% to 0.2%	2023	330	341
GBP floating rate	1.7%	2023	452	449
Publicly-Traded Notes				
EUR fixed rate	1.0%	2029	660	—
Short-Term Borrowings				
EUR floating rate commercial paper	(0.3)%	2020	231	621
Total Debt			2,680	2,013
Less: Unamortized debt issuance costs			(27)	(8)
Total Debt, net of unamortized debt issuance costs			2,653	2,005
Less short-term borrowings			(231)	(621)
Less current portion of long-term debt			(289)	(126)
Long-Term Debt			\$ 2,132	\$ 1,258

The debt table does not include the impact of our foreign currency and interest rate swaps. The interest rates on some of our debt, and in the case of our revolving credit facility, fluctuate based on the applicable rating of senior unsecured long-term securities of Carnival Corporation or Carnival plc. For the twelve months ended November 30, 2019 and 2018, we had no borrowings or repayments of commercial paper with original maturities greater than three months.

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

The floating rate is based on LIBOR or EURIBOR. Substantially all of our fixed rate debt can be called or prepaid by incurring additional costs. In addition, substantially all of our debt agreements contain one or more financial covenants that require us to:

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

Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated. At November 30, 2019, we were in compliance with all of our debt covenants.

The scheduled annual maturities of our debt were as follows:

(in millions)

	<u>Group</u>	<u>Company</u>
Fiscal	November 30, 2019	
2020	\$ 560	\$ 520
2021	164	124
2022	301	96
2023	1,689	878
2024	123	83
Thereafter	1,009	979
	<u>\$ 3,847</u>	<u>\$ 2,680</u>

(in millions)

	<u>Group</u>	<u>Company</u>
Fiscal	November 30, 2018	
2019	\$ 1,016	\$ 747
2020	291	249
2021	121	79
2022	92	50
2023	1,393	840
Thereafter	120	48
	<u>\$ 3,032</u>	<u>\$ 2,013</u>

Committed Ship Financings

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

Revolving Credit Facilities

At November 30, 2019, Carnival Corporation & plc had a \$3.0 billion (\$1.7 billion, €1.0 billion and £150 million) multi-currency revolving credit facility that expires in 2024 (the "Facility"). A total of \$2.8 billion of this capacity was available for drawing, which is net of outstanding commercial paper. We have options to extend the Facility through 2026 subject to the approval of each bank in the Facility. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 22.5 basis points ("bps"). The margin varies based on changes to Carnival Corporation's long-term credit ratings. The Facility also includes an emissions linked margin adjustment whereby, after the initial applicable margin is set per the margin pricing grid, the margin may be adjusted based on performance in achieving certain agreed annual carbon emissions goals. Carnival Corporation & plc is required to pay a commitment fee on any undrawn portion.

Reconciliation of Liabilities Arising from Financing Activities

	Group			
<i>(in millions)</i>	November 30, 2018	Cash flows	Foreign exchange changes	November 30, 2019
Long-Term Debt				
Export Credit Facilities				
Fixed rate	\$ 36	\$ (36)	\$ —	\$ —
EUR fixed rate	189	533	(23)	699
EUR floating rate	400	(71)	(12)	317
Bank Loans				
EUR fixed rate	257	(28)	(8)	221
EUR floating rate	852	448	(35)	1,266
GBP floating rate	449	—	3	452
Publicly-Traded Notes				
EUR fixed rate	—	660	1	660
Short-Term Borrowings				
EUR fixed rate bank loans	227	(228)	1	—
EUR floating rate commercial paper . . .	621	(377)	(12)	231
Total Debt	\$ 3,032	\$ 900	\$ (85)	\$ 3,847

	Company			
<i>(in millions)</i>	November 30, 2018	Cash flows	Foreign exchange changes	November 30, 2019
Long-Term Debt				
Export Credit Facilities				
Fixed rate	\$ 36	\$ (36)	\$ —	\$ —
EUR fixed rate	—	563	(18)	545
EUR floating rate	309	(60)	(9)	240
Bank Loans				
EUR fixed rate	257	(28)	(8)	221
EUR floating rate	341	—	(11)	330
GBP floating rate	449	—	3	452
Publicly-Traded Notes				
EUR fixed rate	—	660	1	661
Short-Term Borrowings				
EUR floating rate commercial paper	621	(377)	(12)	231
Total Debt	\$ 2,013	\$ 721	\$ (54)	\$ 2,680

NOTE 15 – Other Long-Term Liabilities

<i>(in millions)</i>	Group		Company	
	November 30,			
	2019	2018	2019	2018
Customer deposits	\$ 70	\$ 85	\$ 54	\$ 64
Claims reserve	61	66	15	16
Income taxes	25	24	—	—
Deferred income	16	16	2	2
Deferred income taxes	13	15	—	—
Post-employment benefits	15	22	—	—
Ship deposits from CSSC-Carnival	57	107	57	107
Other	43	28	31	19
	\$ 300	\$ 361	\$ 158	\$ 209

Deferred income taxes are principally related to differences between the (1) book and tax methods of calculating depreciation expense in our Holland America Princess Alaska Tours business and other North America operations and (2) the timing of recognizing our Cozumel, Mexico port hurricane insurance settlement.

NOTE 16 – Share Capital

<i>(in millions)</i>	Number of Shares	Share Capital
At November 30, 2017	216.8	\$ 358
Ordinary shares issued and fully paid	0.3	—
At November 30, 2018	217.1	358
Ordinary shares issued and fully paid	0.2	—
At November 30, 2019	217.3	\$ 358

There were no share options exercised during 2019 or 2018. During 2019, the Company did not issue ordinary shares (0.1 million ordinary shares in 2018) to the Carnival plc Employee Benefit Trust from treasury stock. There were 34.8 million shares held as treasury stock at November 30, 2019 (22.6 million shares held as treasury stock at November 30, 2018).

The Company has two allotted and issued subscriber shares of £1 each, that carry no voting rights and no right to receive any dividend or any amount paid on return of capital. The Company has one special voting share of £1 issued to Carnival Corporation in connection with the DLC transaction to enable Carnival Corporation’s shareholders to vote as a group on Company shareholder matters. At November 30, 2019 and 2018, the Company had 50,000 allotted but unissued redeemable preference shares of £1 each. These redeemable preference shares are entitled to a cumulative fixed dividend of 8% per annum. The preference shares, which carry no voting rights, rank behind other classes of shares in relation to the payment of capital on certain types of distributions from the Company.

NOTE 17 – Reserves and Other Equity Activity

The Group merger reserve arose from the difference between the book value and the fair value of certain businesses sold to Carnival Corporation during 2004 as part of a DLC corporate restructuring, which was accounted for as a group reconstruction.

At November 30, 2019, the Carnival plc Employee Benefit Trust held 0.02 million ordinary shares of Carnival plc (0.2 million at November 30, 2018) with an aggregate par value of \$0.03 million at November 30, 2019 (\$0.4 million at November 30, 2018). At November 30, 2019, the market value of these shares was \$0.8 million (\$14 million at November 30, 2018). If they had been sold at this market value there would have been no tax liability in either 2019 or 2018 on the gain arising from the sale.

The income attributable to shareholders of the Company was \$1.3 billion in 2019 (\$1.7 billion in 2018). The 2019 income included \$848 million (\$1.4 billion in 2018) of dividends from subsidiaries. Retained earnings consisted of \$7.4 billion (\$6.4 billion in 2018) of distributable reserves and \$1.7 billion of nondistributable reserves at November 30, 2019 and 2018.

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

Our repurchases under the Repurchase Program were as follows:

<i>(in millions)</i>	Carnival Corporation		Carnival plc	
	Number of Shares Repurchased	Dollar Amount Paid for Shares Repurchased	Number of Shares Repurchased	Dollar Amount Paid for Shares Repurchased
2019	0.6	\$ 26	12.2	\$ 569
2018	7.8	\$ 476	16.3	\$ 985

On November 20, 2019, Carnival plc entered into an agreement to purchase a maximum of \$140 million of its own shares during the closed period, which ended December 23, 2019, as part of the Repurchase Program. From November 21, 2019 to November 30, 2019, \$11 million of purchases were made and accordingly, as of November 30, 2019, \$129 million related to these repurchases were classified as other reserves with the payment obligation recognized in accrued liabilities and other. Subsequent to November 30, 2019, \$10 million was repurchased under this agreement. On November 20, 2018, Carnival plc entered into an agreement to purchase a maximum of \$135 million of its own shares during the closed period, which ended December 21, 2018, as part of the Repurchase Program. From November 21, 2018 to November 30, 2018, \$24 million of purchases were made and accordingly, as of November 30, 2018, \$111 million related to these repurchases were classified as other reserves with the payment obligation recognized in accrued liabilities and other.

Carnival plc declared quarterly cash dividends on all of their ordinary shares as follows:

<i>(in millions, except per share data)</i>	Quarters Ended			
	February 28	May 31	August 31	November 30
2019				
Dividends declared per share	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Dividends declared	\$ 95	\$ 95	\$ 93	\$ 94
2018				
Dividends declared per share	\$ 0.45	\$ 0.50	\$ 0.50	\$ 0.50
Dividends declared	\$ 93	\$ 104	\$ 100	\$ 99

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

At November 30, 2019 there were 7.2 million ordinary shares of Carnival plc (7.4 million at November 30, 2018) authorized for future issuance under its employee benefit plans.

NOTE 18 – Post-Employment Benefits

Employee Benefit Plans

Carnival plc is a contributing employer to three defined benefit pension plans: the P&O Princess Cruises (UK) Pension Scheme (“Company’s UK Plan”), the multiemployer Merchant Navy Officers Pension Fund (“MNOPF”) and the multiemployer Merchant Navy Ratings Pension Fund (“MNRPF”). The defined benefit plans are formally valued triennially by external qualified actuaries as required by the applicable UK regulations.

The Company’s UK Plan’s assets are managed on behalf of the trustee by independent fund managers. The Company’s UK Plan is closed to new membership and to future benefit accrual. Based on the most recent valuation of the Company’s UK Plan at March 31, 2016, it was determined that this plan was 98% funded. The valuation of the Company’s UK Plan at March 31, 2019 is currently in process and accordingly, the results are not available at January 28, 2020.

The MNOPF is a funded defined benefit multiemployer plan in which British officers employed by companies within the Group have participated and continue to participate. The MNOPF is divided into two sections, the “Old Section” and the “New Section”, each of which covers a different group of participants. Both the Old Section and New Section are closed to new membership and to future benefit accrual.

The Old Section covers predecessor employers’ officers employed prior to 1978 and is fully funded. In December 2012, the fund’s trustee completed a buy-in of the Old Section liabilities with a third-party insurer, whereby the insurer will pay the officers’ pension liabilities as they become due. Therefore, we have no further obligation to fund this Section.

The New Section is accounted for as a defined benefit plan. Based on the most recent valuation of the New Section at March 31, 2018, it was determined that this plan was 98% funded and the deficits are to be recovered through funding contributions from participating employers.

The MNRPF is also a defined benefit multiemployer pension plan available to certain of P&O Cruises (UK)’s shipboard British personnel. This plan is closed to new membership and to future benefit accrual and based on the most recent valuation at March 31, 2019, it was determined that this plan was 88% funded and the deficits are to be recovered through funding contributions from participating employers.

The recorded long-term assets (liabilities) on the Balance Sheets for the Company’s UK Plan, the Group’s share of the MNOPF New Section and the MNRPF and other post-employment benefit liabilities were as follows:

	November 30,	
	2019	2018
<i>(in millions)</i>		
Employee benefit plans’ assets (deficits)	\$ 13	\$ 11
Other post-employment benefits	(15)	(22)
	<u>\$ (2)</u>	<u>\$ (11)</u>

The employee benefit plans’ information provided below relates to the Company’s UK Plan, the Group’s share of the MNOPF New Section and the MNRPF.

The pension liabilities for accounting purposes were calculated by the Group’s qualified external actuary. The principal assumptions used were as follows:

	Company’s UK Plan (%)		MNOFP New Section (%)		MNRPF (%)	
	2019	2018	2019	2018	2019	2018
Discount rates	1.9	3.0	1.9	2.9	1.9	2.9
Expected rates of salary increases	2.9	3.4	n/a	n/a	n/a	n/a
Pension increases						
Deferment	1.9	2.4	1.9	2.4	1.9	2.4
Payment	2.8	3.1	2.8	3.1	2.8	3.1
Inflation	2.9	3.4	2.9	3.4	2.9	3.4

Assumptions regarding future mortality experience are set based on the Self-Administered Pension Schemes tables for the “base” mortality tables. The weighted-average life expectancy in years of a 65-year old pensioner on the balance sheet dates was as follows:

	November 30,	
	2019	2018
Male	21.6	21.9
Female	23.6	24.2

The weighted-average life expectancy in years of a 45-year old future pensioner retiring at age 65 was as follows:

	November 30,	
	2019	2018
Male	23.3	23.7
Female	25.5	26.0

The amounts recognized in the Balance Sheets for these plans were determined as follows:

	November 30,	
	2019	2018
<i>(in millions)</i>		
Present value of obligations	\$ (595)	\$ (538)
Fair value of plans’ assets	640	587
Net assets (liabilities) before restriction on assets	45	48
Restriction on assets	(32)	(37)
Net assets (liabilities) recognized in Balance Sheets	<u>\$ 13</u>	<u>\$ 11</u>

The amounts recognized in the Statements of Income for these plans were as follows:

	November 30,	
	2019	2018
<i>(in millions)</i>		
Service cost	\$ —	\$ 4
Interest cost on defined benefit obligation	15	15
Interest income on plans’ assets	(17)	(16)
Interest income not recognized due to asset ceiling	1	1
Net interest on defined benefit liability	(1)	—
Administrative expenses	2	1
Cost recognized in Statements of Income	<u>\$ 1</u>	<u>\$ 5</u>

Our estimated contribution to be paid into the Company’s UK Plan during 2020 is \$1 million. We do not expect to make contributions into the MNOFP or MNRPF in 2020.

Analysis of the movements in the Balance Sheet assets (liabilities) for these plans was as follows:

<i>(in millions)</i>	November 30,	
	2019	2018
Net assets (liabilities) at December 1,	\$ 11	\$ (9)
Expenses (see above)	(1)	(5)
Amounts recognized in the Group Statements of Comprehensive Income	(2)	14
Employer contributions	5	12
Exchange movements	—	(1)
Net assets (liabilities) at November 30,	<u>\$ 13</u>	<u>\$ 11</u>

The cumulative actuarial losses recognized in the Group or Company Statements of Changes in Shareholders’ Equity at November 30, 2019 for these plans were \$44 million (\$42 million at November 30, 2018).

Changes in the present value of defined benefit obligations for these plans were as follows:

<i>(in millions)</i>	November 30,	
	2019	2018
Present value of obligations at December 1,	\$ (538)	\$ (624)
Past service cost	—	(4)
Interest cost	(15)	(15)
Benefits paid	26	37
Actuarial losses on plans’ liabilities	(63)	52
Loss due to change in share of MNOFP	—	(6)
Exchange movements	(5)	22
Present value of obligations at November 30,	<u>\$ (595)</u>	<u>\$ (538)</u>

The sensitivity of the plans’ liabilities to changes in certain key assumptions were as follows:

- 0.5% reduction in the discount rate results in an increase of \$55 million
- 0.5% increase in inflation rate results in an increase of \$40 million
- 1 year increase in life expectancy would result in an increase of \$29 million

Changes in the fair value of these plans’ assets were as follows:

<i>(in millions)</i>	November 30,	
	2019	2018
Fair value of plans’ assets at December 1,	\$ 587	\$ 638
Interest income on plans’ assets	17	16
Return on plans’ assets greater than discount rate	54	(23)
Employer contributions	5	12
Benefits paid	(26)	(37)
Administrative expenses	(2)	(1)
Gain due to change in share of MNOFP	—	6
Exchange movements	4	(24)
Fair value of plans’ assets at November 30,	<u>\$ 640</u>	<u>\$ 587</u>

The actual gains (losses) on these plans’ assets in 2019 were \$71 million ((\$7) million in 2018).

These plans' assets were comprised as follows:

	November 30,			
	2019		2018	
<i>(in millions, except percentages)</i>				
Equities	\$ 224	35%	\$ 222	38%
Fixed interest gilts	159	25%	138	24%
Liability matching investments	257	40%	227	39%
	<u>\$ 640</u>	<u>100%</u>	<u>\$ 587</u>	<u>100%</u>
Restriction on assets (a)	(32)		(37)	
	<u>\$ 608</u>		<u>\$ 549</u>	

(a) These assets are restricted in line with the trustee agreements of the two multiemployer schemes.

The Company's net pension balance represents substantially all of the Group's funded employee benefit plans.

Defined Contribution Plans

The Group has several defined contribution plans available to its employees. During 2019, the Group expensed \$14 million (\$13 million in 2018) for these plans.

NOTE 19 – Employees and Directors

The average number of our employees, which excludes shipboard employees who are on leave, was as follows:

	Years Ended November 30,	
	2019	2018
Shore employees	7,220	6,849
Shipboard employees	34,322	33,244
	<u>41,542</u>	<u>40,093</u>

The aggregate payroll and related expenses included in both cruise operating expenses and selling and administrative expenses were as follows:

<i>(in millions)</i>	Years Ended November 30,	
	2019	2018
Salaries, wages and benefits	\$ 1,147	\$ 1,157
Social security and payroll taxes	60	70
Pensions	18	20
Share-based compensation	11	12
	<u>\$ 1,236</u>	<u>\$ 1,260</u>

Carnival Corporation & Carnival plc operate as if they are a single economic enterprise with a single senior executive management team and identical Boards of Directors. These individuals have the responsibility and authority for controlling, directing and planning Carnival Corporation and Carnival plc’s activities. Their aggregate compensation includes amounts paid by both Carnival Corporation and Carnival plc and was as follows:

<i>(in millions)</i>	Years Ended November 30,	
	2019	2018
Fees	\$ 1	\$ 1
Salaries and benefits	7	7
Performance related bonuses	4	11
Total short-term employment benefits	13	18
Share-based compensation	18	17
	<u>\$ 30</u>	<u>\$ 35</u>

Equity Plans

We issue our share-based compensation awards, which at November 30, 2019 included time-based share awards (restricted stock awards and restricted stock units), performance-based share awards and market-based share awards (collectively “equity awards”) under the Carnival plc stock plan. Equity awards are principally granted to management level employees and members of our Boards of Directors. The plan is administered by a committee of independent directors (the “Committee”) that determines which employees are eligible to participate, the monetary value or number of shares for which equity awards are to be granted and the amounts that may be exercised or sold within a specified term. We had an aggregate of 6.6 million shares available for future grant at November 30, 2019. We fulfill our equity award obligations using shares purchased in the open market or with unissued or treasury shares. Our equity awards generally vest over a three-year period, subject to earlier vesting under certain conditions.

The Group granted 281,061 equity awards at a weighted-average price of £40.18 in 2019 (190,164 equity awards at a weighted-average price of £45.59 in 2018).

NOTE 20 – Related Party Transactions

Transactions with Carnival Corporation and its Subsidiaries

During 2019, Holland America Line and Princess Cruises purchased land tours from us totalling \$120 million (\$119 million in 2018) and packaged these land tours for sale with their cruises. In addition, during 2019 and 2018, the Group sold pre- and post-cruise vacations, shore excursions and transportation services to the Carnival Corporation group.

During 2019 and 2018, the Company had ship charter agreements with Princess Cruises and Carnival Cruise Line for ships operating in Australia and/or Asia. Princess Cruises and Carnival Cruise Line are subsidiaries of Carnival Corporation. The total charter expense in 2019 was \$593 million (\$685 million in 2018), which was included in other ship operating expenses.

During 2019, the Group sold Advanced Air Quality Systems totalling \$33 million (\$28 million in 2018) to the Carnival Corporation group.

During 2019, the Company continued to provide a guarantee to the MNOPF for certain employees who have transferred from the Company to a subsidiary of Carnival Corporation.

At November 30, 2019, amounts owed by the Group and Company to the Carnival Corporation group were unsecured and repayable on demand.

At November 30, 2019 and 2018, Carnival Corporation owned 0.8 million, or 0.4%, of the Company's ordinary shares, which are non-voting. At November 30, 2019 and 2018, Carnival Investments Limited, a subsidiary of Carnival Corporation, owned 24.9 million, or 12%, of the Company's ordinary shares, which are also non-voting.

During 2018, Carnival Corporation transferred \$20 million of Carnival plc ordinary shares to the Company, which resulted in a corresponding increase to non-distributable capital reserves within shareholders' equity. These shares were used by the Company as part of the White Pass purchase consideration.

Within the DLC arrangement, there are instances where the Group provides services to Carnival Corporation group companies and also where Carnival Corporation group companies provide services to the Group. Additional disclosures of related party transactions are discussed in Note 1 of the DLC Financial Statements, which are included in Annex 1, but do not form part of these financial statements.

Transactions with Subsidiaries

The Company enters into loans with its subsidiaries at floating rates of interest, generally at rates agreed to between the parties from time to time.

In 2019, the Company received total dividends of \$849 million (\$1.4 billion in 2018) from its subsidiaries.

Key Management Personnel

Within our operational and organisational structure, the key management personnel consists of a senior executive management team and members of the Board of Directors of the Company. Except for some share-based compensation and some fees for UK-based services, the majority of the Directors' and the senior executive management team's remuneration was borne by other companies within the DLC. Details of the Company's Directors' remuneration and share-based compensation are disclosed in the Carnival plc Directors' Remuneration Report and any relevant transactions are given in the "Related Person Transactions" section, both of which are included within the Proxy Statement.

NOTE 21 – Commitments

Group

(in millions)

November 30, 2019	November 30,						Thereafter	Total
	2020	2021	2022	2023	2024			
New ship growth capital	\$ 2,757	\$ 1,996	\$ 1,640	\$ 966	\$ —	\$ —	\$ 7,359	
Short-term ship charters	755	—	—	—	—	—	755	
Port facilities and other operating leases	69	56	43	40	37	263	510	
	<u>\$ 3,582</u>	<u>\$ 2,052</u>	<u>\$ 1,683</u>	<u>\$ 1,006</u>	<u>\$ 37</u>	<u>\$ 263</u>	<u>\$ 8,624</u>	

(in millions)

November 30, 2018	November 30,					Thereafter	Total
	2019	2020	2021	2022	2023		
New ship growth capital	\$ 3,036	\$ 1,965	\$ 2,087	\$ 1,689	\$ 978	\$ —	\$ 9,755
Short-term ship charters	648	—	—	—	—	—	648
Port facilities and other operating leases	60	42	47	45	43	374	611
	<u>\$ 3,744</u>	<u>\$ 2,007</u>	<u>\$ 2,134</u>	<u>\$ 1,734</u>	<u>\$ 1,022</u>	<u>\$ 374</u>	<u>\$ 11,014</u>

Short-term ship charters expense was \$587 million in 2019 (\$682 million in 2018). Operating lease expense, excluding the port facilities usage costs, was \$30 million in 2019 (\$33 million in 2018). Operating lease payments are charged to operating expense on a straight-line basis over the lease term. The fees, taxes and other port facilities usage charges were \$164 million in 2019 (\$157 million in 2018).

Company

At November 30, 2019, the Company had \$2.8 billion (\$3.0 billion in 2018) of contracted capital commitments relating to ship construction contracts.

NOTE 22 – Contingencies

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

Some of the debt contracts we enter into include indemnification provisions obligating us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes or changes in laws which increase our lenders' costs. There are no stated or notional amounts included in the indemnification clauses, and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. The Group has 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 23 – Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risk

Fair Value Measurements

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

- Level 1 measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgement.
- Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.
- Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Considerable judgement 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 realised in a current or future market exchange.

The fair value of cross guarantees within the DLC arrangement were not significant at November 30, 2019 or 2018, and are not expected to result in any material loss.

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

Group

<i>(in millions)</i>	November 30, 2019				November 30, 2018			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Long-term other assets (a)	\$ 115	\$ —	\$ —	\$ 116	\$ 63	\$ —	\$ —	\$ 62
Total	\$ 115	\$ —	\$ —	\$ 116	\$ 63	\$ —	\$ —	\$ 62
Liabilities								
Fixed rate debt (b)	\$ 1,581	\$ —	\$ 1,618	\$ —	\$ 710	\$ —	\$ 737	\$ —
Floating rate debt (b)	2,266	—	2,297	—	2,322	—	2,338	—
Total	\$ 3,847	\$ —	\$ 3,915	\$ —	\$ 3,032	\$ —	\$ 3,075	\$ —

Company

<i>(in millions)</i>	November 30, 2019				November 30, 2018			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Long-term other assets (a)	\$ 91	\$ —	\$ —	\$ 92	\$ 35	\$ —	\$ —	\$ 34
Total	\$ 91	\$ —	\$ —	\$ 92	\$ 35	\$ —	\$ —	\$ 34
Liabilities								
Fixed rate debt (b)	\$ 1,426	\$ —	\$ 1,446	\$ —	\$ 293	\$ —	\$ 300	\$ —
Floating rate debt (b)	1,253	—	1,266	—	1,720	—	1,728	—
Total	\$ 2,680	\$ —	\$ 2,712	\$ —	\$ 2,013	\$ —	\$ 2,027	\$ —

- (a) Long-term other assets are comprised of notes receivable, which include loans on ship sales. The fair value of our Level 3 notes receivable was estimated using risk-adjusted discount rates.
- (b) The debt amounts above do not include the impact of interest rate swaps or debt issuance costs. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1 and, accordingly, are considered Level 2. The fair values of our other debt were estimated based on current market interest rates being applied to this debt.

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

Group

<i>(in millions)</i>	November 30, 2019			November 30, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	\$ 219	\$ —	\$ —	\$ 368	\$ —	\$ —
Total	<u>\$ 219</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 368</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities						
Derivative financial instruments	\$ —	\$ 12	\$ —	\$ —	\$ 14	\$ —
Total	<u>\$ —</u>	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ —</u>

Company

<i>(in millions)</i>	November 30, 2019			November 30, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	\$ 82	\$ —	\$ —	\$ 267	\$ —	\$ —
Total	<u>\$ 82</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 267</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities						
Derivative financial instruments	\$ —	\$ 12	\$ —	\$ —	\$ 14	\$ —
Total	<u>\$ —</u>	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ —</u>

Derivative Instruments and Hedging Activities

Group and Company

<i>(in millions)</i>	Balance Sheet Location	November 30,	
		2019	2018
Derivative liabilities			
Derivatives designated as hedging instruments			
Interest rate swaps (a)	Accrued liabilities and other	\$ 4	\$ 5
	Other long-term liabilities	8	9
Total derivative liabilities		<u>\$ 12</u>	<u>\$ 14</u>

(a) The Group and Company 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 \$240 million at November 30, 2019 (\$298 million at November 30, 2018) of EURIBOR-based floating rate euro debt to fixed rate euro debt. At November 30, 2019, these interest rate swaps settle through 2025.

Our derivative contracts include rights of offset with our counterparties.

		November 30, 2019					
<i>(in millions)</i>	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts		
Assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Liabilities	\$ 12	\$ —	\$ 12	\$ —	\$ —	\$ 12	

		November 30, 2018					
<i>(in millions)</i>	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts		
Assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Liabilities	\$ 14	\$ —	\$ 14	\$ —	\$ —	\$ 14	

The effect of our derivatives qualifying and designated as hedging instruments recognized in other comprehensive income and in income was as follows:

<i>(in millions)</i>	Years Ended November 30,	
	2019	2018
Gains (losses) recognized in reserves:		
Interest rate swaps – cash flow hedges	\$ 1	\$ 4
Gains (losses) reclassified from reserves – cash flow hedges:		
Interest rate swaps – Interest expense, net of capitalized interest	\$ (5)	\$ (6)
Foreign currency zero cost collars – Depreciation and amortization	\$ (1)	\$ (1)

There are no credit risk related contingent features in our derivative agreements. The amount of estimated cash flow hedges' unrealised gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant.

Financial Risks

Carnival Corporation & plc manages its financial risks on a consolidated basis. The Group's activities expose it to a variety of financial risks such as fuel price risks, foreign currency exchange rate risk, interest rate risk, credit risk and liquidity risk.

The annual financial statements do not include all financial risk management information and disclosures; as such, they should be read in conjunction with the DLC Financial Statements, which is included in Annex 1, but do not form part of these Carnival plc financial statements.

Fuel Price Risk

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

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 Risk

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

Based on a 10% change in all currency exchange rates that were used in Carnival Corporation & plc's December 20, 2019 guidance, Carnival Corporation & plc estimate its adjusted diluted earnings per share would change by \$0.21 per share on an annualized basis for 2020.

Investment Currency Risk

Carnival Corporation & plc considers its investments in foreign operations to be denominated in stable currencies and are of a long-term nature. Carnival Corporation & plc partially mitigates its currency exposure of its investments in foreign operations by designating a portion of its foreign currency debt and derivatives as hedges of these investments. As of November 30, 2019, Carnival Corporation & plc has designated \$854 million of its sterling-denominated debt as non-derivative hedges of its net investments in foreign operations and in 2019, Carnival Corporation & plc recognized \$6 million of losses on its non-derivative net investment hedges in the cumulative translation adjustment section of other comprehensive income. Carnival Corporation & plc also has \$7.5 billion of euro-denominated debt, including the effect of cross currency swaps, which provides an economic offset for our operations with euro functional currency.

The exchange rates for each of our major currencies were as follows:

	<u>November 30, 2019</u>	<u>2019 average exchange rate</u>	<u>November 30, 2018</u>	<u>2018 average exchange rate</u>
USD to 1:				
AUD	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75
CAD	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.78
EUR	\$ 1.10	\$ 1.12	\$ 1.14	\$ 1.18
GBP	\$ 1.29	\$ 1.27	\$ 1.28	\$ 1.34
RMB	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.15

If the November 30, 2018 currency exchange rates had been used to translate our November 30, 2019 non-U.S. dollar functional currency operations' assets and liabilities (instead of the November 30, 2019 U.S. dollar exchange rates), our total assets would have been higher by \$380 million and our total liabilities would have been higher by \$269 million.

In addition, based on a 10% change in the U.S. dollar to euro, sterling and Australian dollar exchange rates at November 30, 2019, which are the functional currencies we translate into our U.S. dollar reporting currency, we estimate our 2019 cumulative translation adjustment would have changed by \$632 million.

Newbuild Currency Risk

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

At November 30, 2019, Carnival Corporation & plc's remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments to non-euro functional currency brands, which represent a total unhedged commitment of \$7.3 billion for newbuilds scheduled to be delivered from 2020 through 2025.

The cost of shipbuilding orders that we may place in the future that is denominated in a different currency than our cruise brands' will be affected by foreign currency exchange rate fluctuations. These foreign currency exchange rate fluctuations may affect our decision to order new cruise ships.

Interest Rate Risk

We manage our exposure to fluctuations in interest rates through our debt portfolio management and investment strategies. We evaluate our debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps, issuance of new debt, amendment of existing debt or early retirement of existing debt. The composition of Carnival Corporation & plc debt, including the effect of foreign currency swaps and interest rate swaps, was as follows:

	November 30,	
	2019	2018
Fixed rate	24%	29%
EUR fixed rate	43%	29%
Floating rate	4%	6%
EUR floating rate	22%	28%
GBP floating rate	7%	8%

The interest rate profiles and maturities of financial assets and (liabilities) at November 30, 2019 were as follows:

Group

<i>(in millions)</i>	2020	2021	2022	2023	2024	There- after	Total
Floating rate							
Cash and cash equivalents	\$ 219	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 219
EUR export credit facilities	(60)	(60)	(60)	(60)	(46)	(33)	(317)
EUR bank loans	—	—	(165)	(1,101)	—	—	(1,266)
EUR commercial paper	(231)	—	—	—	—	—	(231)
GBP bank loans	—	—	—	(452)	—	—	(452)
	<u>\$ (72)</u>	<u>\$ (60)</u>	<u>\$ (225)</u>	<u>\$ (1,612)</u>	<u>\$ (46)</u>	<u>\$ (33)</u>	<u>\$ (2,047)</u>
Fixed rate							
Bearing interest at 0.0% to 0.9% . . .	(165)	—	—	—	—	—	(165)
Bearing interest at 1.0% to 1.9% . . .	(47)	(47)	(47)	(47)	(47)	(969)	(1,205)
Bearing interest at 3.0% to 3.9% . . .	(43)	(43)	(15)	(15)	(15)	(7)	(137)
Bearing interest at 4.0% to 4.9% . . .	(15)	(15)	(15)	(15)	(15)	—	(73)
	<u>\$ (270)</u>	<u>\$ (105)</u>	<u>\$ (77)</u>	<u>\$ (77)</u>	<u>\$ (77)</u>	<u>\$ (976)</u>	<u>\$ (1,581)</u>

Company

<i>(in millions)</i>	2020	2021	2022	2023	2024	There- after	Total
Floating rate							
Cash and cash equivalents	\$ 82	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 82
EUR export credit facilities	(49)	(49)	(49)	(49)	(35)	(11)	(240)
EUR bank loan	—	—	—	(330)	—	—	(330)
EUR commercial paper	(231)	—	—	—	—	—	(231)
GBP bank loan	—	—	—	(452)	—	—	(452)
	<u>\$ (198)</u>	<u>\$ (49)</u>	<u>\$ (49)</u>	<u>\$ (831)</u>	<u>\$ (35)</u>	<u>\$ (11)</u>	<u>\$ (1,171)</u>
Fixed rate							
Bearing interest at 0.0% to 0.9%	\$ (165)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (165)
Bearing interest at 1.0% to 1.9%	(47)	(47)	(47)	(47)	(47)	(969)	(1,205)
Bearing interest at 3.0% to 3.9%	(28)	(28)	—	—	—	—	(56)
	<u>\$ (240)</u>	<u>\$ (75)</u>	<u>\$ (47)</u>	<u>\$ (47)</u>	<u>\$ (47)</u>	<u>\$ (969)</u>	<u>\$ (1,426)</u>

The interest rate profiles and maturities of financial assets and (liabilities) at November 30, 2018 were as follows:

Group

<i>(in millions)</i>	2019	2020	2021	2022	2023	There- after	Total
Floating rate							
Cash and cash equivalents	\$ 368	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 368
EUR export credit facilities	(73)	(61)	(61)	(61)	(61)	(82)	(400)
EUR bank loans	—	—	—	—	(852)	—	(852)
EUR commercial paper	(621)	—	—	—	—	—	(621)
GBP bank loans	—	—	—	—	(449)	—	\$ (449)
	<u>\$ (325)</u>	<u>\$ (61)</u>	<u>\$ (61)</u>	<u>\$ (61)</u>	<u>\$ (1,363)</u>	<u>\$ (82)</u>	<u>\$ (1,954)</u>
Fixed rate							
Bearing interest at -1.0% to -0.1% . . .	\$ (227)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (227)
Bearing interest at 0.0% to 0.9%	—	(170)	—	—	—	—	(170)
Bearing interest at 3.0% to 3.9%	(44)	(44)	(44)	(15)	(15)	(23)	(185)
Bearing interest at 4.0% to 4.9%	(51)	(15)	(15)	(15)	(15)	(15)	(127)
	<u>\$ (323)</u>	<u>\$ (230)</u>	<u>\$ (59)</u>	<u>\$ (30)</u>	<u>\$ (30)</u>	<u>\$ (38)</u>	<u>\$ (710)</u>

Company

<i>(in millions)</i>	2019	2020	2021	2022	2023	There- after	Total
Floating rate							
Cash and cash equivalents	\$ 267	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 267
EUR export credit facilities	(61)	(50)	(50)	(50)	(50)	(48)	(309)
EUR bank loan	—	—	—	—	(341)	—	(341)
EUR commercial paper	(621)	—	—	—	—	—	(621)
GBP bank loans	—	—	—	—	(449)	—	(449)
	<u>\$ (415)</u>	<u>\$ (50)</u>	<u>\$ (50)</u>	<u>\$ (50)</u>	<u>\$ (840)</u>	<u>\$ (48)</u>	<u>\$ (1,453)</u>
Fixed rate							
Bearing interest at 0.0% to 0.9%	\$ —	\$ (170)	\$ —	\$ —	\$ —	\$ —	\$ (170)
Bearing interest at 3.0% to 3.9%	(29)	(29)	(29)	—	—	—	(87)
Bearing interest at 4.0% to 4.9%	(36)	—	—	—	—	—	(36)
	<u>\$ (65)</u>	<u>\$ (199)</u>	<u>\$ (29)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (293)</u>

Carnival Corporation & plc has fixed and floating rate debt and uses interest rate swaps to manage its interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. Based upon a 10% change in the November 30, 2019 market interest rates, its annual interest expense on floating rate debt, including the effect of our interest rate swaps, would change by an insignificant amount. Substantially all of Carnival Corporation & plc's fixed rate debt can be called or prepaid by incurring additional costs.

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 minimise these credit risk exposures, including counterparty nonperformance primarily associated with our cash equivalents, investments, notes receivables, committed financing facilities, contingent obligations, derivative instruments, insurance contracts, long-term ship charters and new ship progress payment guarantees, by:

- Conducting business with 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 minimise risk
- Generally requiring collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards

We believe the risk of nonperformance by any of our significant counterparties is remote. At November 30, 2019, our exposures under foreign currency derivative contracts and interest rate swap agreements were not material.

We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe, which includes charter-hire agreements in Asia and credit and debit card providers to which we extend credit in the normal course of our business. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honour 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 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, notes receivables, charter-hire agreements and contingent obligations. We do not normally require collateral or other security to support normal credit sales.

Capital Management

The consolidated Carnival Corporation & plc's primary financial goals are to profitably grow its cruise business and grow ROIC over time, while maintaining a strong balance sheet and investment grade credit ratings. Carnival Corporation & plc defines ROIC as the twelve month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress. Carnival Corporation & plc's ability to generate significant operating cash flow allows it to internally fund its capital improvements, debt maturities and dividend payments. Carnival Corporation & plc has \$9.5 billion of committed export credit facilities available to fund the vast majority of its new ship growth capital. Other objectives of its capital structure policy are to maintain a sufficient level of liquidity through its available cash and cash equivalents and committed financings for immediate and future liquidity needs and to maintain a reasonable debt maturity profile.

At November 30, 2019, the net debt to capital ratio for Carnival Corporation & plc, applying U.S. GAAP and prepared on the same basis as above, was 31% (28% at November 30, 2018).

The net debt to capital ratio of the Group was calculated as follows:

<i>(in millions)</i>	November 30,	
	2019	2018
Total debt	\$ 3,818	\$ 3,023
Cash equivalents	(50)	(245)
Net debt	3,768	2,778
Shareholders' equity	8,659	8,537
Total capital	<u>\$ 12,426</u>	<u>\$ 11,315</u>
Net debt to capital ratio	<u>30%</u>	<u>25%</u>

Liquidity Risk

Typically, the Carnival Corporation & plc debt financing agreements allow for either Carnival Corporation or Carnival plc to draw under the facilities, with the non-borrowing entity as guarantor.

At November 30, 2019, the consolidated Carnival Corporation & plc had liquidity of \$12.5 billion. Carnival Corporation & plc's liquidity consisted of \$182 million of cash and cash equivalents, which excludes \$336 million of cash used for current operations, \$2.8 billion available for borrowing under its revolving credit facility, net of its outstanding commercial paper borrowing, and \$9.5 billion under its committed future financings, which are comprised of ship export credit facilities. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honour their contractual agreements with us.

<i>(in billions)</i>	2020	2021	2022	2023
Availability of committed future financing at November 30, 2019	\$ 3.6	\$ 2.7	\$ 2.3	\$ 0.9

At November 30, 2019, our revolving credit facility is scheduled to mature in 2024.

The summary of the maturity profiles of the financial liabilities at November 30, 2019 and 2018 was as follows:

Group

<i>(in millions)</i>	2020	2021	2022	2023	2024	There- after	Total
November 30, 2019							
Floating rate debt	\$ 303	\$ 72	\$ 238	\$ 1,618	\$ 47	\$ 33	\$ 2,310
Fixed rate debt	291	122	92	90	88	1,020	1,704
Undiscounted cash flow obligations of debt, including future interest	594	194	329	1,707	135	1,054	4,014
Amounts owed to Carnival Corporation group	474	—	—	—	—	—	474
Trade payables, accrued liabilities and other ...	1,204	—	—	—	—	—	1,204
Other liabilities	—	41	24	17	21	45	147
At November 30, 2019	<u>\$ 2,273</u>	<u>\$ 235</u>	<u>\$ 353</u>	<u>\$ 1,724</u>	<u>\$ 156</u>	<u>\$ 1,099</u>	<u>\$ 5,839</u>
<i>(in millions)</i>	2019	2020	2021	2022	2023	There- after	Total
November 30, 2018							
Floating rate debt	\$ 707	\$ 78	\$ 82	\$ 85	\$ 1,374	\$ 84	\$ 2,409
Fixed rate debt	336	239	65	34	33	39	746
Undiscounted cash flow obligations of debt, including future interest	1,042	317	147	119	1,407	123	3,155
Amounts owed to Carnival Corporation group	268	—	—	—	—	—	268
Trade payables, accrued liabilities and other ...	1,065	—	—	—	—	—	1,065
Other liabilities	—	28	23	23	18	44	136
At November 30, 2018	<u>\$ 2,375</u>	<u>\$ 345</u>	<u>\$ 170</u>	<u>\$ 142</u>	<u>\$ 1,425</u>	<u>\$ 167</u>	<u>\$ 4,624</u>

Company

<i>(in millions)</i>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>There- after</u>	<u>Total</u>
November 30, 2019							
Floating rate debt	\$ 288	\$ 56	\$ 57	\$ 833	\$ 35	\$ 11	\$ 1,280
Fixed rate debt	256	88	59	58	58	1,013	1,531
Undiscounted cash flow obligations of debt, including future interest	543	144	116	891	93	1,024	2,811
Amounts owed to Carnival Corporation group	515	—	—	—	—	—	515
Trade payables, accrued liabilities and other . . .	540	—	—	—	—	—	540
Other liabilities	—	24	6	5	4	5	44
At November 30, 2019	<u>\$ 1,598</u>	<u>\$ 168</u>	<u>\$ 122</u>	<u>\$ 896</u>	<u>\$ 97</u>	<u>\$ 1,029</u>	<u>\$ 3,910</u>

<i>(in millions)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>There- after</u>	<u>Total</u>
November 30, 2018							
Floating rate debt	\$ 692	\$ 62	\$ 64	\$ 66	\$ 846	\$ 48	\$ 1,777
Fixed rate debt	70	202	30	—	—	—	302
Undiscounted cash flow obligations of debt, including future interest	762	264	94	66	846	48	2,080
Amounts owed to Carnival Corporation group	322	—	—	—	—	—	322
Trade payables, accrued liabilities and other . . .	501	—	—	—	—	—	501
Other liabilities	—	3	2	2	2	6	15
At November 30, 2018	<u>\$ 1,585</u>	<u>\$ 267</u>	<u>\$ 96</u>	<u>\$ 68</u>	<u>\$ 848</u>	<u>\$ 54</u>	<u>\$ 2,918</u>

Substantially all financial liabilities are held at amortized cost. The fair values of our financial liabilities not included in the table above approximate their book values.

NOTE 24 – Supplemental Cash Flow Information

For the twelve months ended November 30, 2019 and 2018, we issued notes receivable upon sale of ships of \$104 million and \$35 million.

Independent auditors' report to the members of Carnival plc

Report on the audit of the financial statements

Opinion

In our opinion, Carnival plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 November 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company balance sheets as at 30 November 2019; the Group statements of income and statements of comprehensive income, the Group and Company statements of cash flows, the Group and Company statements of changes in shareholders' equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

The Carnival Corporation & plc consolidated financial statements for 2019, prepared under U.S. Generally Accepted Accounting Principles (referred to as either the "Carnival Corporation & plc U.S. GAAP consolidated financial statements" or the "DLC Financial Statements"), which are included in Annex 1 of the Carnival plc Strategic Report and IFRS Financial Statements, as other information, do not form part of the Carnival plc IFRS Financial Statements. Accordingly, they are not within the scope of this opinion.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

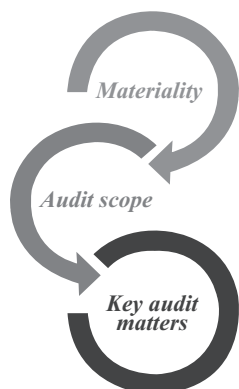
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Corporate Governance Report, we have provided no non-audit services to the Group or the Company in the period from 1 December 2018 to 30 November 2019.

Our audit approach

Overview



- Overall Group materiality: \$56 million (2018: \$56 million), based on approximately 5% of net income before income taxes.
- Overall Company materiality: \$53 million (2018: \$53 million), based on 1% of total assets. For the purposes of the audit of the Group financial statements, we determined a component materiality for the Company of \$53 million on the basis the Company should not have a higher materiality than the overall Group.

-
- Carnival plc has eight operating units.
 - Three operating units were subject to an audit of their complete financial information due to their size.
 - Specific audit procedures were performed on certain balances and transactions in respect of three other operating units.
 - We visited component auditors in three locations in person covering all of the financially significant components.

The areas of focus were:

- Risks of fraud in relation to revenue recognition (see note 2 to the financial statements for the Directors' disclosures of the related accounting policies) (Group and Company).
 - Impairment review of AIDA, Costa and Cunard goodwill and the carrying value of ships (see note 2 to the financial statements for the Directors' disclosures of the related accounting policies and notes 10 & 11) (Group and Company).
-

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the requirement of the Group to comply with the complexities of listing and UK and international tax regulations, as well as a series of environmental regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, Listing Rules, pensions legislation, UK and international tax legislation and equivalent local laws and regulations applicable to significant component teams. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- review of the financial statement disclosures to underlying supporting documentation
- review of correspondence with regulators
- review of correspondence with legal advisors
- enquiries of management
- review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements
- substantive testing of significant accounting estimates, including the assessment of potential impairment of goodwill and ships
- substantive testing of journal entries posted to revenue accounts to identify any unusual or irregular items
- substantive testing of journal entries posted by senior management

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit. These key audit matters detailed below are in respect of both the Group and Company unless otherwise stated.

Key audit matter	How our audit addressed the key audit matter
<p><i>Risks of fraud in relation to revenue recognition (see note 2 to the financial statements for the Directors' disclosures of the related accounting policies)</i></p> <p>There is a focus on the timing of revenue recognition in all reporting units in the final months of the accounting year to check that revenue was recorded in the correct period particularly for cruises that straddle the year end and for revenue that has been received in advance of the cruise departure, which is deferred until the voyage has taken place.</p>	<p>We examined the appropriateness of the Group's and Company's accounting policy for revenue recognition, including the recognition of provisions against revenue, and its compliance with IFRSs as adopted by the EU, and tested the application of this policy, with particular emphasis on the risks identified opposite.</p> <p>Where appropriate, we evaluated the integrity of the relevant computer systems, such as through performing user access and programme change control testing. We also tested the operating effectiveness of the internal controls over the recording of revenue against a specific voyage in the period and we checked the Group's cut off straddle adjustment for voyages where the duration spanned the year end by comparing the Directors' estimate to data such as voyage departure dates, duration and voyage revenue and cost records.</p> <p>During the year, we performed three ship visits to undertake walkthroughs of some of the onboard revenue processes to gain an understanding of those processes, such as shop revenue, bar revenue, cash counts, casino revenue and shore excursion revenue, as well as boarding checks, credit card checks and onboard account set up. The focus is mainly on obtaining/updating our understanding of procedures performed onboard.</p> <p>At the year end, we tested the revenue received in advance of cruises taking place with reference to cruise voyage schedules and a sample of bookings to determine the appropriateness of related customer deposits, which have been deferred.</p> <p>We also tested journal entries posted to revenue accounts to identify any unusual or irregular items, and the reconciliations between the revenue systems used by the Group and Company and their financial ledgers.</p> <p>In our testing we did not identify any material misstatements.</p>

Impairment review of AIDA, Costa and Cunard goodwill and the carrying value of ships (see note 2 to the financial statements for the Directors' disclosures of the related accounting policies and notes 10 & 11)

The Group and Company hold significant amounts of goodwill and property and equipment in the form of ships on the balance sheet related to cruise brands ("brands"), as detailed in Notes 10 and 11 to the financial statements. The risk is that these balances are overstated and need to be impaired.

In assessing the carrying value of goodwill and ships, the Directors are required to make judgements about future performance, including whether the ships will remain in use or be sold.

At 30 November 2019, AIDA, Costa and Cunard have goodwill carrying values of \$127 million, \$313 million and \$142 million respectively.

AIDA's, Costa's and Cunard's goodwill valuations are dependent on maintaining or improving net revenue yields and operational improvements. The Directors have made assumptions about the growth rates in these areas.

No goodwill impairment charge was taken as a result of the Directors' review.

For Costa, the Directors' considered that lower than expected growth in the net revenue yields an increase in the discount rate or an inability to achieve the planned results could reasonably be expected to give rise to an impairment charge in the future. These reasonably possible changes have been disclosed in Note 11.

The performance of certain ships led the Directors to evaluate the carrying value of these ships.

The ship valuations are dependent on continuing net revenue yield growth and operational improvements, where the ship is expected to remain in use, or if the ship is expected to be disposed of the valuation is dependent on sale proceeds. As such, the Directors have made assumptions about the growth rates in these areas and the expected sale proceeds considering recent ships sales in assessing the carrying value of vessels.

No impairment charges were recognised as a result of the Directors' review.

We evaluated the Directors' future cash flow forecasts, the assumptions used and the process by which they were prepared, for AIDA, Costa and Cunard and for those ships that experienced an event that would potentially trigger an impairment review in the current year, including comparing the forecasts with the latest approved financial plans. We evaluated the reasonableness of the Directors' forecasts, by assessing their historical forecasting accuracy. We also evaluated:

- the Directors' key assumptions for changes to net revenue yield, net cruise costs (including fuel expenses), new ship additions and remaining useful life of the ships, by comparing them with current revenue booking and cost trends, as well as historical results and economic and external industry data;

- the long-term growth rates in the forecasts, by comparing them with external industry forecasts; and

- the discount rate applied to the goodwill and ship assessments by assessing the cost of capital of the brand and the related country risk.

We found the assumptions to be consistent with our expectations, including the results of performing a sensitivity stress test analysis on each of the key assumptions, particularly considering the expected growth in net revenue yields across key markets, changes to cruise costs, including the impact of fuel consumption and price changes, new ship additions, long-term growth rate, the discount rate and the remaining life of the ships and how the actual results compared with previous forecasts.

In the case of Costa, we consider that the reasonably possible change disclosure is appropriate. We also considered recent ship sales compared with the carrying value of the vessels, and the likelihood of the Directors being able to redeploy ships into other markets, should the need arise, where carrying values could be recovered and took into account instances where this had occurred in the past.

In our work, we did not identify any material misstatements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Carnival plc has eight operating units. Three operating units, AIDA, Costa and Carnival UK (Cunard and P&O (UK)), which are considered financially significant and together contribute over 90% of net income before income taxes to the Group results, were subject to an audit of their complete financial information, due to their size, by local component audit teams. We visited the AIDA, Costa and Carnival UK operating units to review the component teams' work and we met local management. In addition, three operating units were in scope for specific audit procedures, being Carnival plc Princess Ship Charters, Holland America Princess Alaska Tours and Ecospray Technologies. These components were selected based on the contribution of each to specific financial statement line items, including passenger ticket revenue and tour and other revenues, and inventory. We also used a US team, who are primarily responsible for the audit of Carnival Corporation & plc, to perform specified procedures, including over certain disclosures in the Annual Report. We visited the Carnival Corporation & plc headquarters and met with our US team and Group management. These, together with additional procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Group financial statements</i>	<i>Company financial statements</i>
Overall materiality	\$56 million (2018: \$56 million).	\$53 million (2018: \$53 million).
How we determined it	Approximately 5% of net income before income taxes	1% of total assets.
Rationale for benchmark applied	We believe that net income before income taxes is the primary measure used by shareholders and other users of the financial statements in assessing the performance of the Group.	We believe that total assets is an appropriate benchmark for the Company as this entity is principally an investment and financing holding Company with some operational activity. For the purposes of the audit of the Group financial statements, we determined a component materiality for the Company of \$53 million on the basis the Company should not have a higher materiality than the overall Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between \$30 million and \$53 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$5 million (Group audit) (2018: \$5 million) and \$5 million (Company audit) (2018: \$5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

<i>Reporting obligation</i>	<i>Outcome</i>
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom is likely to withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material

misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

<p><i>Strategic Report and Directors' Report</i></p> <p>In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 November 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)</p> <p>In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)</p>
<p><i>Corporate Governance Statement</i></p> <p>In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (Annex C to the Proxy Statement) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)</p> <p>In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)</p> <p>In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (Annex C to the Proxy Statement) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)</p> <p>We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)</p>
<p><i>The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group</i></p> <p>We have nothing material to add or draw attention to regarding:</p> <ul style="list-style-type: none"> • The Directors' confirmation on page 51 of the Strategic Report of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. • The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. • The Directors' explanation on page 58 of the Strategic Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. <p>We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)</p>
<p><i>Other Code Provisions</i></p> <p>We have nothing to report in respect of our responsibility to report when:</p> <ul style="list-style-type: none"> • The statement given by the Directors, on page A-10 within Annex A to the Proxy Statement, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit. • The section of the Annual Report on page C-4 of the Proxy Statement describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. • The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
<p><i>Directors' Remuneration</i></p> <p>In our opinion, the part of the Directors' Remuneration Report in, Annex B of the Proxy Statement dated 28 January 2020, to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)</p>

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page A-9 of Annex A to the Proxy Statement the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

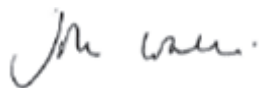
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 23 June 2003 to audit the financial statements for the year ended 30 November 2003 and subsequent financial periods. The period of total uninterrupted engagement is 17 years, covering the years ended 30 November 2003 to 30 November 2019.



John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 January 2020

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CARNIVAL
CORPORATION & PLC

2019 ANNUAL REPORT

CARNIVAL CORPORATION & PLC
2019 ANNUAL REPORT

TABLE OF CONTENTS

COMPANY	1
HIGHLIGHTS	1
EXECUTIVE OVERVIEW	2
SHAREHOLDER BENEFIT	4
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF INCOME	5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	6
CONSOLIDATED BALANCE SHEETS	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10
MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	32
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	33
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	36
SELECTED FINANCIAL DATA	61
COMMON STOCK AND ORDINARY SHARES	62
STOCK PERFORMANCE GRAPHS	63
SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)	65
CORPORATE AND OTHER INFORMATION	67

COMPANY

Carnival Corporation & plc is the world's largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries, with a portfolio of nine of the world's leading cruise lines. We are also the largest cruise company, carrying nearly 45 percent of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, our portfolio features Carnival Cruise Line, Princess Cruises, Holland America Line, Seabourn, P&O Cruises (Australia), Costa Cruises, AIDA Cruises, P&O Cruises (UK) and Cunard. Our portfolio of leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences to the world's most desirable destinations.

Together, the corporation's cruise lines operate 104 ships with 249,000 lower berths visiting over 700 ports around the world, with 17 new ships scheduled to be delivered through 2025. Carnival Corporation & plc also operates Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon. Traded on both the New York and London Stock Exchanges, Carnival Corporation & plc is the only group in the world to be included in both the S&P 500 and the FTSE 100 indices.

At Carnival Corporation & plc, our highest responsibilities and our top priorities are to operate safely, to protect the environment, and to be in compliance everywhere we operate in the world. On this foundation, we aspire to deliver unmatched joyful vacations for our guests, always exceeding their expectations and in doing so driving outstanding shareholder value. We are committed to a positive and just corporate culture, based on inclusion and the power of diversity. We operate with integrity, trust and respect for each other — seeking collaboration, candor, openness and transparency at all times. And we intend to be an exemplary corporate citizen leaving the people and the places we touch even better.

HIGHLIGHTS

	November 30,				
	2019	2018	2017	2016	2015
<i>(in millions, except per share amounts and statistical data)</i>					
Revenues	\$ 20,825	\$ 18,881	\$ 17,510	\$ 16,389	\$ 15,714
Net Income	\$ 2,990	\$ 3,152	\$ 2,606	\$ 2,779	\$ 1,757
Adjusted Net Income ^(a)	\$ 3,041	\$ 3,029	\$ 2,770	\$ 2,580	\$ 2,106
Earnings Per Share - Diluted	\$ 4.32	\$ 4.44	\$ 3.59	\$ 3.72	\$ 2.26
Adjusted Earnings Per Share - Diluted ^(a)	\$ 4.40	\$ 4.26	\$ 3.82	\$ 3.45	\$ 2.70

Statistical Data

Passengers Carried (in thousands)	12,900	12,400	12,100	11,500	10,800
Passenger Capacity ^(b)	249,000	237,000	232,000	226,000	216,000
Number of Ships	104	104	103	102	99

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

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

2019 Executive Overview

Key information for 2019 compared to the prior year (see “Key Performance Non-GAAP Financial Indicators” for definitions and reconciliations):

- Net income of \$3.0 billion or \$4.32 diluted earnings per share, compared to net income of \$3.2 billion or \$4.44 diluted earnings per share in 2018.
- Record adjusted net income of \$3.0 billion, or \$4.40 adjusted diluted earnings per share, compared to adjusted net income of \$3.0 billion or \$4.26 adjusted diluted earnings per share in 2018. Adjusted net income excludes net charges of \$52 million for 2019 and net gains of \$123 million for 2018.
- Record total revenues were \$20.8 billion, higher than \$18.9 billion in 2018.
 - Gross cruise revenues of \$20.4 billion, higher than \$18.6 billion in 2018.
 - In constant currency, net cruise revenues of \$16.0 billion, higher than \$15.4 billion in 2018, an increase of 4.0%.
- Gross revenue yields increased 5.4%. In constant currency, net revenue yields decreased 0.2%, comprised of a 1.0% decrease in net passenger ticket revenue yields and a 2.0% increase in net onboard and other revenue yields.
- Gross cruise costs including fuel per ALBD increased 8.6%. Net cruise costs excluding fuel per ALBD in constant currency decreased 0.3%.
- Changes in fuel prices and currency exchange rates decreased earnings by \$0.01 per share.

After five years of strong adjusted earnings growth for our company, 2019 brought with it more than our fair share of challenges including the abrupt regulatory change preventing travel to Cuba, geopolitical events in the Arabian Gulf, Hurricane Dorian, a costly unscheduled dry-dock, and multiple shipyard delays, all of which necessitated the cancellation of cruises and in many instances resulted in shorter booking windows negatively impacting yields. The impact from these events was compounded by an unanticipated decline in consumer attitude affecting leisure travel broadly in our Continental European source markets. As a global company with nearly 50 percent of our guests sourced from outside the U.S., we are subject to uneven economies around the world. We have a large percentage of our portfolio weighted in regions that are currently challenged. We have already taken actions to adapt to what is proving to be a persistent challenge. These actions include changing itineraries to optimize our performance and implementing an action plan to accelerate demand and right-size capacity sourced from Southern Europe.

Our 150,000 team members collectively worked to offset numerous headwinds and delivered memorable cruise experiences for our 13 million guests as well as achieved our highest full year adjusted diluted earnings per share for our shareholders. Although earnings growth was broadly in line with capacity growth, we believe our business is inherently capable of, and we are working to ensure we are, doing even better.

Globally, we are taking actions to further stimulate demand and increase our cost efficiencies. We have conducted an analysis of our marketing activities and spend and have identified areas of opportunity to increase marketing impressions to generate demand and support future yield growth. In 2019, we increased investments in media spend to support our brands and destinations around the world. We have also been successful in increasing our analytical rigor in marketing and media spend to drive demand generation and to better balance brand support activities with price and promotion efforts.

From a guest experience perspective, we continue to deliver with both our guest experience scores and net promoter scores toward the top end of prior ranges. In addition, we have made several investments to continue to further enhance the guest experience.

- Our newbuild schedule peaks in 2020 with six new ships entering service across six distinct markets: *Carnival Panorama* for the West Coast of the U.S., Carnival Cruise Line’s *Mardi Gras* for the East Coast of the U.S., *Enchanted Princess*, the second new ship delivered with Ocean Medallion, *Costa Smeralda* for Continental Europe, *Costa Firenze* for China and P&O Cruises’ *Iona* for the UK.
- We continue to roll out our most popular features on our existing fleet, with significant re-imaginings like the recently introduced *Carnival Sunrise*, to be joined by *Carnival Radiance* in mid-2020.

- In the Princess fleet, the Ocean Medallion roll out continues with five ships already completed and six more to be completed in 2020.
- The expansion of app-based technology across our other brands continues, including pre-cruise purchases.
- We have two major destination developments underway, on Grand Bahama Island and a second destination on Half Moon Cay, complementing the six destinations we had already developed and are operating in the Caribbean.

We are elevating the guest experience without increasing operating costs on a per available lower berth day (“ALBD”) basis. Through our global sourcing, we achieved over \$125 million of cost savings in 2019, bringing the cumulative total to over \$480 million since 2014.

Our highest responsibility and top priorities are excellence in safety, environmental protection and compliance. Our reputation and success depends on having sustainable and transparent operations. We continue to lead the industry in the development of environmentally friendly fuel solutions.

- We achieved a four percent reduction in per unit fuel consumption in 2019. We expect another four percent in 2020 which will bring the cumulative reduction in fuel consumption per ALBD to 35 percent since 2007.
- In 2019 we delivered *AIDAnova*, the first cruise ship with the ability to be solely powered by LNG, the most environmentally friendly fossil fuel. We have 10 more next generation LNG cruise ships on order, including Carnival Cruise Line’s *Mardi Gras*, *Costa Smeralda* and P&O Cruises’ *Iona*, entering the fleet during 2020.
- We announced a ground breaking pilot on *AIDAperla*, the first lithium-ion battery storage system to power a cruise ship’s propulsion and operation for limited periods of time. Also, as early as 2021, AIDA Cruises will be the world’s first cruise company to test the use of fuel cells on a large passenger ship. The fuel cells will be powered by hydrogen derived from methanol.

These will compliment other industry leading technologies we have already deployed to reduce carbon emissions including cold ironing (or shore power), which we have the capability for on over 40 percent of our fleet, and Advanced Air Quality Systems deployed on nearly 80 percent of our fleet. The investments we have made in Advanced Air Quality Systems will also help to mitigate increased costs in the wake of IMO 2020.

We are also focused on other areas concerning the environment including the roll out of additional Advanced Waste Water Purification Systems and food bio-digesters. We have also made considerable progress on our goal to significantly reduce single use plastics. In addition, we joined the Getting to Zero Coalition, an alliance of organizations across the maritime, energy, infrastructure and finance sectors committed to accelerating the decarbonization of the international shipping industry. Sustainability efforts remain at the forefront of our strategic goals.

We are continuing to work to improve our performance in fiscal 2020 and beyond. With annual cash from operations of \$5.5 billion, our balance sheet is strong, as are our brands. We continue to generate value for our shareholders, returning over \$2.0 billion during 2019, \$1.4 billion through our quarterly dividend and approximately \$600 million through our share repurchase program. Although there are multiple external impacts outside of our control, we are aggressively managing those levers we do control or can strongly influence which include demand, supply and controlling costs. We are investing to stimulate demand through advertising, marketing and public relations efforts to maintain price discipline. We are working to moderate capacity additions and at the same time accelerate capacity leaving the fleet. We are leveraging our scale to achieve efficiencies and to fund investments without a significant net increase in costs. In the best interest of long-term shareholders, we are making disciplined decisions to optimize our performance in the short-term while leaving us best positioned to capture the full benefit of global travel and tourism growth over the long-term.



SHAREHOLDER BENEFIT

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

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

The benefit is applicable on sailings through July 31, 2021 aboard the brands listed below. Certain restrictions apply. Applications to receive these benefits should be made at least three weeks prior to cruise departure date.

This benefit is available to shareholders holding a minimum of 100 shares of Carnival Corporation or Carnival plc. Employees, travel agents cruising at travel agent rates, tour conductors or anyone cruising on a reduced-rate or complimentary basis are excluded from this offer. This benefit is not transferable, cannot be exchanged for cash and, cannot be used for casino credits/charges and gratuities charged to your onboard account. Only one onboard credit per shareholder-occupied stateroom. Reservations must be made by February 29, 2021.

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

NORTH AMERICA BRANDS CARNIVAL CRUISE LINE*

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

PRINCESS CRUISES*

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

HOLLAND AMERICA LINE

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

SEABOURN

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

CUNARD*

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

COSTA CRUISES*

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

CONTINENTAL EUROPE BRANDS COSTA CRUISES*

Despatcher Team
Piazza Piccapietra, 48
16121 Genoa, Italy
Tel 39 0 10 548 31
Fax 39 0 10 999 7019

AIDA CRUISES

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

UNITED KINGDOM BRANDS P & O CRUISES (UK)

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

CUNARD*

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

PRINCESS CRUISES (UK)*

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

AUSTRALIA BRANDS

P & O CRUISES (AUSTRALIA) PRINCESS CRUISES* CARNIVAL CRUISE LINE*

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

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)

	Years Ended November 30,		
	2019	2018	2017
Revenues			
Cruise			
Passenger ticket	\$ 14,104	\$ 13,930	\$ 12,944
Onboard and other	6,331	4,679	4,330
Tour and other	390	272	236
	<u>20,825</u>	<u>18,881</u>	<u>17,510</u>
Operating Costs and Expenses			
Cruise			
Commissions, transportation and other	2,720	2,590	2,359
Onboard and other	2,101	638	587
Payroll and related	2,249	2,190	2,107
Fuel	1,562	1,619	1,244
Food	1,083	1,066	1,031
Other ship operating	2,925	2,807	3,010
Tour and other	268	180	163
	<u>12,909</u>	<u>11,089</u>	<u>10,501</u>
Selling and administrative	2,480	2,450	2,265
Depreciation and amortization	2,160	2,017	1,846
Goodwill and trademark impairment	—	—	89
	<u>17,549</u>	<u>15,556</u>	<u>14,701</u>
Operating Income	<u>3,276</u>	<u>3,325</u>	<u>2,809</u>
Nonoperating Income (Expense)			
Interest income	23	14	9
Interest expense, net of capitalized interest	(206)	(194)	(198)
Gains on fuel derivatives, net	—	59	35
Other income (expense), net	(32)	3	11
	<u>(215)</u>	<u>(118)</u>	<u>(143)</u>
Income Before Income Taxes	3,060	3,207	2,666
Income Tax Expense, Net	(71)	(54)	(60)
Net Income	<u>\$ 2,990</u>	<u>\$ 3,152</u>	<u>\$ 2,606</u>
Earnings Per Share			
Basic	<u>\$ 4.34</u>	<u>\$ 4.45</u>	<u>\$ 3.61</u>
Diluted	<u>\$ 4.32</u>	<u>\$ 4.44</u>	<u>\$ 3.59</u>

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

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

	Years Ended November 30,		
	2019	2018	2017
Net Income	\$ 2,990	\$ 3,152	\$ 2,606
Items Included in Other Comprehensive Income (Loss)			
Change in foreign currency translation adjustment	(86)	(199)	590
Other	(31)	32	82
Other Comprehensive Income (Loss)	(117)	(167)	672
Total Comprehensive Income	\$ 2,873	\$ 2,986	\$ 3,278

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

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

	November 30,	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 518	\$ 982
Trade and other receivables, net	444	358
Inventories	427	450
Prepaid expenses and other	671	436
Total current assets	2,059	2,225
Property and Equipment, Net	38,131	35,336
Goodwill	2,912	2,925
Other Intangibles	1,174	1,176
Other Assets	783	738
	\$ 45,058	\$ 42,401
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 231	\$ 848
Current portion of long-term debt	1,596	1,578
Accounts payable	756	730
Accrued liabilities and other	1,809	1,654
Customer deposits	4,735	4,395
Total current liabilities	9,127	9,204
Long-Term Debt	9,675	7,897
Other Long-Term Liabilities	890	856
Commitments and Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 657 shares at 2019 and 656 shares at 2018 issued	7	7
Ordinary shares of Carnival plc, \$1.66 par value; 217 shares at 2019 and 2018 issued	358	358
Additional paid-in capital	8,807	8,756
Retained earnings	26,653	25,066
Accumulated other comprehensive income (loss) ("AOCI")	(2,066)	(1,949)
Treasury stock, 130 shares at 2019 and 129 shares at 2018 of Carnival Corporation and 60 shares at 2019 and 48 shares at 2018 of Carnival plc, at cost	(8,394)	(7,795)
Total shareholders' equity	25,365	24,443
	\$ 45,058	\$ 42,401

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

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

	Years Ended November 30,		
	2019	2018	2017
OPERATING ACTIVITIES			
Net income	\$ 2,990	\$ 3,152	\$ 2,606
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	2,160	2,017	1,846
Impairments	26	16	392
Gains on fuel derivatives, net	—	(59)	(35)
Share-based compensation	46	65	63
Other, net	43	(6)	51
	<u>5,265</u>	<u>5,186</u>	<u>4,923</u>
Changes in operating assets and liabilities			
Receivables	(114)	(58)	6
Inventories	79	(67)	(49)
Prepaid expenses and other	(254)	74	(13)
Accounts payable	34	(24)	21
Accrued and other liabilities	80	(100)	73
Customer deposits	387	539	361
Net cash provided by (used in) operating activities	<u>5,475</u>	<u>5,549</u>	<u>5,322</u>
INVESTING ACTIVITIES			
Purchases of property and equipment	(5,429)	(3,749)	(2,944)
Proceeds from sales of ships	26	389	—
Payments of fuel derivative settlements	(6)	(39)	(203)
Other, net	132	(114)	25
Net cash provided by (used in) investing activities	<u>(5,277)</u>	<u>(3,514)</u>	<u>(3,122)</u>
FINANCING ACTIVITIES			
Proceeds from (repayments of) short-term borrowings, net	(605)	417	(29)
Principal repayments of long-term debt	(1,651)	(1,556)	(1,227)
Proceeds from issuance of long-term debt	3,674	2,542	467
Dividends paid	(1,387)	(1,355)	(1,087)
Purchases of treasury stock	(603)	(1,468)	(552)
Other, net	(82)	(39)	(24)
Net cash provided by (used in) financing activities	<u>(655)</u>	<u>(1,460)</u>	<u>(2,452)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(9)	(1)	11
Net increase (decrease) in cash, cash equivalents and restricted cash	(465)	574	(241)
Cash, cash equivalents and restricted cash at beginning of year	996	422	662
Cash, cash equivalents and restricted cash at end of year	<u>\$ 530</u>	<u>\$ 996</u>	<u>\$ 422</u>

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

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

	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	AOCI	Treasury stock	Total shareholders' equity
At November 30, 2016	\$ 7	\$ 358	\$ 8,632	\$ 21,843	\$ (2,454)	\$ (5,789)	\$ 22,597
Change in accounting principle (a)	—	—	2	(2)	—	—	—
Net income	—	—	—	2,606	—	—	2,606
Other comprehensive income (loss)	—	—	—	—	672	—	672
Cash dividends declared	—	—	—	(1,155)	—	—	(1,155)
Purchases of treasury stock under the Repurchase Program and other	—	—	56	—	—	(560)	(504)
At November 30, 2017	7	358	8,690	23,292	(1,782)	(6,349)	24,216
Net income	—	—	—	3,152	—	—	3,152
Other comprehensive income (loss)	—	—	—	—	(167)	—	(167)
Cash dividends declared	—	—	—	(1,378)	—	—	(1,378)
Purchases of treasury stock under the Repurchase Program and other	—	—	66	—	—	(1,446)	(1,380)
At November 30, 2018	7	358	8,756	25,066	(1,949)	(7,795)	24,443
Change in accounting principle (b)	—	—	—	(24)	—	—	(24)
Net income	—	—	—	2,990	—	—	2,990
Other comprehensive income (loss)	—	—	—	—	(117)	—	(117)
Cash dividends declared	—	—	—	(1,379)	—	—	(1,379)
Purchases of treasury stock under the Repurchase Program and other	—	—	51	—	—	(599)	(548)
At November 30, 2019	<u>\$ 7</u>	<u>\$ 358</u>	<u>\$ 8,807</u>	<u>\$ 26,653</u>	<u>\$ (2,066)</u>	<u>\$ (8,394)</u>	<u>\$ 25,365</u>

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

- (a) We elected to early adopt the provisions of *Compensation - Stock Compensation - Improvements to Employee Share-Based Payment Accounting* on December 1, 2016.
- (b) We adopted the provisions of *Revenue from Contracts with Customers* and *Derivatives and Hedging* on December 1, 2018.

CARNIVAL CORPORATION & PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – General

Description of Business

Carnival Corporation was incorporated in Panama in 1972 and Carnival plc was incorporated in England and Wales in 2000. Together with their consolidated subsidiaries, they are referred to collectively in these consolidated financial statements and elsewhere in this 2019 Annual Report as “Carnival Corporation & plc,” “our,” “us” and “we.” The consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries.

We are the world’s largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries. We are also the largest cruise company, carrying nearly 45 percent of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, we operate a portfolio of leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences on 104 cruise ships to the world’s most desirable destinations.

DLC Arrangement

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

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

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

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

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

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

We consolidate entities over which we have control, as typically evidenced by a voting control of greater than 50% or for which we are the primary beneficiary, whereby we have the power to direct the most significant activities and the obligation to absorb significant losses or receive significant benefits from the entity. We do not separately present our noncontrolling interests in the consolidated financial statements since the amounts are

immaterial. For affiliates we do not control but where significant influence over financial and operating policies exists, as typically evidenced by a voting control of 20% to 50%, the investment is accounted for using the equity method.

Preparation of Financial Statements

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

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment

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

	<u>Years</u>	<u>Residual Values</u>
Ships	30	15%
Ship improvements	3-30	0%
Buildings and improvements	10-40	0% or 10%
Computer hardware and software	2-12	0% or 10%
Transportation equipment and other	3-20	0% or 10%
Leasehold improvements, including port facilities	Shorter of the remaining lease term or related asset life (3-30)	0%

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

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

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

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

Goodwill and Other Intangibles

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business acquisition. We review our goodwill for impairment as of July 31 every year, or more frequently if events or circumstances dictate. All of our goodwill has been allocated to our reporting units. The impairment review for goodwill allows us to first assess qualitative factors to determine whether it is necessary to perform the more detailed quantitative goodwill impairment test. We would perform the quantitative test if our qualitative assessment determined it is more-likely-than-not that a reporting unit's estimated fair value is less than its carrying amount. We may also elect to bypass the qualitative assessment and proceed directly to the quantitative test for any reporting unit. When performing the quantitative test, if the estimated fair value of the reporting unit exceeds its carrying value, no further analysis is required. However, if the estimated fair value of the reporting unit is less than the carrying value, goodwill is written down based on the difference between the reporting unit's carrying amount and its fair value, limited to the amount of goodwill allocated to the reporting unit.

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

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

Derivatives and Other Financial Instruments

We utilize derivative and non-derivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates. We use interest rate swaps primarily to manage our interest rate exposure to achieve a desired proportion of fixed and floating rate debt. Our policy is to not use financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. If a derivative is designated as a cash flow hedge, then the change in the fair value of the derivative is recognized as a component of 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 effective portion of the fair value of the financial instrument are recognized as a component of AOCI to offset the change in the translated value of the designated portion of net investment being hedged until the investment is sold or substantially liquidated, while the impact attributable to components excluded from the assessment of hedge effectiveness is recorded in interest expense, net of capitalized interest, on a systematic and rational basis. For derivatives that do not qualify for hedge accounting treatment, the change in fair value is recognized in earnings.

We classify the fair value of all our derivative contracts as either current or long-term, depending on the maturity date of the derivative contract. The cash flows from derivatives treated as cash flow 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.

Derivative valuations are based on observable inputs such as interest rates and commodity price curves, forward currency exchange rates, credit spreads, maturity dates, volatilities, and cross currency basis spreads. We use the income approach to value derivatives for foreign currency options and forwards, interest rate swaps and cross currency swaps using observable market data for all significant inputs and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact.

Foreign Currency Translation and Transactions

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

We execute transactions in a number of different currencies. At the date that the transaction is recognized, each asset, liability, revenue, expense, gain or loss arising from the transaction is measured and recorded in the functional currency of the recording entity using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the functional currency are adjusted using the exchange rate at the balance sheet date, with gains or losses recorded in other income or other expense, unless such monetary balances have been designated as hedges of net investments in our foreign entities. The net gains or losses resulting from foreign currency transactions were insignificant in 2019, 2018 and 2017. In addition, the unrealized gains or losses on our long-term intercompany receivables and payables which are denominated in a non-functional currency and which are not expected to be repaid in the foreseeable future are recorded as foreign currency translation adjustments included as a component of AOCI.

Revenue and Expense Recognition

Guest cruise deposits represent unearned revenues and are initially included in customer deposit liabilities when received. Customer deposits are subsequently recognized as cruise revenues, together with revenues from onboard and other activities, and all associated direct costs and expenses of a voyage are recognized as cruise costs and expenses, upon completion of voyages, with durations of ten nights or less and on a pro rata basis for voyages in excess of ten nights. The impact of recognizing these shorter duration cruise revenues and costs and expenses on a completed voyage basis versus on a pro rata basis is not significant. Certain of our product offerings are bundled and we allocate the value of the bundled services and goods between passenger ticket revenues, onboard and other revenues and tour and other revenues based upon the estimated standalone selling prices of those goods and services.

Future travel discount vouchers are included as a reduction of cruise passenger ticket revenues when such vouchers are utilized. Guest cancellation fees are recognized in cruise passenger ticket revenues at the time of cancellation.

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

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. A portion of these fees, taxes and charges vary with guest head counts and are directly imposed on a revenue-producing arrangement. This portion of the fees, taxes and charges is expensed in commissions, transportation and other costs when the corresponding revenues are recognized. These fees, taxes and charges included in commissions, transportation and other costs were \$659 million in 2019, \$615 million in 2018 and \$579 million in 2017. The remaining portion of fees, taxes and charges are expensed in other ship operating expenses when the corresponding revenues are recognized.

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

Customer Deposits

Our payment terms generally require an initial deposit to confirm a reservation, with the balance due prior to the voyage. Cash received from guests in advance of the cruise is recorded in customer deposits and in other long-term liabilities on our Consolidated Balance Sheets. These amounts include refundable deposits. We had customer deposits of \$4.9 billion in 2019 and \$4.7 billion in 2018. During 2019, we recognized in revenues substantially all of our customer deposits as of December 1, 2018. Our customer deposits balance changes due to the seasonal nature of cash collections, the recognition of revenue and foreign currency translation.

Contract Receivables

Although we generally require full payment from our customers prior to or concurrently with their cruise, we grant credit terms to a relatively small portion of our revenue source. We also have receivables from credit card merchants for cruise ticket purchases and onboard revenue. These receivables are included within trade and other receivables, net.

Contract Assets

Contract assets are amounts paid prior to the start of a voyage, which we record as an asset within prepaid expenses and other and which are subsequently recognized as commissions, transportation and other at the time of revenue recognition. We have contract assets of \$154 million and \$151 million as of November 30, 2019 and December 1, 2018.

Insurance

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

Selling and Administrative Expenses

Selling expenses include a broad range of advertising, marketing and promotional expenses. Advertising is charged to expense as incurred, except for media production costs, which are expensed upon the first airing of the advertisement. Selling expenses totaled \$728 million in 2019, \$673 million in 2018 and \$645 million in 2017. Administrative expenses represent the costs of our shoreside ship support, reservations and other administrative functions, and include salaries and related benefits, professional fees and building occupancy costs, which are typically expensed as incurred.

Share-Based Compensation

We recognize compensation expense for all share-based compensation awards using the fair value method. For time-based share awards, we recognize compensation cost ratably using the straight-line attribution method over the expected vesting period or to the retirement eligibility date, if earlier than the vesting period. For performance-based share awards, we estimate compensation cost based on the probability of the performance condition being achieved and recognize expense ratably using the straight-line attribution method over the expected vesting period. If all or a portion of the performance condition is not expected to be met, the appropriate amount of previously recognized compensation expense is reversed and future compensation expense is adjusted accordingly. For market-based share awards, we recognize compensation cost ratably using the straight-line

attribution method over the expected vesting period. If the target market conditions are not expected to be met, compensation expense will still be recognized. We account for forfeitures as they occur.

Earnings Per Share

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

Accounting Pronouncements

The Financial Accounting Standards Board (the “FASB”) issued guidance, *Revenue from Contracts with Customers (“ASC 606”)*, 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. On December 1, 2018, we adopted this guidance using the modified retrospective method for all contracts as of the adoption date. Results for reporting periods beginning after December 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under ASC 605.

The impact of the adoption of ASC 606 on our consolidated financial statements primarily relates to the gross presentation of prepaid travel agent commissions (Consolidated Balance Sheet), shore excursions and other onboard revenues and costs (Consolidated Statement of Income) which were historically presented net. As of December 1, 2018, we recorded a cumulative effect adjustment of \$24 million to retained earnings related to the accounting for our loyalty programs.

The following tables summarize the impacts of ASC 606 adoption on our consolidated financial statements:

	Year ended November 30, 2019		
	Prior to adoption of ASC 606	Adjustments	As Reported
<i>(in millions)</i>			
Consolidated Statement of Income			
Onboard and other (Revenues)	\$ 4,899	\$ 1,432	\$ 6,331
Revenues (Total)	\$ 19,393	\$ 1,432	\$ 20,825
Onboard and other (Operating Costs and Expenses)	\$ 669	\$ 1,432	\$ 2,101
Operating Costs and Expenses (Total)	\$ 16,117	\$ 1,432	\$ 17,549
Operating Income	\$ 3,276	\$ —	\$ 3,276
Net Income	\$ 2,990	\$ —	\$ 2,990

	At November 30, 2019		
	Prior to adoption of ASC 606	Adjustments	As Reported
<i>(in millions)</i>			
Consolidated Balance Sheet			
Prepaid expenses and other	\$ 517	\$ 154	\$ 671
Total current assets	\$ 1,905	\$ 154	\$ 2,059
Customer deposits	\$ 4,581	\$ 154	\$ 4,735
Total current liabilities	\$ 8,973	\$ 154	\$ 9,127

	Year ended November 30, 2019		
	Prior to adoption of ASC 606	Adjustments	As Reported
<i>(in millions)</i>			
Consolidated Statement of Cash Flows			
Prepaid expenses and other	\$ (100)	\$ (154)	\$ (254)
Customer deposits	\$ 233	\$ 154	\$ 387
Net cash provided by operating activities	\$ 5,475	\$ —	\$ 5,475

The FASB issued amended guidance, *Business Combinations - Clarifying the Definition of a Business*, which assists entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. On December 1, 2018, we adopted this guidance using the prospective transition method. The adoption of this guidance had no impact on our consolidated financial statements.

The FASB issued amended guidance, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are aimed at reducing the existing diversity in practice. On December 1, 2018, we adopted this guidance using the retrospective method for each period presented. The adoption of this guidance had no impact on our consolidated financial statements.

The FASB issued amended guidance, *Statement of Cash Flows - Restricted Cash*. On December 1, 2018, we adopted this guidance using the retrospective method for each period presented. As a result, we now present restricted cash with cash and cash equivalents in the statement of cash flows. The reclassification of restricted cash balances from investing activities to changes in cash, cash equivalents and restricted cash was not material for the periods presented.

The FASB issued amended guidance, *Service Concession Arrangements*, which clarifies that the grantor in a service arrangement should be considered the customer of the operating entity in all cases. On December 1, 2018, we adopted this guidance using the modified retrospective method. The adoption of this guidance had no impact on our consolidated financial statements.

The FASB issued amended guidance, *Derivatives and Hedging*, which targeted improvements to accounting for hedging activities such as hedging strategies, effectiveness assessments and recognition of derivative gains or losses. On December 1, 2018, we early adopted this guidance using the modified retrospective approach, which did not have a material impact on our financial statements.

The FASB issued guidance, *Leases*, which requires an entity to recognize both assets and liabilities arising from financing and operating leases, with the exception of short-term leases, along with additional qualitative and quantitative disclosures. This guidance is required to be adopted by us in the first quarter of 2020 and must be applied using a modified retrospective approach which allows entities to either apply the new lease standard to the beginning of the earliest period presented or only to the consolidated financial statements in the period of adoption without restating prior periods. We have elected to apply the new guidance at the date of adoption without restating prior periods.

We have implemented a new lease accounting system and are executing changes to our internal controls to address the collection, recording, and accounting for leases in accordance with the new guidance. While we are substantially complete with the process of quantifying the impacts that will result from applying the new guidance, our assessment will be finalized during the first quarter of 2020. Based on our currently contracted commitments and our assessment to date, the initial adoption of this guidance is expected to increase both our total assets and total liabilities by approximately \$1.4 billion to \$1.6 billion, reflecting the lease rights and obligations arising from our lease arrangements. We do not expect this guidance to have a significant impact to our consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of cash flows or the compliance with debt-covenants under our current agreements.

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

NOTE 3 – Property and Equipment

<i>(in millions)</i>	November 30,	
	2019	2018
Ships and ship improvements	\$ 50,446	\$ 46,957
Ships under construction	2,492	2,004
Other property and equipment	3,843	3,661
Total property and equipment	56,781	52,622
Less accumulated depreciation	(18,650)	(17,286)
	<u>\$ 38,131</u>	<u>\$ 35,336</u>

Capitalized interest amounted to \$39 million in 2019, \$36 million in 2018 and \$28 million in 2017.

Sales of Ships

In March 2019, we sold and transferred an NAA segment 1,680-passenger capacity ship.

In April 2019, we sold and transferred an NAA segment 1,260-passenger capacity ship.

In July 2019, we transferred an NAA segment 840-passenger capacity ship.

In August 2019, we transferred an EA segment 1,880-passenger capacity ship.

In November 2019, we entered into an agreement to sell an NAA segment 1,600-passenger capacity ship. The ship will be transferred to the buyer in 2021.

In November 2019, we entered into an agreement to sell an NAA segment 1,260-passenger capacity ship. The ship will be transferred to the buyer in 2021.

NOTE 4 – Other Assets

We have a minority interest in Grand Bahama Shipyard Ltd. (“Grand Bahama”), a ship repair and maintenance facility. Grand Bahama provided services to us of \$62 million in 2019, \$89 million in 2018 and \$97 million in 2017. As of November 30, 2019, our investment in Grand Bahama was \$54 million, consisting of \$15 million in equity and a loan of \$39 million. As of November 30, 2018, our investment in Grand Bahama was \$64 million, consisting of \$24 million in equity and a loan of \$40 million.

We have a minority interest in the White Pass & Yukon Route (“White Pass”) that includes port, railroad and retail operations in Skagway, Alaska. White Pass has provided services to us of \$22 million in 2019, and \$8 million in 2018. As of November 30, 2019, our investment in White Pass was \$102 million, consisting of \$84 million in equity and a loan of \$18 million. As of November 30, 2018, our investment in White Pass was \$131 million, consisting of \$81 million in equity and a loan of \$50 million.

We have a minority interest in CSSC Carnival Cruise Shipping Limited (“CSSC-Carnival”), a China-based cruise company which will operate its own fleet designed to serve the Chinese market. As of November 30, 2019 and 2018, our investment in CSSC-Carnival was \$48 million and \$49 million. In December 2019, we sold a controlling interest in an entity with full ownership of two EA segment ships to CSSC-Carnival for \$251 million. We will continue to operate both EA segment ships under bareboat charter agreements into 2021.

Following a relocation of one of our Executive Officers, we over withheld taxes for the years 2015 to 2017. While the Executive Officer has filed for a refund of the overage from the tax authorities, we cannot be certain as to the timing nor likelihood of a full refund. We have reimbursed the Executive Officer for the amount over withheld by us in the amount of €4 million. In return, we are entitled to any refund received in relation to the over withheld taxes from the tax authorities. We have also paid a portion of the Executive Officer’s professional services fees incurred related to this matter.

NOTE 5 – Unsecured Debt

<i>(in millions)</i>	November 30, 2019		November 30,	
	Interest Rates	Maturities Through	2019	2018
Long-Term Debt				
Export Credit Facilities				
Fixed rate	2.4% to 4.4%	2031	\$ 3,485	\$ 1,819
EUR fixed rate	1.1% to 4.5%	2031	699	189
Floating rate	2.4% to 2.7%	2022	174	240
EUR floating rate	0.0% to 0.6%	2027	1,040	1,297
Bank Loans				
EUR fixed rate	0.5% to 3.9%	2021	221	257
Floating rate	3.1%	2025	300	495
EUR floating rate	0.0% to 0.7%	2023	1,596	1,193
GBP floating rate	1.3% to 1.7%	2023	854	848
Publicly-Traded Notes				
Fixed rate	4.0% to 7.2%	2028	1,217	1,217
EUR fixed rate	1.0% to 1.9%	2029	1,816	1,989
Short-Term Borrowings				
EUR floating rate commercial paper	(0.3)%	2020	231	621
EUR fixed rate bank loans	—%	—	—	227
Total Debt			11,634	10,394
Less: Unamortized debt issuance costs			(131)	(71)
Total Debt, net of unamortized debt issuance costs			11,503	10,323
Less: Short-term borrowings			(231)	(848)
Less: Current portion of long-term debt			(1,596)	(1,578)
Long-Term Debt			\$ 9,675	\$ 7,897

The debt table does not include the impact of our foreign currency and interest rate swaps. The interest rates on some of our debt, and in the case of our revolving credit facility, fluctuate based on the applicable rating of senior unsecured long-term securities of Carnival Corporation or Carnival plc. For the twelve months ended November 30, 2019 we did not have borrowings or repayments of commercial paper with original maturities greater than three months. For the twelve months ended November 30, 2018 and 2017, we had borrowings of \$2 million and \$111 million and repayments of \$2 million and \$364 million of commercial paper with original maturities greater than three months.

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

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

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

Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated. At November 30, 2019, we were in compliance with all of our debt covenants.

The scheduled annual maturities of our debt were as follows:

<i>(in millions)</i>		November 30, 2019	
Fiscal		\$	
2020		1,827	
2021		1,915	
2022		1,352	
2023		2,234	
2024		680	
Thereafter		3,627	
		<u>\$</u>	<u>11,634</u>

Committed Ship Financings

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

Revolving Credit Facility

At November 30, 2019, we had a \$3.0 billion (\$1.7 billion, €1.0 billion and £150 million) multi-currency revolving credit facility that expires in 2024 (the “Facility”). A total of \$2.8 billion of this capacity was available for drawing, which is net of outstanding commercial paper. We have options to extend the Facility through 2026 subject to the approval of each bank in the Facility. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 22.5 basis points (“bps”). The margin varies based on changes to Carnival Corporation’s long-term credit ratings. The Facility also includes an emissions linked margin adjustment whereby, after the initial applicable margin is set per the margin pricing grid, the margin may be adjusted based on performance in achieving certain agreed annual carbon emissions goals. We are required to pay a commitment fee on any undrawn portion.

NOTE 6 – Commitments

<i>(in millions)</i>	Fiscal						Total
	2020	2021	2022	2023	2024	Thereafter	
New ship growth capital	\$ 4,811	\$ 3,622	\$ 3,035	\$ 2,011	\$ 49	\$ 1,003	\$ 14,531
Port facilities leases	145	140	121	137	131	1,218	1,892
Other operating leases	74	56	40	36	36	190	432
Other long-term commitments	267	202	75	22	15	25	607
	<u>\$ 5,297</u>	<u>\$ 4,020</u>	<u>\$ 3,272</u>	<u>\$ 2,206</u>	<u>\$ 231</u>	<u>\$ 2,436</u>	<u>\$ 17,463</u>

NOTE 7 – Contingencies

Litigation

On May 2, 2019, two lawsuits were filed against Carnival Corporation in the U.S. District Court for the Southern District of Florida under Title III of the Cuban Liberty and Democratic Solidarity Act, also known as the Helms-Burton Act. The complaint filed by Havana Docks Corporation alleges it holds an interest in the Havana Cruise Port Terminal and the complaint filed by Javier Garcia-Bengochea alleges that he holds an interest in the Port of Santiago, Cuba, both of which were expropriated by the Cuban Government. The complaints further allege that Carnival Cruise Line “trafficked” in those properties by embarking and disembarking passengers at these facilities. The plaintiffs seek all available statutory remedies, including the value of the expropriated property, plus interest, treble damages, attorneys’ fees and costs. The court denied our motion to dismiss the complaint filed by Javier Garcia-Bengochea, on August 26, 2019. While on August 28, 2019, the court denied our motion to dismiss the complaint filed by Havana Docks Corporation, later on January 6, 2020, it dismissed virtually identical cases brought by Havana Docks Corporation against other cruise lines, on the grounds raised in our

motion to dismiss. In doing so, the court explicitly reversed its position on the issue and acknowledged the conflict with our case. Therefore, on January 6, 2020, we asked the court to formally dismiss the Havana Docks Corporation complaint.

We believe we have meritorious defenses to the claims and we intend to vigorously defend against them. We do not believe that it is likely that the outcome of these matters will be material, but litigation is inherently unpredictable and there can be no assurances that the final outcome of the case might not be material to our operating results or financial condition.

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

Contingent Obligations – Indemnifications

Some of the debt contracts we enter into include indemnification provisions obligating us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes or changes in laws which increase our lenders' costs. There are no stated or notional amounts included in the indemnification clauses, and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses.

NOTE 8 – Taxation

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

U.S. Income Tax

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

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

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

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

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

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

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

UK and Australian Income Tax

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

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

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

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

Italian and German Income Tax

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

Most of Costa's and AIDA's earnings that are not eligible for taxation under the Italian tonnage tax regime will be taxed at an effective tax rate of 4.8% in 2019 and 2018.

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

Asian Countries Income Taxes

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

Other

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

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

NOTE 9 – Shareholders’ Equity

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

<i>(in millions)</i>	Carnival Corporation		Carnival plc	
	Number of Shares Repurchased	Dollar Amount Paid for Shares Repurchased	Number of Shares Repurchased	Dollar Amount Paid for Shares Repurchased
2019	0.6	\$ 26	12.2	\$ 569
2018	7.8	\$ 476	16.3	\$ 985
2017	3.3	\$ 223	5.6	\$ 335

<i>(in millions)</i>	AOCI	
	November 30,	
	2019	2018
Cumulative foreign currency translation adjustments, net	\$ (1,961)	\$ (1,875)
Unrecognized pension expenses	(88)	(56)
Net losses on cash flow derivative hedges	(18)	(19)
	<u>\$ (2,066)</u>	<u>\$ (1,949)</u>

During 2019, 2018 and 2017, there were \$5 million, \$5 million and \$18 million of unrecognized pension expenses that were reclassified out of accumulated other comprehensive loss and were included within payroll and related expenses and selling and administrative expenses.

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

<i>(in millions, except per share data)</i>	Quarters Ended			
	February 28	May 31	August 31	November 30
2019				
Dividends declared per share	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Dividends declared	\$ 345	\$ 346	\$ 342	\$ 346
2018				
Dividends declared per share	\$ 0.45	\$ 0.50	\$ 0.50	\$ 0.50
Dividends declared	\$ 322	\$ 357	\$ 350	\$ 349
2017				
Dividends declared per share	\$ 0.35	\$ 0.40	\$ 0.40	\$ 0.45
Dividends declared	\$ 251	\$ 291	\$ 289	\$ 324

Carnival Corporation’s Articles of Incorporation authorize its Board of Directors, at its discretion, to issue up to \$40 million shares of preferred stock. At November 30, 2019 and 2018, no Carnival Corporation preferred stock or Carnival plc preference shares had been issued.

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

Fair Value Measurements

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

- Level 1 measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.
- Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.
- Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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

<i>(in millions)</i>	November 30, 2019				November 30, 2018			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Long-term other assets								
(a)	\$ 181	\$ —	\$ 31	\$ 149	\$ 127	\$ —	\$ 30	\$ 95
Total	<u>\$ 181</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ 149</u>	<u>\$ 127</u>	<u>\$ —</u>	<u>\$ 30</u>	<u>\$ 95</u>
Liabilities								
Fixed rate debt (b)	\$ 7,438	\$ —	\$ 7,782	\$ —	\$ 5,699	\$ —	\$ 5,799	\$ —
Floating rate debt (b)	4,195	—	4,248	—	4,695	—	4,727	—
Total	<u>\$ 11,634</u>	<u>\$ —</u>	<u>\$ 12,030</u>	<u>\$ —</u>	<u>\$ 10,394</u>	<u>\$ —</u>	<u>\$ 10,526</u>	<u>\$ —</u>

- (a) Long-term other assets are comprised of notes receivables, which include loans on ship sales. The fair values of our Level 2 notes receivables were based on estimated future cash flows discounted at appropriate market interest rates. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.
- (b) The debt amounts above do not include the impact of interest rate swaps or debt issuance costs. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1 and, accordingly, are considered Level 2. The fair values of our other debt were estimated based on current market interest rates being applied to this debt.

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

<i>(in millions)</i>	November 30, 2019			November 30, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	\$ 518	\$ —	\$ —	\$ 982	\$ —	\$ —
Restricted cash	13	—	—	14	—	—
Derivative financial instruments	—	58	—	—	—	—
Total	<u>\$ 530</u>	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 996</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities						
Derivative financial instruments	\$ —	\$ 25	\$ —	\$ —	\$ 29	\$ —
Total	<u>\$ —</u>	<u>\$ 25</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29</u>	<u>\$ —</u>

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

Valuation of Goodwill and Trademarks

As of July 31, 2019 and 2018, we performed our annual goodwill and trademark impairment reviews and we determined there was no impairment for goodwill or trademarks.

As of November 30, 2019, we performed an additional goodwill impairment review for our Costa reporting unit, \$435 million of goodwill recorded, and we determined there was no impairment for goodwill.

During 2017, we made a decision to strategically realign our business in Australia, which includes reducing capacity in P&O Cruises (Australia). We performed discounted cash flow analyses and determined that the estimated fair values of the P&O Cruises (Australia) reporting unit and its trademark no longer exceeded their carrying values. We recognized a goodwill impairment charge of \$38 million and a trademark impairment charge of \$50 million for the year ended November 30, 2017.

The determination of our reporting unit goodwill fair values includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used in our goodwill impairment reviews consist of:

- Changes in conditions or strategy, including decisions about the allocation of new ships amongst brands and transfer of ships between brands
- Forecasted future operating results, including net revenue yields and fuel expenses
- Weighted-average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate

We believe that we have made reasonable estimates and judgments. A change in the conditions, circumstances or strategy, including decisions about the allocation of new ships amongst brands and the transfer of ships between brands (influencing fair values in the future), may result in a need to recognize an additional impairment charge.

<i>(in millions)</i>	Goodwill		
	NAA Segment	EA Segment	Total
At November 30, 2017	\$ 1,898	\$ 1,069	\$ 2,967
Foreign currency translation adjustment	—	(42)	(42)
At November 30, 2018	1,898	1,027	2,925
Foreign currency translation adjustment	—	(13)	(13)
At November 30, 2019	<u>\$ 1,898</u>	<u>\$ 1,014</u>	<u>\$ 2,912</u>

<i>(in millions)</i>	Trademarks		
	NAA Segment	EA Segment	Total
At November 30, 2017	\$ 928	\$ 251	\$ 1,179
Foreign currency translation adjustment	—	(10)	(10)
At November 30, 2018	927	242	1,169
Foreign currency translation adjustment	—	(2)	(2)
At November 30, 2019	\$ 927	\$ 240	\$ 1,167

Impairments of Ships

We review our long-lived assets for impairment whenever events or circumstances indicate potential impairment. Primarily as a result of our decision during 2017 to strategically realign our business in Australia, which included reducing capacity in P&O Cruises (Australia), we performed undiscounted cash flow analyses on certain ships as of July 31, 2017. Based on these undiscounted cash flow analyses, we determined that some of these ships had net carrying values that exceeded their estimated undiscounted future cash flows. We estimated the July 31, 2017 fair values of these ships based on their discounted cash flows and comparable market transactions. We then compared these estimated fair values to the net carrying values and, as a result, we recognized \$162 million and \$142 million of ship impairment charges in the NAA and EA segments, respectively, for the year end November 30, 2017. The impairment is included in other ship operating expenses in our consolidated statements of income.

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

Derivative Instruments and Hedging Activities

<i>(in millions)</i>	Balance Sheet Location	November 30,	
		2019	2018
Derivative assets			
Derivatives designated as hedging instruments			
Cross currency swaps (a)	Prepaid expenses and other	\$ 32	\$ —
	Other assets	25	—
Total derivative assets		\$ 58	\$ —
Derivative liabilities			
Derivatives designated as hedging instruments			
Cross currency swaps (a)	Accrued liabilities and other	\$ 1	\$ 5
	Other long-term liabilities	9	—
Foreign currency zero cost collars (b)	Accrued liabilities and other	1	—
Interest rate swaps (c)	Accrued liabilities and other	6	8
	Other long-term liabilities	9	11
		25	23
Derivatives not designated as hedging instruments			
Fuel	Accrued liabilities and other	—	6
Total derivative liabilities		\$ 25	\$ 29

- (a) At November 30, 2019 and 2018, we had cross currency swaps totaling \$1.9 billion and \$156 million, respectively, that are designated as hedges of our net investments in foreign operations with a euro-denominated functional currency. At November 30, 2019, these cross currency swaps settle through 2031.

- (b) At November 30, 2019, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See “Newbuild Currency Risks” below for additional information regarding these derivatives.
- (c) We have 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 \$300 million at November 30, 2019 and \$385 million at November 30, 2018 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At November 30, 2019, these interest rate swaps settle through 2025.

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

		November 30, 2019				
<i>(in millions)</i>	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts	
Assets	\$ 58	\$ —	\$ 58	\$ (4)	\$ 54	
Liabilities	\$ 25	\$ —	\$ 25	\$ (4)	\$ 21	

		November 30, 2018				
<i>(in millions)</i>	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts	
Assets	\$ —	\$ —	\$ —	\$ —	\$ —	
Liabilities	\$ 29	\$ —	\$ 29	\$ —	\$ 29	

The effect of our derivatives qualifying and designated as hedging instruments recognized in other comprehensive income (loss) and in income was as follows:

<i>(in millions)</i>	November 30,		
	2019	2018	2017
Gains (losses) recognized in AOCI:			
Cross currency swaps – net investment hedges	\$ 43	\$ 18	\$ (31)
Foreign currency zero cost collars – cash flow hedges	\$ (1)	\$ (12)	\$ 45
Interest rate swaps – cash flow hedges	\$ 3	\$ 6	\$ 8
Gains (losses) reclassified from AOCI – cash flow hedges:			
Interest rate swaps – Interest expense, net of capitalized interest	\$ (7)	\$ (10)	\$ (11)
Foreign currency zero cost collars - Depreciation and amortization	\$ 1	\$ 1	\$ 1
Gains (losses) recognized on derivative instruments (amount excluded from effectiveness testing – net investment hedges)			
Cross currency swaps – Interest expense, net of capitalized interest	\$ 23	\$ —	\$ —

At November 30, 2019 and 2018, no collateral was required to be posted to or received from our fuel derivative counterparties.

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

Financial Risk

Fuel Price Risks

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

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

There were no unrealized or realized gains or losses on fuel derivatives for the period ended November 30, 2019.

Foreign Currency Exchange Rate Risks

Overall Strategy

We manage our exposure to fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and non-derivative financial instruments. Our primary focus is to monitor our exposure to, and manage, the economic foreign currency exchange risks faced by our operations and realized if we exchange one currency for another. We currently only hedge certain of our ship commitments and net investments in foreign operations. The financial impacts of the hedging instruments we do employ generally offset the changes in the underlying exposures being hedged.

Operational Currency Risks

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

Investment Currency Risks

We consider our investments in foreign operations to be denominated in stable currencies and are of a long-term nature. We partially mitigate the currency exposure of our investments in foreign operations by designating a portion of our foreign currency debt and derivatives as hedges of these investments. As of November 30, 2019, we have designated \$854 million of our sterling-denominated debt as non-derivative hedges of our net investments in foreign operations and in 2019, we recognized \$6 million of losses on these non-derivative net investment hedges in the cumulative translation adjustment section of other comprehensive income. We also have \$7.5 billion of euro-denominated debt, including the effect of cross currency swaps, which provides an economic offset for our operations with euro functional currency.

Newbuild Currency Risks

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

November 30, 2019, for the following newbuilds, we had foreign currency zero cost collars for a portion of our euro-denominated shipyard payments. These collars are designated as cash flow hedges.

	<u>Entered Into</u>	<u>Matures in</u>	<u>Weighted-Average Floor Rate</u>	<u>Weighted-Average Ceiling Rate</u>
<i>Enchanted Princess</i>	2019	June 2020	\$ 1.04	\$ 1.28
<i>Mardi Gras</i>	2019	August 2020	\$ 1.04	\$ 1.28

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

At November 30, 2019, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments to non-euro functional currency brands, which represent a total unhedged commitment of \$7.3 billion for newbuilds scheduled to be delivered from 2020 through 2025.

The cost of shipbuilding orders that we may place in the future that is denominated in a different currency than our cruise brands' will be affected by foreign currency exchange rate fluctuations. These foreign currency exchange rate fluctuations may affect our decision to order new cruise ships.

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our debt portfolio management and investment strategies. We evaluate our debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps, issuance of new debt, amendment of existing debt or early retirement of existing debt.

Concentrations of Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. We seek to minimize these credit risk exposures, including counterparty nonperformance primarily associated with our cash equivalents, investments, notes receivables, committed financing facilities, contingent obligations, derivative instruments, insurance contracts, long-term ship charters and new ship progress payment guarantees, by:

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

We believe the risk of nonperformance by any of our significant counterparties is remote. At November 30, 2019, our exposures under foreign currency contracts and interest rate swap agreements were not material. We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe, which includes charter-hire agreements in Asia and credit and debit card providers to which we extend credit in the normal course of our business. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. Concentrations of credit risk associated with 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, notes receivables, charter-hire agreements and contingent obligations. We do not normally require collateral or other security to support normal credit sales.

NOTE 11 – Segment Information

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

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

As of and for the years ended November 30,

<i>(in millions)</i>	Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)	Capital expenditures	Total assets
2019							
NAA	\$ 13,612	\$ 8,370	\$ 1,427	\$ 1,364	\$ 2,451	\$ 2,781	\$ 27,102
EA	6,650	4,146	744	645	1,115	2,462	15,473
Cruise Support ..	173	125	281	115	(347)	143	1,861
Tour and Other ..	390	268	28	36	56	43	623
	<u>\$ 20,825</u>	<u>\$ 12,909</u>	<u>\$ 2,480</u>	<u>\$ 2,160</u>	<u>\$ 3,276</u>	<u>\$ 5,429</u>	<u>\$ 45,058</u>
2018							
NAA	\$ 12,236	\$ 7,180	\$ 1,403	\$ 1,264	\$ 2,389	\$ 2,614	\$ 25,613
EA	6,243	3,676	751	611	1,205	945	13,825
Cruise Support ..	129	53	268	103	(296)	38	2,303
Tour and Other ..	272	180	28	39	26	152	660
	<u>\$ 18,881</u>	<u>\$ 11,089</u>	<u>\$ 2,450</u>	<u>\$ 2,017</u>	<u>\$ 3,325</u>	<u>\$ 3,749</u>	<u>\$ 42,401</u>
2017							
NAA	\$ 11,442	\$ 6,704	\$ 1,337	\$ 1,195	\$ 2,117 (a)	\$ 1,715	\$ 24,430
EA	5,703	3,568	667	561	907	793	14,149
Cruise Support ..	129	66	246	53	(235)	431	1,739
Tour and Other ..	236	163	15	37	20	5	459
	<u>\$ 17,510</u>	<u>\$ 10,501</u>	<u>\$ 2,265</u>	<u>\$ 1,846</u>	<u>\$ 2,809</u>	<u>\$ 2,944</u>	<u>\$ 40,778</u>

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

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

<i>(in millions)</i>	Years Ended November 30,		
	2019	2018	2017
North America	\$ 11,502	\$ 10,066	\$ 9,195
Europe	6,318	5,957	5,414
Australia and Asia	2,632	2,530	2,604
Other	373	327	297
	<u>\$ 20,825</u>	<u>\$ 18,881</u>	<u>\$ 17,510</u>

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

NOTE 12 – Compensation Plans

Equity Plans

We issue our share-based compensation awards, which at November 30, 2019 included time-based share awards (restricted stock awards and restricted stock units), performance-based share awards and market-based share awards (collectively “equity awards”), under the Carnival Corporation and Carnival plc stock plans. Equity awards are principally granted to management level employees and members of our Boards of Directors. The plans are administered by the Compensation Committee which is made up of independent directors who determine which employees are eligible to participate, the monetary value or number of shares for which equity awards are to be granted and the amounts that may be exercised or sold within a specified term. We had an aggregate of 11.8 million shares available for future grant at November 30, 2019. We fulfill our equity award obligations using shares purchased in the open market or with unissued or treasury shares. Our equity awards generally vest over a three-year period, subject to earlier vesting under certain conditions.

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at November 30, 2016	3,413,125	\$ 48.03
Granted	1,116,314	\$ 54.79
Vested	(1,466,690)	\$ 38.95
Forfeited	(112,781)	\$ 51.72
Outstanding at November 30, 2017	2,949,968	\$ 51.82
Granted	951,906	\$ 66.68
Vested	(1,419,218)	\$ 45.45
Forfeited	(202,139)	\$ 56.57
Outstanding at November 30, 2018	2,280,517	\$ 61.57
Granted	1,357,177	\$ 52.17
Vested	(960,693)	\$ 53.49
Forfeited	(185,625)	\$ 56.13
Outstanding at November 30, 2019	<u>2,491,376</u>	\$ 59.97

As of November 30, 2019, there was \$57 million of total unrecognized compensation cost related to equity awards, which is expected to be recognized over a weighted-average period of 1.4 years.

Defined Benefit Pension Plans

We have several single-employer defined benefit pension plans, which cover some of our shipboard and shoreside employees. The U.S. and UK shoreside employee plans are closed to new membership and are funded at or above the level required by U.S. or UK regulations. The remaining defined benefit plans are primarily unfunded. In determining all of our plans’ benefit obligations at November 30, 2019 and 2018, we assumed a weighted-average discount rate of 2.4% for 2019 and 3.4% for 2018.

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

We expense our portion of the MNOFP New Section deficit as amounts are invoiced by, and become due and payable to, the trustees. We accrue and expense our portion of the MNRPF deficit based on our estimated probable obligation from the most recent actuarial review. Total expense for all defined benefit pension plans, including the multiemployer plans, was \$34 million in 2019, \$36 million in 2018 and \$53 million in 2017.

Based on the most recent valuation at March 31, 2018 of the MNOFP New Section, it was determined that this plan was 98% funded. In 2019, 2018 and 2017, our contributions to the MNOFP New Section did not exceed 5% of total contributions to the fund. Based on the most recent valuation at March 31, 2019 of the MNRPF, it was determined that this plan was 88% funded. In 2019, 2018 and 2017 our contributions to the MNRPF did not exceed 5% of total contributions to the fund. It is possible that we will be required to fund and expense additional amounts for the multiemployer plans in the future; however, such amounts are not expected to be material to our consolidated financial statements.

Defined Contribution Plans

We have several defined contribution plans available to most of our employees. We contribute to these plans based on employee contributions, salary levels and length of service. Total expense for these plans was \$41 million in 2019, \$39 million in 2018 and \$37 million in 2017.

NOTE 13 – Earnings Per Share

	Years Ended November 30,		
	2019	2018	2017
<i>(in millions, except per share data)</i>			
Net income for basic and diluted earnings per share	\$ 2,990	\$ 3,152	\$ 2,606
Weighted-average shares outstanding	690	709	722
Dilutive effect of equity plans	2	2	3
Diluted weighted-average shares outstanding	692	710	725
Basic earnings per share	\$ 4.34	\$ 4.45	\$ 3.61
Diluted earnings per share	\$ 4.32	\$ 4.44	\$ 3.59

NOTE 14 – Supplemental Cash Flow Information

	November 30, 2019	November 30, 2018
<i>(in millions)</i>		
Cash and cash equivalents (Consolidated Balance Sheets)	\$ 518	\$ 982
Restricted cash included in prepaid expenses and other and other assets . . .	13	14
Total cash, cash equivalents and restricted cash (Consolidated Statements of Cash Flows)	\$ 530	\$ 996

Cash paid for interest, net of capitalized interest, was \$171 million in 2019, \$182 million in 2018 and \$191 million in 2017. In addition, cash paid for income taxes, net of recoveries, was \$46 million in 2019, \$58 million in 2018 and \$43 million in 2017.

During 2019, 2018, and 2017, we issued notes receivable upon sale of ships of \$104 million, \$35 million and \$45 million.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer and Chief Accounting Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 Internal Control – Integrated Framework (the “COSO Framework”). Based on this evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective as of November 30, 2019.

PricewaterhouseCoopers LLP, the independent registered certified public accounting firm that audited our consolidated financial statements, has also audited the effectiveness of our internal control over financial reporting as of November 30, 2019 as stated in their report, which is included in this 2019 Annual Report.



Arnold W. Donald
President and
Chief Executive Officer
January 28, 2020



David Bernstein
Chief Financial Officer and
Chief Accounting Officer
January 28, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Carnival Corporation & plc (comprising Carnival Corporation and Carnival plc and their respective subsidiaries, the “Company”) as of November 30, 2019 and 2018, and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for each of the three years in the period ended November 30, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of November 30, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Quantitative Impairment Assessments

As described in Notes 2 and 10 to the consolidated financial statements, the Company's consolidated goodwill balance was \$2,912 million as of November 30, 2019. Management reviews goodwill for impairment as of July 31 every year, or more frequently if events or circumstances dictate. The impairment review for goodwill allows management to first assess qualitative factors to determine whether it is necessary to perform the more detailed quantitative goodwill impairment test. When performing the quantitative test, if the estimated fair value of the reporting unit exceeds its carrying value, no further analysis is required. However, if the estimated fair value of the reporting unit is less than the carrying value, goodwill is written down based on the difference between the reporting unit's carrying amount and its fair value, limited to the amount of goodwill allocated to the reporting unit. The determination of the goodwill reporting unit's fair value includes numerous assumptions with the principal assumptions relating to (i) changes in conditions or strategy, including decisions about the allocation of new ships amongst brands and transfer of ships between brands, (ii) forecasted future operating results, including net revenue yields and fuel expenses, and (iii) weighted average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate, (collectively, the "principal assumptions").

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments is a critical audit matter are there was significant judgment by management in determining the fair value of the reporting units. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating audit evidence relating to the principal assumptions. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s goodwill impairment assessments, including controls over the valuation of the Company’s reporting units that were subject to the quantitative test. These procedures also included, among others, testing management’s process for determining the fair value estimate; evaluating the appropriateness of the valuation methodology; testing the completeness, accuracy and relevance of underlying data used in the analyses; and evaluating the reasonableness of the significant assumptions used by management, including the principal assumptions. Evaluating management’s principal assumptions involved evaluating whether the assumptions used by management were reasonable considering (i) the past performance of the reporting units, (ii) the consistency with current revenue booking and cost trends, and (iii) the consistency with external industry data. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discounted cash flow analyses and certain principal assumptions, including the weighted average cost of capital.

PricewaterhouseCoopers, LLP

Miami, Florida
January 28, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Concerning Factors That May Affect Future Results

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

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

- Net revenue yields
- Booking levels
- Pricing and occupancy
- Interest, tax and fuel expenses
- Currency exchange rates
- Net cruise costs, excluding fuel per available lower berth day
- Estimates of ship depreciable lives and residual values
- Goodwill, ship and trademark fair values
- Liquidity
- Adjusted earnings per share

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by our forward looking statements. This note contains important cautionary statements of the known factors that we consider could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position. It is not possible to predict or identify all such risks. There may be additional risks that we consider immaterial or which are unknown. These factors include, but are not limited to, the following:

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

- Geographic regions in which we try to expand our business may be slow to develop or ultimately not develop how we expect
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests

The ordering of the risk factors set forth above is not intended to reflect our indication of priority or likelihood. Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this document, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

2019 Executive Overview

Key information for 2019 compared to the prior year (see “Key Performance Non-GAAP Financial Indicators” for definitions and reconciliations):

- Net income of \$3.0 billion or \$4.32 diluted earnings per share, compared to net income of \$3.2 billion or \$4.44 diluted earnings per share in 2018.
- Record adjusted net income of \$3.0 billion, or \$4.40 adjusted diluted earnings per share, compared to adjusted net income of \$3.0 billion or \$4.26 adjusted diluted earnings per share in 2018. Adjusted net income excludes net charges of \$52 million for 2019 and net gains of \$123 million for 2018.
- Record total revenues were \$20.8 billion, higher than \$18.9 billion in 2018.
 - Gross cruise revenues of \$20.4 billion, higher than \$18.6 billion in 2018.
 - In constant currency, net cruise revenues of \$16.0 billion, higher than \$15.4 billion in 2018, an increase of 4.0%.
- Gross revenue yields increased 5.4%. In constant currency, net revenue yields decreased 0.2%, comprised of a 1.0% decrease in net passenger ticket revenue yields and a 2.0% increase in net onboard and other revenue yields.
- Gross cruise costs including fuel per ALBD increased 8.6%. Net cruise costs excluding fuel per ALBD in constant currency decreased 0.3%.
- Changes in fuel prices and currency exchange rates decreased earnings by \$0.01 per share.

After five years of strong adjusted earnings growth for our company, 2019 brought with it more than our fair share of challenges including the abrupt regulatory change preventing travel to Cuba, geopolitical events in the Arabian Gulf, Hurricane Dorian, a costly unscheduled dry-dock, and multiple shipyard delays, all of which necessitated the cancellation of cruises and in many instances resulted in shorter booking windows negatively impacting yields. The impact from these events was compounded by an unanticipated decline in consumer attitude affecting leisure travel broadly in our Continental European source markets. As a global company with nearly 50 percent of our guests sourced from outside the U.S., we are subject to uneven economies around the world. We have a large percentage of our portfolio weighted in regions that are currently challenged. We have already taken actions to adapt to what is proving to be a persistent challenge. These actions include changing itineraries to optimize our performance and implementing an action plan to accelerate demand and right-size capacity sourced from Southern Europe.

Our 150,000 team members collectively worked to offset numerous headwinds and delivered memorable cruise experiences for our 13 million guests as well as achieved our highest full year adjusted diluted earnings per share for our shareholders. Although earnings growth was broadly in line with capacity growth, we believe our business is inherently capable of, and we are working to ensure we are, doing even better.

Globally, we are taking actions to further stimulate demand and increase our cost efficiencies. We have conducted an analysis of our marketing activities and spend and have identified areas of opportunity to increase marketing impressions to generate demand and support future yield growth. In 2019, we increased investments in media spend to support our brands and destinations around the world. We have also been successful in increasing our analytical rigor in marketing and media spend to drive demand generation and to better balance brand support activities with price and promotion efforts.

From a guest experience perspective, we continue to deliver with both our guest experience scores and net promoter scores toward the top end of prior ranges. In addition, we have made several investments to continue to further enhance the guest experience.

- Our newbuild schedule peaks in 2020 with six new ships entering service across six distinct markets: *Carnival Panorama* for the West Coast of the U.S., Carnival Cruise Line's *Mardi Gras* for the East Coast of the U.S., *Enchanted Princess*, the second new ship delivered with Ocean Medallion, *Costa Smeralda* for Continental Europe, *Costa Firenze* for China and P&O Cruises' *Iona* for the UK.
- We continue to roll out our most popular features on our existing fleet, with significant re-imaginings like the recently introduced *Carnival Sunrise*, to be joined by *Carnival Radiance* in mid-2020.
- In the Princess fleet, the Ocean Medallion roll out continues with five ships already completed and six more to be completed in 2020.
- The expansion of app-based technology across our other brands continues, including pre-cruise purchases.
- We have two major destination developments underway, on Grand Bahama Island and a second destination on Half Moon Cay, complementing the six destinations we had already developed and are operating in the Caribbean.

We are elevating the guest experience without increasing operating costs on a per available lower berth day ("ALBD") basis. Through our global sourcing, we achieved over \$125 million of cost savings in 2019, bringing the cumulative total to over \$480 million since 2014.

Our highest responsibility and top priorities are excellence in safety, environmental protection and compliance. Our reputation and success depends on having sustainable and transparent operations. We continue to lead the industry in the development of environmentally friendly fuel solutions.

- We achieved a four percent reduction in per unit fuel consumption in 2019. We expect another four percent in 2020 which will bring the cumulative reduction in fuel consumption per ALBD to 35 percent since 2007.
- In 2019 we delivered *AIDAnova*, the first cruise ship with the ability to be solely powered by LNG, the most environmentally friendly fossil fuel. We have 10 more next generation LNG cruise ships on order, including Carnival Cruise Line's *Mardi Gras*, *Costa Smeralda* and P&O Cruises' *Iona*, entering the fleet during 2020.
- We announced a ground breaking pilot on *AIDAperla*, the first lithium-ion battery storage system to power a cruise ship's propulsion and operation for limited periods of time. Also, as early as 2021, AIDA Cruises will be the world's first cruise company to test the use of fuel cells on a large passenger ship. The fuel cells will be powered by hydrogen derived from methanol.

These will compliment other industry leading technologies we have already deployed to reduce carbon emissions including cold ironing (or shore power), which we have the capability for on over 40 percent of our fleet, and Advanced Air Quality Systems deployed on nearly 80 percent of our fleet. The investments we have made in Advanced Air Quality Systems will also help to mitigate increased costs in the wake of IMO 2020.

We are also focused on other areas concerning the environment including the roll out of additional Advanced Waste Water Purification Systems and food bio-digesters. We have also made considerable progress on our goal to significantly reduce single use plastics. In addition, we joined the Getting to Zero Coalition, an alliance of organizations across the maritime, energy, infrastructure and finance sectors committed to accelerating the decarbonization of the international shipping industry. Sustainability efforts remain at the forefront of our strategic goals.

We are continuing to work to improve our performance in fiscal 2020 and beyond. With annual cash from operations of \$5.5 billion, our balance sheet is strong, as are our brands. We continue to generate value for our shareholders, returning over

\$2.0 billion during 2019, \$1.4 billion through our quarterly dividend and approximately \$600 million through our share repurchase program. Although there are multiple external impacts outside of our control, we are aggressively managing those levers we do control or can strongly influence which include demand, supply and controlling costs. We are investing to stimulate demand through advertising, marketing and public relations efforts to maintain price discipline. We are working to moderate capacity additions and at the same time accelerate capacity leaving the fleet. We are leveraging our scale to achieve efficiencies and to fund investments without a significant net increase in costs. In the best interest of long-term shareholders, we are making disciplined decisions to optimize our performance in the short-term while leaving us best positioned to capture the full benefit of global travel and tourism growth over the long-term.

New Accounting Pronouncements

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

Critical Accounting Estimates

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

Ship Accounting

We make several critical accounting estimates with respect to our ship accounting.

We account for ship improvement costs, including replacements of certain significant components and parts, by capitalizing those costs we believe add value to our ships and have a useful life greater than one year and depreciating those improvements over their estimated remaining useful life. The costs of repairs and maintenance, including minor improvement costs and expenses related to dry-docks, are charged to expense as incurred. If we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs.

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

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

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

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. Our 2019 ship depreciation expense would have increased by approximately \$44 million assuming we had reduced our estimated 30-year ship useful life estimate by one year at the time we took delivery or acquired each of our ships. In

addition, our 2019 ship depreciation expense would have increased by approximately \$228 million assuming we had estimated our ships to have no residual value.

We believe that the estimates we made for ship accounting purposes are reasonable and our methods are consistently applied in all material respects and result in depreciation expense that is based on a rational and systematic method to equitably allocate the costs of our ships to the periods during which we use them.

Valuation of Ships

Impairment reviews of our ships require us to make significant estimates.

We evaluate ship asset impairments at the individual ship level which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We review our ships for impairment whenever events or circumstances indicate that the carrying value of a ship may not be recoverable. If estimated future cash flows are less than the carrying value of a ship, an impairment charge is recognized to the extent its carrying value exceeds fair value.

The estimation of a ship's fair value includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used in our ship impairment reviews consist of:

- Changes in strategy, including decisions about itineraries and the transfer of ships between brands
- Forecasted future operating results, including net revenue yields and fuel expenses
- Estimated ship sale timing and proceeds

Refer to our consolidated financial statements for additional discussion of our property and equipment policy and ship impairment reviews.

We believe that we have made reasonable estimates and judgments.

Valuation of Goodwill

Impairment reviews of our goodwill require us to make significant estimates.

We review our goodwill for impairment at the reporting unit level as of July 31 every year, or more frequently if events or circumstances dictate. If the estimated fair value of any of our reporting units is less than the reporting unit's carrying value, goodwill is written down based on the difference between the reporting unit's carrying amount and its estimated fair value, limited to the amount of goodwill allocated to the reporting unit.

The estimation of our reporting unit fair value includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used in our goodwill impairment reviews consist of:

- Changes in conditions or strategy, including decisions about the allocation of new ships amongst brands and transfer of ships between brands
- Forecasted future operating results, including net revenue yields and fuel expenses
- Weighted-average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate

Refer to our consolidated financial statements for additional discussion of our goodwill accounting policy and impairment reviews.

We believe that we have made reasonable estimates and judgments.

Contingencies

We periodically assess the potential liabilities related to any lawsuits or claims brought against us, as well as for other known unasserted claims, including environmental, legal, regulatory and guest and crew matters. While it is typically very difficult to determine the timing and ultimate outcome of these matters, we use our best judgment to determine the appropriate amounts to record in our consolidated financial statements.

We accrue a liability and establish a reserve when we believe a loss is probable and the amount of the loss can be reasonably estimated. In assessing probable losses, we make estimates of the amount of probable insurance recoveries, if any, which are recorded as assets where appropriate. Such accruals and reserves are typically based on developments to date, management's estimates of the outcomes of these matters, our experience in contesting, litigating and settling other similar matters, historical claims experience, actuarially determined estimates of liabilities and any related insurance coverages.

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

Refer to our consolidated financial statements for additional discussion of contingencies.

Results of Operations

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

- Sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from airports near our ships' home ports and cancellation fees. We also collect fees, taxes and other charges from our guests.
- The cruise ticket price typically includes the following:
 - Accommodations
 - Most meals, including snacks at numerous venues
 - Access to amenities such as swimming pools, water slides, water parks, whirlpools, a health club and sun decks
 - Supervised youth programs
 - Entertainment, such as theatrical and comedy shows, live music and nightclubs
 - Visits to multiple destinations
- Sales of onboard goods and services not included in the cruise ticket price. This generally includes the following:

• Beverage sales	• Internet and communication services
• Casino gaming	• Full service spas
• Shore excursions	• Specialty restaurants
• Retail sales	• Art sales
• Photo sales	• Laundry and dry cleaning services

These goods and services are provided either directly by us or by independent concessionaires, from which we receive either a percentage of their revenues or a fee. Concession revenues do not have direct expenses because the costs and services incurred for concession revenues are borne by our concessionaires.

We earn our tour and other revenues from our hotel and transportation operations, long-term leasing of ships and other revenues.

We incur cruise operating costs and expenses for the following:

- The costs of passenger cruise bookings, which include travel agent commissions, cost of air and other transportation, port fees, taxes, and charges that directly vary with guest head counts and credit and debit card fees

- Onboard and other cruise costs, which include the costs of beverage sales, costs of shore excursions, costs of retail sales, communication costs, credit and debit card fees, other onboard costs, costs of cruise vacation protection programs and pre- and post-cruise land packages
- Payroll and related costs, which include the costs of officers and crew in bridge, engineering and hotel operations. Substantially all costs associated with our shoreside personnel are included in selling and administrative expenses
- Fuel costs, which include fuel delivery costs
- Food costs, which include both our guest and crew food costs
- Other ship operating expenses, which include port costs that do not vary with guest head counts; repairs and maintenance, including minor improvements and dry-dock expenses; hotel costs; entertainment; gains and losses on ship sales; ship impairments; freight and logistics; insurance premiums and all other ship operating expenses

We incur tour and other costs and expenses for our hotel and transportation operations, long-term leasing of ships and other expenses.

Statistical Information

	Years Ended November 30,		
	2019	2018	2017
ALBDs (in thousands) (a) (b)	87,424	83,872	82,303
Occupancy percentage (c)	106.8%	106.9%	105.9%
Passengers carried (in thousands)	12,866	12,407	12,130
Fuel consumption in metric tons (in thousands)	3,312	3,296	3,286
Fuel consumption in metric tons per thousand ALBDs	37.9	39.3	39.9
Fuel cost per metric ton consumed	\$ 472	\$ 491	\$ 378
Currencies (USD to 1)			
AUD	\$ 0.70	\$ 0.75	\$ 0.77
CAD	\$ 0.75	\$ 0.78	\$ 0.77
EUR	\$ 1.12	\$ 1.18	\$ 1.12
GBP	\$ 1.27	\$ 1.34	\$ 1.28
RMB	\$ 0.14	\$ 0.15	\$ 0.15

- (a) ALBD is a standard measure of passenger capacity for the period that we use to approximate rate and capacity variances, based on consistently applied formulas that we use to perform analyses to determine the main non-capacity driven factors that cause our cruise revenues and expenses to vary. ALBDs assume that each cabin we offer for sale accommodates two passengers and is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.
- (b) In 2019 compared to 2018, we had a 4.2% capacity increase in ALBDs comprised of a 1.8% capacity increase in our NAA segment and a 8.6% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Partial period impact from one Carnival Cruise Line 3,960-passenger capacity ship that entered into service in April 2018
- Partial period impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018
- Partial period impact from one Holland America Line 2,670-passenger capacity ship that entered into service in December 2018
- Partial period impact from one Princess Cruises 3,660-passenger capacity ship that entered into service in October 2019

These increases were partially offset by:

- Partial period impact from one P&O Cruises (Australia) 1,680-passenger capacity ship removed in March 2019
- Partial period impact from one P&O Cruises (Australia) 1,260-passenger capacity ship removed in April 2019
- Partial period impact from one Holland America Line 840-passenger capacity ship removed in July 2019

Our EA segment's capacity increase was caused by:

- Partial period impact from one AIDA 5,230-passenger capacity ship that entered into service in December 2018
- Partial period impact from one Costa 4,200-passenger capacity ship that entered into service in March 2019

These increases were partially offset by:

- Partial period impact from one P&O Cruises (UK) 700-passenger capacity ship removed from service in March 2018
- Partial period impact from one Costa 1,300-passenger capacity ship removed from service in April 2018
- Partial period impact from one P&O Cruises (UK) 1,880-passenger capacity ship removed from service in August 2019

In 2018 compared to 2017, we had a 1.9% capacity increase in ALBDs comprised of a 2.9% capacity increase in our NAA segment and a 0.2% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Partial period impact from one Princess Cruises 3,560-passenger capacity ship that entered into service in April 2017
- Partial period impact from one Carnival Cruise Line 3,960-passenger capacity ship that entered into service in April 2018
- Partial period impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018

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

Our EA segment's capacity increase was caused by:

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

This increase was partially offset by:

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

- (c) In accordance with cruise industry practice, occupancy is calculated using a denominator of ALBDs, which assumes two passengers per cabin even though some cabins can accommodate three or more passengers. Percentages in excess of 100% indicate that on average more than two passengers occupied some cabins.

2019 Compared to 2018

Revenues

Consolidated

Cruise passenger ticket revenues made up 68% of our 2019 total revenues. Cruise passenger ticket revenues increased by \$174 million, or 1.2%, to \$14.1 billion in 2019 from \$13.9 billion in 2018.

This increase was caused by:

- \$607 million - 4.2% capacity increase in ALBDs
- \$113 million - increase in air transportation revenues

These increases were partially offset by:

- \$305 million - net unfavorable foreign currency translational impact
- \$240 million - decrease in cruise ticket revenues, driven primarily by sourcing in Continental Europe, our Alaska programs and net unfavorable foreign currency transactional impact, partially offset by price improvements in the Caribbean program

Onboard and other cruise revenues made up 30% of our 2019 total revenues. Onboard and other cruise revenues increased by \$1.7 billion, or 35%, to \$6.3 billion in 2019 from \$4.7 billion in 2018.

This increase was caused by:

- \$1.4 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$200 million - 4.2% capacity increase in ALBDs
- \$124 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translational impact of \$89 million.

Tour and other revenues made up 1.9% of our 2019 total revenues. Tour and other revenues increased by \$118 million, or 43%, to \$390 million in 2019 from \$272 million in 2018.

This increase was driven by the sale of Advanced Air Quality Systems to third parties, which accounted for \$117 million.

Concession revenues, which are included in onboard and other revenues, increased by \$24 million, or 2.1%, to \$1.2 billion in 2019 from \$1.1 billion in 2018.

NAA Segment

Cruise passenger ticket revenues made up 66% of our NAA segment's 2019 total revenues. Cruise passenger ticket revenues increased by \$159 million, or 1.8% to \$9.0 billion in 2019 from \$8.8 billion in 2018.

This increase was caused by:

- \$152 million - 1.8% capacity increase in ALBDs
- \$57 million - increase in air transportation revenues

These increases were partially offset by net unfavorable foreign currency translational impact of \$20 million.

The remaining 34% of our NAA segment's 2019 total revenues were comprised of onboard and other cruise revenues, which increased by \$1.2 billion, or 36%, to \$4.6 billion in 2019 from \$3.4 billion in 2018.

This increase was caused by:

- \$1.1 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$58 million - 1.8% capacity increase in ALBDs
- \$39 million - higher onboard spending by our guests

Concession revenues, which are included in onboard and other revenues, increased by \$14 million, or 1.7%, to \$821 million in 2019 from \$807 million in 2018.

EA Segment

Cruise passenger ticket revenues made up 78% of our EA segment's 2019 total revenues. Cruise passenger ticket revenues increased by \$68 million, or 1.3%, to \$5.2 billion in 2019 from \$5.1 billion in 2018.

This increase was caused by:

- \$451 million - 8.6% capacity increase in ALBDs
- \$50 million - increase in air transportation revenues

These increases were partially offset by

- \$285 million - net unfavorable foreign currency translational impact
- \$159 million - decrease in cruise ticket revenues, driven primarily by sourcing in Continental Europe

The remaining 22% of our EA segment's 2019 total revenues were comprised of onboard and other cruise revenues, which increased by \$339 million, or 31%, to \$1.4 billion in 2019 from \$1.1 billion in 2018.

This increase was caused by:

- \$268 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$96 million - 8.6% capacity increase in ALBDs
- \$51 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translational impact of \$79 million.

Concession revenues, which are included in onboard and other revenues, increased by \$10 million, or 3.0%, to \$337 million in 2019 from \$328 million in 2018.

Costs and Expenses

Consolidated

Operating costs and expenses increased by \$1.8 billion or 16%, to \$12.9 billion in 2019 from \$11.1 billion in 2018.

This increase was caused by:

- \$1.4 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$464 million - 4.2% capacity increase in ALBDs
- \$88 million - increase in tour and other costs
- \$87 million - higher commissions, transportation and other expenses
- \$67 million - increase in various other ship operating costs
- \$35 million - gains on ship sales in 2018, net of gains on ship sales in 2019

These increases were partially offset by:

- \$221 million - net favorable foreign currency translational impact
- \$63 million - lower fuel prices
- \$62 million - improved fuel consumption per ALBD
- \$46 million - lower dry-dock expenses and repair and maintenance expenses

Selling and administrative expenses increased by \$30 million, or 1.2%, to \$2.5 billion in 2019 compared to \$2.5 billion in 2018.

Depreciation and amortization expenses increased by \$143 million, or 7.1%, to \$2.2 billion in 2019 from \$2.0 billion in 2018.

NAA Segment

Operating costs and expenses increased by \$1.2 billion, or 17%, to \$8.4 billion in 2019 from \$7.2 billion in 2018.

This increase was caused by:

- \$1.1 billion - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$124 million - 1.8% capacity increase in ALBDs
- \$59 million - higher commissions, transportation and other expenses

These increases were partially offset by:

- \$58 million - lower fuel prices
- \$40 million - lower cruise payroll and related expenses

Selling and administrative expenses increased by \$24 million, or 1.7%, to \$1.4 billion in 2019 compared to \$1.4 billion in 2018.

Depreciation and amortization expenses increased by \$100 million, or 7.9%, to \$1.4 billion in 2019 from \$1.3 billion in 2018.

EA Segment

Operating costs and expenses increased by \$470 million, or 13%, to \$4.1 billion in 2019 from 3.7 billion in 2018.

This increase was caused by:

- \$307 million - 8.6% capacity increase in ALBDs
- \$268 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- \$46 million - gains on ship sales in 2018, net of gains on ship sales in 2019
- \$39 million - increase in various other ship operating costs
- \$36 million - higher commissions, transportation and other expenses
- \$28 million - higher cruise payroll and related expenses

These increases were partially offset by:

- \$203 million - net favorable foreign currency translational impact
- \$38 million - improved fuel consumption per ALBD
- \$21 million - lower dry-dock expenses and repair and maintenance expenses

Selling and administrative expenses decreased by \$7 million, or 1.0%, to \$744 million in 2019 from \$751 million in 2018.

Depreciation and amortization expenses increased by \$34 million, or 5.5%, to \$645 million in 2019 from \$611 million in 2018.

Operating Income

Our consolidated operating income decreased by \$49 million, or 1.5%, to \$3.3 billion in 2019 compared to \$3.3 billion in 2018. Our NAA segment's operating income increased by \$62 million, or 2.6%, to \$2.5 billion in 2019 from \$2.4 billion in 2018, and our EA segment's operating income decreased by \$90 million, or 7.5%, to \$1.1 billion in 2019 from \$1.2 billion in 2018. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

	Year Ended November 30, 2018
<i>(in millions)</i>	
Unrealized gains on fuel derivatives, net	\$ 94
Realized losses on fuel derivatives, net	(35)
Gains on fuel derivatives, net	<u>\$ 59</u>

There were no unrealized or realized gains or losses on fuel derivatives in 2019.

Explanations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

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

We believe that gains and losses on ship sales, impairment charges, restructuring and other expenses are not part of our core operating business and are not an indication of our future earnings performance. Therefore, we believe it is more meaningful for gains and losses on ship sales, impairment charges, and restructuring and other non-core gains and charges to be excluded from our net income and earnings per share and, accordingly, we present adjusted net income and adjusted earnings per share excluding these items.

The presentation of our non-GAAP financial information is not intended to be considered in isolation from, as substitute for, or superior to the financial information prepared in accordance with U.S. GAAP. It is possible that our non-GAAP financial measures may not be exactly comparable to the like-kind information presented by other companies, which is a potential risk associated with using these measures to compare us to other companies.

Net revenue yields are commonly used in the cruise industry to measure a company’s cruise segment revenue performance and for revenue management purposes. We use “net cruise revenues” rather than “gross cruise revenues” to calculate net revenue yields. We believe that net cruise revenues is a more meaningful measure in determining revenue yield than gross cruise revenues because it reflects the cruise revenues earned net of our most significant variable costs, which are travel agent commissions, cost of air and other transportation, certain other costs that are directly associated with onboard and other revenues and credit and debit card fees.

Net passenger ticket revenues reflect gross passenger ticket revenues, net of commissions, transportation and other costs.

Net onboard and other revenues reflect gross onboard and other revenues, net of onboard and other cruise costs.

Net cruise costs excluding fuel per ALBD is the measure we use to monitor our ability to control our cruise segments’ costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues as well as fuel expense to calculate net cruise costs without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. Substantially all of our net cruise costs excluding fuel are largely fixed, except for the impact of changing prices once the number of ALBDs has been determined.

Reconciliation of Forecasted Data

We have not provided a reconciliation of forecasted gross cruise revenues to forecasted net cruise revenues or forecasted gross cruise costs to forecasted net cruise costs without fuel or forecasted U.S. GAAP net income to forecasted adjusted net income or forecasted U.S. GAAP earnings per share to forecasted adjusted earnings per share because preparation of

meaningful U.S. GAAP forecasts of gross cruise revenues, gross cruise costs, net income and earnings per share would require unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates and fuel prices. We are unable to determine the future impact of gains or losses on ships sales, restructuring expenses and other non-core gains and charges.

Constant Dollar and Constant Currency

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

We report net revenue yields, net passenger revenue yields, net onboard and other revenue yields and net cruise costs excluding fuel per ALBD on a “constant dollar” and “constant currency” basis assuming the 2019 and 2018 periods’ currency exchange rates have remained constant with the 2018 and 2017 periods’ rates. These metrics facilitate a comparative view for the changes in our business in an environment with fluctuating exchange rates.

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

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

Examples:

- The translation of our operations with functional currencies other than U.S. dollar to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies.
- Our operations have revenue and expense transactions in currencies other than their functional currency. If their functional currency strengthens against these other currencies, it reduces the functional currency revenues and expenses. If the functional currency weakens against these other currencies, it increases the functional currency revenues and expenses.

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

<i>(dollars in millions, except yields)</i>	Years Ended November 30,				
	2019	2019 Constant Dollar	2018	2018 Constant Dollar	2017
Passenger ticket revenues . . .	\$ 14,104	\$ 14,409	\$ 13,930	\$ 13,684	\$ 12,944
Onboard and other revenues	6,331	6,420	4,679	4,627	4,330
Gross cruise revenues	20,435	20,828	18,609	18,311	17,274
Less cruise costs					
Commissions, transportation and other . .	(2,720)	(2,786)	(2,590)	(2,526)	(2,359)
Onboard and other	(2,101)	(2,128)	(638)	(630)	(587)
	<u>(4,822)</u>	<u>(4,914)</u>	<u>(3,228)</u>	<u>(3,156)</u>	<u>(2,946)</u>
Net passenger ticket revenues	11,384	11,623	11,340	11,158	10,585
Net onboard and other revenues	4,230	4,292	4,041	3,997	3,744
Net cruise revenues	\$ 15,613	\$ 15,915	\$ 15,381	\$ 15,155	\$ 14,329
ALBDs	87,424,190	87,424,190	83,872,441	83,872,441	82,302,887
Gross revenue yields	\$ 233.74	\$ 238.25	\$ 221.87	\$ 218.32	\$ 209.88
% increase (decrease)	5.4%	7.4%	5.7%	4.0%	
Net revenue yields	\$ 178.59	\$ 182.04	\$ 183.38	\$ 180.69	\$ 174.10
% increase (decrease)	(2.6)%	(0.7)%	5.3%	3.8%	
Net passenger ticket revenue yields	\$ 130.21	\$ 132.95	\$ 135.21	\$ 133.03	\$ 128.62
% increase (decrease)	(3.7)%	(1.7)%	5.1%	3.4%	
Net onboard and other revenue yields	\$ 48.38	\$ 49.09	\$ 48.17	\$ 47.65	\$ 45.48
% increase (decrease)	0.4%	1.9%	5.9%	4.8%	

<i>(dollars in millions, except yields)</i>	Years Ended November 30,				
	2019	2019 Constant Currency	2018	2018 Constant Currency	2017
Net passenger ticket revenues	\$ 11,384	\$ 11,702	\$ 11,340	\$ 11,137	\$ 10,585
Net onboard and other revenues	4,230	4,294	4,041	4,008	3,744
Net cruise revenues	\$ 15,613	\$ 15,996	\$ 15,381	\$ 15,145	\$ 14,329
ALBDs	87,424,190	87,424,190	83,872,441	83,872,441	82,302,887
Net revenue yields	\$ 178.59	\$ 182.98	\$ 183.38	\$ 180.57	\$ 174.10
% increase (decrease)	(2.6)%	(0.2)%	5.3%	3.7%	
Net passenger ticket revenue yields	\$ 130.21	\$ 133.86	\$ 135.21	\$ 132.79	\$ 128.62
% increase (decrease)	(3.7)%	(1.0)%	5.1%	3.2%	
Net onboard and other revenue yields	\$ 48.38	\$ 49.12	\$ 48.17	\$ 47.78	\$ 45.48
% increase (decrease)	0.4%	2.0%	5.9%	5.1%	

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:

Years Ended November 30,					
<i>(dollars in millions, except costs per ALBD)</i>	2019	2019 Constant Dollar	2018	2018 Constant Dollar	2017
Cruise operating expenses	\$ 12,641	\$ 12,862	\$ 10,910	\$ 10,740	\$ 10,338
Cruise selling and administrative expenses	2,452	2,496	2,422	2,385	2,250
Gross cruise costs	15,093	15,359	13,332	13,125	12,588
Less cruise costs included above					
Commissions, transportation and other . . .	(2,720)	(2,786)	(2,590)	(2,526)	(2,359)
Onboard and other	(2,101)	(2,128)	(638)	(630)	(587)
Gains (losses) on ship sales and impairments	16	17	38	34	(298)
Restructuring expenses	(10)	(10)	(1)	(1)	(3)
Other	(43)	(43)	(2)	(2)	—
Net cruise costs	10,234	10,409	10,139	10,000	9,341
Less fuel	(1,562)	(1,562)	(1,619)	(1,619)	(1,244)
Net cruise costs excluding fuel	\$ 8,672	\$ 8,847	\$ 8,521	\$ 8,382	\$ 8,097
ALBDs	87,424,190	87,424,190	83,872,441	83,872,441	82,302,887

Gross cruise costs per ALBD	\$ 172.64	\$ 175.68	\$ 158.96	\$ 156.49	\$ 152.94
% increase (decrease)	8.6%	10.5%	3.9%	2.3%	
Net cruise costs excluding fuel per ALBD	\$ 99.20	\$ 101.20	\$ 101.59	\$ 99.93	\$ 98.37
% increase (decrease)	(2.4)%	(0.4)%	3.3%	1.6%	

Years Ended November 30,					
<i>(dollars in millions, except costs per ALBD)</i>	2019	2019 Constant Currency	2018	2018 Constant Currency	2017
Net cruise costs excluding fuel	\$ 8,672	\$ 8,858	\$ 8,521	\$ 8,385	\$ 8,097
ALBDs	87,424,190	87,424,190	83,872,441	83,872,441	82,302,887
Net cruise costs excluding fuel per ALBD	\$ 99.20	\$ 101.32	\$ 101.59	\$ 99.98	\$ 98.37
% increase (decrease)	(2.4)%	(0.3)%	3.3%	1.6%	

	Years Ended November 30,		
	2019	2018	2017
<i>(dollars in millions, except per share data)</i>			
Net income			
U.S. GAAP net income	\$ 2,990	\$ 3,152	\$ 2,606
Unrealized (gains) losses on fuel derivatives, net	—	(94)	(227)
(Gains) losses on ship sales and impairments	(6)	(38)	387
Restructuring expenses	10	1	3
Other	47	8	—
Adjusted net income	<u>\$ 3,041</u>	<u>\$ 3,029</u>	<u>\$ 2,770</u>
Weighted-average shares outstanding	<u>692</u>	<u>710</u>	<u>725</u>
Earnings per share			
U.S. GAAP earnings per share	\$ 4.32	\$ 4.44	\$ 3.59
Unrealized (gains) losses on fuel derivatives, net	—	(0.13)	(0.31)
(Gains) losses on ship sales and impairments	(0.01)	(0.05)	0.53
Restructuring expenses	0.01	—	—
Other	0.07	0.01	—
Adjusted earnings per share	<u>\$ 4.40</u>	<u>\$ 4.26</u>	<u>\$ 3.82</u>

Net cruise revenues increased by \$232 million, or 1.5%, to \$15.6 billion in 2019 from \$15.4 billion in 2018.

The increase was caused by a 4.2% capacity increase in ALBDs of \$668 million.

This increase was partially offset by:

- \$383 million - foreign currency impacts (including both foreign currency translational and transactional impacts)
- \$52 million - 0.2% decrease in constant currency net revenue yields

The 0.2% decrease in net revenue yields on a constant currency basis was due to a 1.0% decrease in net passenger ticket revenue yields partially offset by a 2.0% increase in net onboard and other revenue yields.

The 1.0% decrease in net passenger ticket revenue yields was driven by sourcing in Continental Europe and our Alaska programs, partially offset by price improvements in the Caribbean program. This 1.0% decrease in net passenger ticket revenue yields was comprised of a 0.7% increase from our NAA segment and a 2.7% decrease from our EA segment.

The 2.0% increase in net onboard and other revenue yields was comprised of a 1.0% increase from our NAA segment and a 3.1% increase from our EA segment.

Net cruise costs excluding fuel increased by \$151 million, or 1.8%, to \$8.7 billion in 2019 from \$8.5 billion in 2018.

The increase was caused by a 4.2% capacity increase in ALBDs of \$359 million.

This increase was partially offset by:

- \$186 million - foreign currency impacts (including both foreign currency translational and transactional impacts)
- \$22 million - 0.3% decrease in constant currency net cruise costs excluding fuel

Fuel costs decreased by \$57 million, or 3.5%, to \$1.6 billion in 2019 compared to \$1.6 billion in 2018.

This decrease was caused by:

- \$63 million - lower fuel prices
- \$62 million - lower fuel consumption per ALBD

These decreases were partially offset by a 4.2% capacity increase in ALBDs of \$68 million.

2018 Compared to 2017

Revenues

Consolidated

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

This increase was caused by:

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

Onboard and other cruise revenues made up 25% of our 2018 total revenues. Onboard and other cruise revenues increased by \$349 million, or 8.1%, to \$4.7 billion in 2018 from \$4.3 billion in 2017.

This increase was caused by:

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

Tour and other revenues made up 1.4% of our 2018 total revenues. Tour and other revenues increased by \$36 million, or 15%, to \$272 million in 2018 from \$236 million in 2017.

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

NAA Segment

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

This increase was driven by:

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

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

This increase was driven by:

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

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

EA Segment

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

This increase was driven by:

- \$251 million - foreign currency translational impact
- \$96 million - increase in occupancy
- \$69 million - increase in cruise ticket revenues, driven primarily by price improvements in the European, China and various other programs, partially offset by decrease in the Caribbean programs and net unfavorable foreign currency transactional impacts

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

This increase was driven by:

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

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

Costs and Expenses

Consolidated

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

This increase was caused by:

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

These increases were partially offset by:

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

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

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

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

NAA Segment

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

This increase was caused by:

- \$253 million - higher fuel prices
- \$194 million - 2.9% capacity increase in ALBDs
- \$102 million - higher commissions, transportation and other expenses
- \$31 million - higher dry-dock expenses and repair and maintenance expenses
- \$30 million - higher port expenses
- \$24 million - higher cruise payroll and related expenses
- \$24 million - higher onboard and other expenses

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

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

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

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

EA Segment

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

This increase was caused by:

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

These increases were partially offset by:

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

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

This increase was driven by:

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

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

Operating Income

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

Nonoperating Income (Expense)

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

Non-GAAP Financial Measures

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

The increase was caused by:

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

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

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

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

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

The increase was caused by:

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

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

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and grow ROIC over time, while maintaining a strong balance sheet and investment grade credit ratings. (We define ROIC as the twelve-month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress.) Our ability to generate significant operating cash flow allows us to internally fund our capital improvements, debt maturities and dividend payments. We have \$9.5 billion of committed export credit facilities available to fund the vast majority of our new ship growth capital. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity through our available cash and cash equivalents and committed financings for immediate and future liquidity needs and to maintain a reasonable debt maturity profile.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital improvements, new ship growth capital, debt maturities and dividend payments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet, as evidenced by our strong investment grade credit ratings, provide us with the ability, in most financial credit market environments, to obtain debt financing.

We had a working capital deficit of \$7.1 billion as of November 30, 2019 compared to a working capital deficit of \$7.0 billion as of November 30, 2018. The increase in working capital deficit was caused by a decrease in cash and cash equivalents and an increase in customer deposits partially offset by a decrease in short-term debt. We operate with a substantial working capital deficit. This deficit is mainly attributable to the fact that, under our business model, substantially all of our passenger ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts remain a current liability until the sailing date. The cash generated from these advance receipts is used interchangeably with cash on hand from other sources, such as our borrowings and other cash from operations. The cash received as advanced receipts can be used to fund operating expenses, pay down our debt, make long-term investments or any other use of cash. Included within our working capital deficit are \$4.7 billion and \$4.4 billion of customer deposits as of November 30, 2019 and 2018, respectively. In addition, we have a relatively low-level of accounts receivable and limited investment in inventories. We generate substantial cash flows from operations and our business model has historically allowed us to maintain this working capital deficit and still meet our operating, investing and financing needs. We expect that we will continue to have working capital deficits in the future.

Sources and Uses of Cash

Operating Activities

Our business provided \$5.5 billion of net cash from operations during 2019, a decrease of \$73 million, or (1.3)%, compared to \$5.5 billion in 2018. This decrease was driven by a lower year over year growth in customer deposits. During 2018, our business provided \$5.5 billion of net cash from operations, an increase of \$227 million, or 4.3%, compared to \$5.3 billion in 2017. This increase was driven by an increase in customer deposits.

Investing Activities

During 2019, net cash used in investing activities was \$5.3 billion. This was caused by:

- Capital expenditures of \$3.8 billion for our ongoing new shipbuilding program
- Capital expenditures of \$1.7 billion for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sales of ships of \$26 million

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

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

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

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

Financing Activities

During 2019, net cash used in financing activities of \$655 million was substantially all due to the following:

- Net repayments from short-term borrowings of \$605 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of \$1.7 billion of long-term debt
- Issuances of \$3.7 billion of long-term debt

- Payments of cash dividends of \$1.4 billion
- Purchases of \$603 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions under our Repurchase Program

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

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

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

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

Future Commitments

<i>(in millions)</i>	Payments Due by						Total
	2020	2021	2022	2023	2024	Thereafter	
Debt (a)	\$ 2,065	\$ 2,102	\$ 1,518	\$ 2,370	\$ 791	\$ 3,950	\$ 12,796
Other long-term liabilities reflected on the balance sheet (b)	—	124	82	61	93	234	594
New ship growth capital	4,811	3,622	3,035	2,011	49	1,003	14,531
Port facilities leases	145	140	121	137	131	1,218	1,892
Other operating leases	74	56	40	36	36	190	432
Other long-term commitments	267	202	75	22	15	25	607
Short-term purchase obligations	403	—	—	—	—	—	403
Total Contractual Cash Obligations	\$ 7,765	\$ 6,246	\$ 4,873	\$ 4,637	\$ 1,116	\$ 6,620	\$ 31,256

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

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

Capital Expenditure and Capacity Forecast

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

<i>(in billions)</i>	2020	2021	2022
Annual capital expenditure forecast	\$ 7.0	\$ 5.7	\$ 5.2

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Annual capacity forecast	6.6%	4.9%	5.2%

Share Repurchase Program

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

Funding Sources

At November 30, 2019, we had liquidity of \$12.5 billion. Our liquidity consisted of \$182 million of cash and cash equivalents, which excludes \$336 million of cash used for current operations, \$2.8 billion available for borrowing under our revolving credit facility, net of our outstanding commercial paper borrowing, and \$9.5 billion under our committed future financings, which are comprised of ship export credit facilities. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

<i>(in billions)</i>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Availability of committed future financing at November 30,				
2019	\$ 3.6	\$ 2.7	\$ 2.3	\$ 0.9

At November 30, 2019, our revolving credit facility is scheduled to mature in 2024.

Substantially all of our debt agreements contain financial covenants as described in the consolidated financial statements. At November 30, 2019, we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

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

Fuel Price Risks

Substantially all our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We have been installing Advanced Air Quality Systems on our ships, which are aiding in partially mitigating the financial impact from the ECAs and global 0.5% sulfur requirements. Beginning in 2020, we expect to use a greater percentage mix of low sulfur fuel, 40% to 45% compared to 21% in 2019, which will likely increase our fuel costs.

Based on a 10% change in each of the fuel prices versus the current spot price that was used to calculate fuel expense in our December 20, 2019 guidance, we estimate that our adjusted diluted earnings per share would change by the following:

Heavy Fuel Oil (“HFO”) impact:

- \$0.08 per share on an annualized basis for 2020
- \$0.02 per share for the first quarter of 2020

Marine Gasoil (“MGO”) impact:

- \$0.12 per share on an annualized basis for 2020
- \$0.03 per share for the first quarter of 2020

Foreign Currency Exchange Rate Risks

Operational Currency Risks

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

Based on a 10% change in all currency exchange rates that were used in our December 20, 2019 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- \$0.21 per share on an annualized basis for 2020
- \$0.02 per share for the first quarter of 2020

Investment Currency Risks

The foreign currency exchange rates were as follows:

USD to 1:	November 30,	
	2019	2018
AUD	\$ 0.68	\$ 0.73
CAD	\$ 0.75	\$ 0.75
EUR	\$ 1.10	\$ 1.14
GBP	\$ 1.29	\$ 1.28
RMB	\$ 0.14	\$ 0.14

If the November 30, 2018 currency exchange rates had been used to translate our November 30, 2019 non-U.S. dollar functional currency operations’ assets and liabilities (instead of the November 30, 2019 U.S. dollar exchange rates), our total assets would have been higher by \$382 million and our total liabilities would have been higher by \$266 million.

As of November 30, 2019, we had cross currency swaps totaling of \$1.9 billion which settle through 2031. These cross currency swaps are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting the foreign currency exchange rate risk. Based on a 10% change in the U.S. dollar to euro exchange rate as of November 30, 2019, we estimate that the fair value of these cross currency swaps and offsetting change in U.S. dollar value of our net investments would change by \$196 million.

Newbuild Currency Risks

At November 30, 2019, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of \$7.3 billion and relates to newbuilds scheduled to be delivered from 2020 through 2025 to non-euro functional currency brands. The functional currency cost of each of these ships will increase or decrease based on changes in the exchange rates until the unhedged payments are made under the

shipbuilding contract. We may enter into additional foreign currency derivatives to mitigate some of this foreign currency exchange rate risk. Based on a 10% change in euro to U.S. dollar exchange rates as of November 30, 2019, the remaining unhedged cost of these ships would have a corresponding change of \$728 million.

Interest Rate Risks

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

	<u>November 30, 2019</u>
Fixed rate	24%
EUR fixed rate	43%
Floating rate	4%
EUR floating rate	22%
GBP floating rate	7%

At November 30, 2019, we had interest rate swaps that have effectively changed \$300 million of EURIBOR-based floating rate euro debt to fixed rate euro debt. Based on a 10% change in the November 30, 2019 market interest rates, our annual interest expense on floating rate debt, including the effect of our interest rate swaps, would change by an insignificant amount. Substantially all of our fixed rate debt can be called or prepaid by incurring additional costs.

Fiscal Year 2020 Coronavirus Risk

In response to the ongoing coronavirus outbreak, China has implemented travel restrictions. As a result, we have suspended cruise operations from Chinese ports between January 25th and February 4th, canceling nine cruises. We also expect that travel restrictions will result in cancellations from Chinese fly-cruise guests booked on cruises embarking in ports outside China. We estimate that this will impact our financial performance by \$0.03 to \$0.04 per share. If the travel restrictions in China continue until the end of February, we estimate that this will further impact our financial performance by an additional \$0.05 to \$0.06 per share. Five percent of our capacity was scheduled to be deployed in China in fiscal year 2020. If these travel restrictions continue for an extended period of time, they could have a material impact on our financial performance.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for 2015 through 2019 and as of the end of each such year, except for the statistical data, are derived from our consolidated financial statements and should be read in conjunction with those consolidated financial statements and the related notes.

(in millions, except per share, per ton and currency data)

	Years Ended November 30,				
	2019	2018	2017	2016	2015
Statements of Income Data					
Revenues	\$ 20,825	\$ 18,881	\$ 17,510	\$ 16,389	\$ 15,714
Operating income	\$ 3,276	\$ 3,325	\$ 2,809	\$ 3,071	\$ 2,574
Net income	\$ 2,990	\$ 3,152	\$ 2,606	\$ 2,779	\$ 1,757
Earnings per share					
Basic	\$ 4.34	\$ 4.45	\$ 3.61	\$ 3.73	\$ 2.26
Diluted	\$ 4.32	\$ 4.44	\$ 3.59	\$ 3.72	\$ 2.26
Adjusted net income	\$ 3,041	\$ 3,029	\$ 2,770	\$ 2,580	\$ 2,106
Adjusted earnings per share - diluted	\$ 4.40	\$ 4.26	\$ 3.82	\$ 3.45	\$ 2.70
Dividends declared per share	\$ 2.00	\$ 1.95	\$ 1.60	\$ 1.35	\$ 1.10
Statistical Data					
ALBDs (in thousands)	87,424	83,872	82,303	80,002	77,307
Occupancy percentage	106.8%	106.9%	105.9%	105.9%	104.8%
Passengers carried (in thousands)	12,866	12,407	12,130	11,520	10,840
Fuel consumption in metric tons (in thousands)	3,312	3,296	3,286	3,233	3,181
Fuel consumption in metric tons per thousand					
ALBDs	37.9	39.3	39.9	40.4	41.2
Fuel cost per metric ton consumed	\$ 472	\$ 491	\$ 378	\$ 283	\$ 393
Currencies (USD to 1)					
AUD	\$ 0.70	\$ 0.75	\$ 0.77	\$ 0.74	\$ 0.76
CAD	\$ 0.75	\$ 0.78	\$ 0.77	\$ 0.75	\$ 0.79
EUR	\$ 1.12	\$ 1.18	\$ 1.12	\$ 1.11	\$ 1.12
GBP	\$ 1.27	\$ 1.34	\$ 1.28	\$ 1.37	\$ 1.54
RMB	\$ 0.14	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.16

As of November 30,

	2019	2018	2017	2016	2015
Balance Sheet					
Total assets (a)	\$ 45,058	\$ 42,401	\$ 40,778	\$ 38,881	\$ 39,237
Total debt (a)	\$ 11,503	\$ 10,323	\$ 9,195	\$ 9,399	\$ 8,787

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

	Years Ended November 30,				
	2019	2018	2017	2016	2015
<i>(in millions, except for per share data):</i>					
Net income					
U.S. GAAP net income	\$ 2,990	\$ 3,152	\$ 2,606	\$ 2,779	\$ 1,757
Unrealized (gains) losses on fuel derivatives, net	—	(94)	(227)	(236)	332
(Gains) losses on ship sales and impairments	(6)	(38)	387	(2)	(8)
Restructuring expenses	10	1	3	2	25
Other	47	8	—	37	—
Adjusted net income	\$ 3,041	\$ 3,029	\$ 2,770	\$ 2,580	\$ 2,106
Weighted-average shares outstanding	692	710	725	747	779
Earnings per share					
U.S. GAAP earnings per share	\$ 4.32	\$ 4.44	\$ 3.59	\$ 3.72	\$ 2.26
Unrealized (gains) losses on fuel derivatives, net	—	(0.13)	(0.31)	(0.32)	0.42
(Gains) losses on ship sales and impairments	(0.01)	(0.05)	0.53	—	(0.01)
Restructuring expenses	0.01	—	—	—	0.03
Other	0.07	0.01	—	0.05	—
Adjusted earnings per share	\$ 4.40	\$ 4.26	\$ 3.82	\$ 3.45	\$ 2.70

COMMON STOCK AND ORDINARY SHARES

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

As of January 16, 2020, there were 2,916 holders of record of Carnival Corporation common stock and 29,693 holders of record of Carnival plc ordinary shares and 136 holders of record of Carnival plc ADSs. The past performance of our share prices cannot be relied on as a guide to their future performance.

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

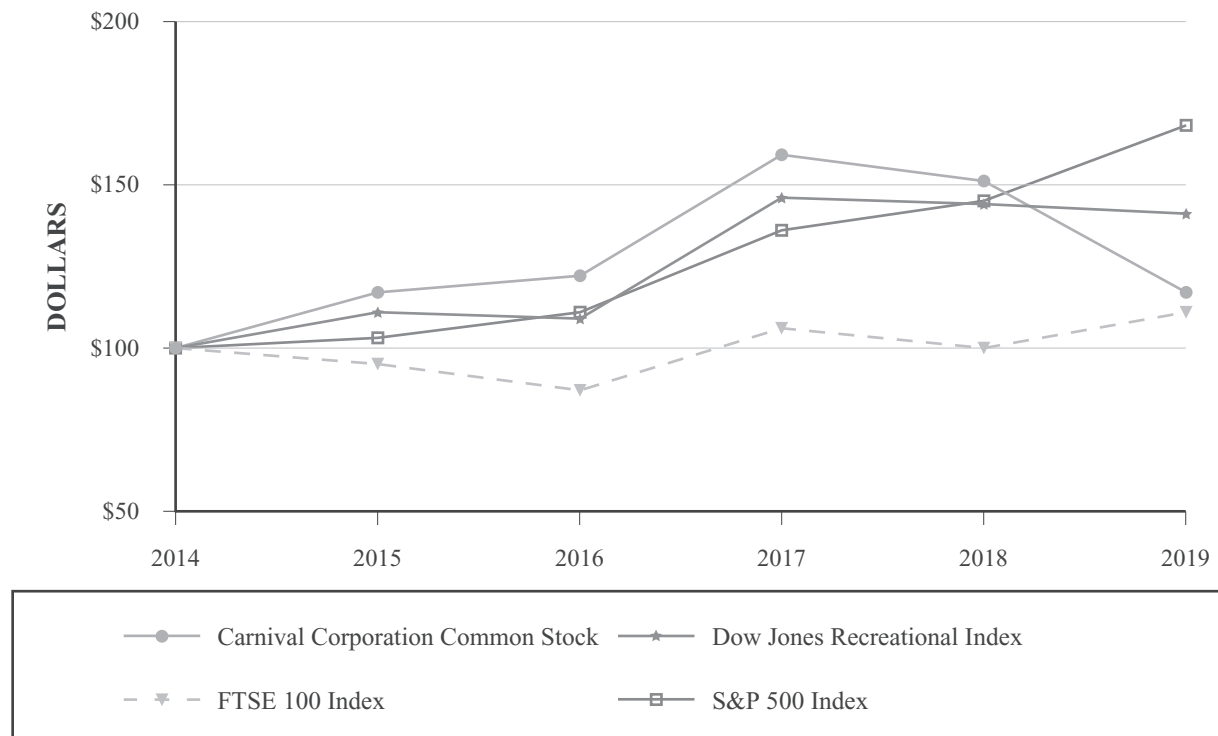
The payment and amount of any future dividend is within the discretion of the Boards of Directors. Our dividends were and will be based on a number of factors, including our earnings, liquidity position, financial condition, booking trends, capital requirements, credit ratings and the availability and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

STOCK PERFORMANCE GRAPHS

Carnival Corporation

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

5-Year Cumulative Total Returns



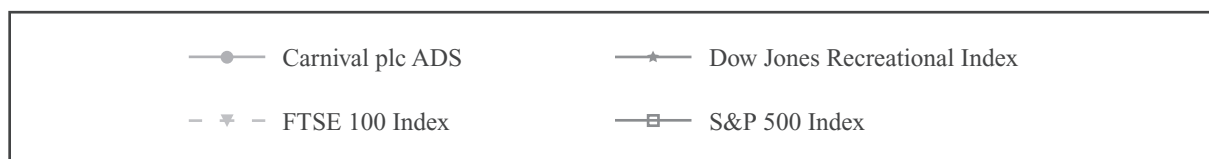
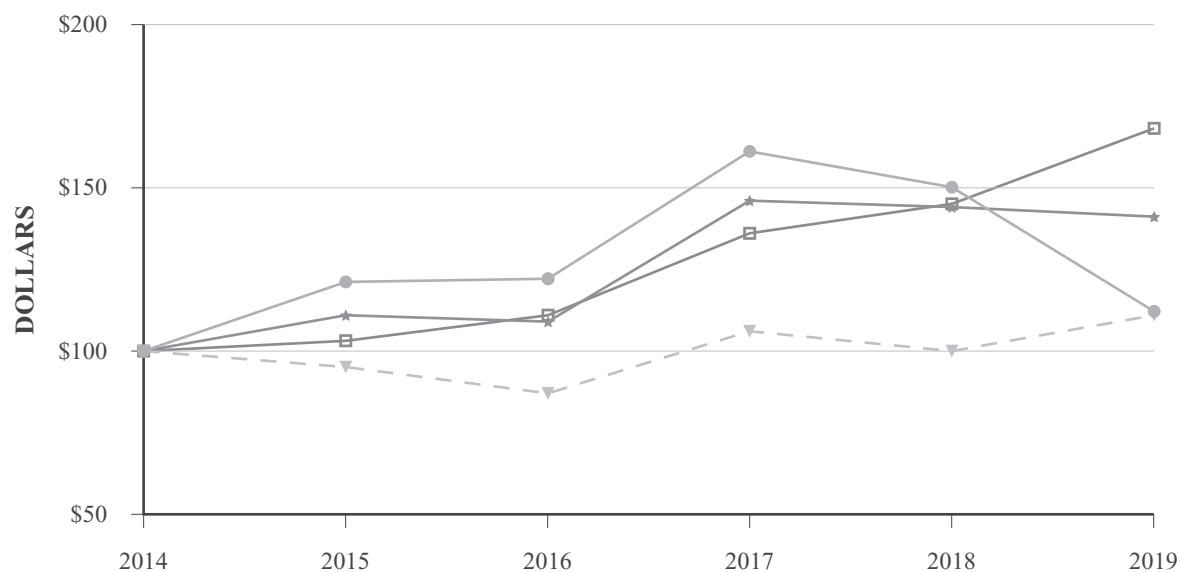
**Assumes \$100 Invested on November 30, 2014
Assumes Dividends Reinvested
Years Ended November 30,**

	2014	2015	2016	2017	2018	2019
Carnival Corporation Common Stock	\$ 100	\$ 117	\$ 122	\$ 159	\$ 151	\$ 117
Dow Jones Recreational Index	\$ 100	\$ 111	\$ 109	\$ 146	\$ 144	\$ 141
FTSE 100 Index	\$ 100	\$ 95	\$ 87	\$ 106	\$ 100	\$ 111
S&P 500 Index	\$ 100	\$ 103	\$ 111	\$ 136	\$ 145	\$ 168

Carnival plc

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

5-Year Cumulative Total Returns



**Assumes \$100 Invested on November 30, 2014
Assumes Dividends Reinvested
Years Ended November 30,**

	2014	2015	2016	2017	2018	2019
Carnival plc ADS	\$ 100	\$ 121	\$ 122	\$ 161	\$ 150	\$ 112
Dow Jones Recreational Index	\$ 100	\$ 111	\$ 109	\$ 146	\$ 144	\$ 141
FTSE 100 Index	\$ 100	\$ 95	\$ 87	\$ 106	\$ 100	\$ 111
S&P 500 Index	\$ 100	\$ 103	\$ 111	\$ 136	\$ 145	\$ 168

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

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

<i>(in millions, except per share data)</i>	2019 Quarters Ended			
	February 28	May 31	August 31	November 30
Revenues	\$ 4,673	\$ 4,838	\$ 6,533	\$ 4,781
Operating income	\$ 386	\$ 515	\$ 1,890	\$ 484
Net income	\$ 336	\$ 451	\$ 1,780	\$ 423
Earnings per share				
Basic	\$ 0.48	\$ 0.65	\$ 2.58	\$ 0.62
Diluted	\$ 0.48	\$ 0.65	\$ 2.58	\$ 0.61
Adjusted net income (a)	\$ 338	\$ 457	\$ 1,819	\$ 427
Adjusted earnings per share - diluted (a)	\$ 0.49	\$ 0.66	\$ 2.63	\$ 0.62
Dividends declared per share	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50

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

<i>(in millions, except per share data)</i>	2019 Quarters Ended			
	February 28	May 31	August 31	November 30
Net income				
U.S. GAAP net income	\$ 336	\$ 451	\$ 1,780	\$ 423
Unrealized (gains) losses on fuel derivatives, net	—	—	—	—
(Gains) losses on ship sales and impairments	2	(16)	14	(5)
Restructuring expenses	—	—	—	10
Other	—	22	25	—
Adjusted net income	<u>\$ 338</u>	<u>\$ 457</u>	<u>\$ 1,819</u>	<u>\$ 427</u>
Weighted-average shares outstanding	<u>695</u>	<u>693</u>	<u>691</u>	<u>688</u>
Earnings per share				
U.S. GAAP earnings per share	\$ 0.48	\$ 0.65	\$ 2.58	\$ 0.61
Unrealized (gains) losses on fuel derivatives, net	—	—	—	—
(Gains) losses on ship sales and impairments	—	(0.02)	0.02	(0.01)
Restructuring expenses	—	—	—	0.01
Other	—	0.03	0.04	—
Adjusted earnings per share	<u>\$ 0.49</u>	<u>\$ 0.66</u>	<u>\$ 2.63</u>	<u>\$ 0.62</u>

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

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

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

CORPORATE AND OTHER INFORMATION

SENIOR OFFICERS

CARNIVAL CORPORATION & PLC

Micky Arison

Chairman of the Boards of Directors

Arnold W. Donald

President and Chief Executive Officer and Director

David Bernstein

Chief Financial Officer and Chief Accounting Officer

Arnaldo Perez

General Counsel and Secretary
COSTA GROUP and CARNIVAL ASIA

Michael Thamm

Group Chief Executive Officer
HOLLAND AMERICA GROUP and CARNIVAL UK

Stein Kruse

Group Chief Executive Officer

BOARDS OF DIRECTORS

Micky Arison³

Chairman of the Board
Carnival Corporation & plc

Sir Jonathon Band^{4, 5, 6}

Former First Sea Lord and
Chief of Naval Staff
British Navy

Jason Glen Cahilly⁴

Founder and Chief Executive Officer
Dragon Group LLC

Helen Deeble⁴

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

Arnold W. Donald³

President and Chief Executive Officer
Carnival Corporation & plc

Richard J. Glasier^{1, 2, 5, 6}

Former President and Chief Executive Officer
Argosy Gaming Company

Katie Lahey¹

Former Chairman
Korn Ferry Australasia

Sir John Parker^{4, 5}

Non-Executive Chairman
Airbus Group NV and Pennon Group plc

Stuart Subotnick^{1, 3, 5, 6}

President and Chief Executive Officer
Metromedia Company

Laura Weil^{1, 2, 6}

Founder and Managing Partner
Village Lane Advisory LLC

Randall J. Weisenburger^{1, 2, 5, 6}

Managing Member
Mile26 Capital LLC

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

DIRECTORS EMERITUS AND LIFE PRESIDENTS

Ted Arison (1924-1999)

Chairman Emeritus, Carnival Corporation

Maks Birnbach (1920-2007)

Director Emeritus, Carnival Corporation

A. Kirk Lanterman

Chairman Emeritus
Holland America Line Inc.

Meshulam Zonis (1933-2009)

Director Emeritus, Carnival Corporation

Uzi Zucker

Director Emeritus, Carnival Corporation & plc

Horst Rahe

Life President of AIDA Cruises

The Lord Sterling of

Plastow GCVO, CBE

Life President of P&O Cruises

OTHER INFORMATION

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305-599-2600

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Southampton SO15 1ST UK
44 (0) 23 8065 5000

Independent Registered

Public Accounting Firm

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

Registrars, Stock Transfer Agents and

Dividend Reinvestment Plan

Administrators

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

Carnival plc

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

Legal Counsel

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

Other Shareholder Information

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



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Carnival House 100 Harbour Parade Southampton S015 1ST UK www.carnivalplc.com