CARNIVAL PLC

Strategic Report and
IFRS Financial Statements
Year Ended November 30, 2018

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, 2019.

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 2018 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:

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.

Dear Shareholders,

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

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

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

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

Creating Demand in Excess of Measured Capacity Growth

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

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

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

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

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

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

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

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

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

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

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

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

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

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

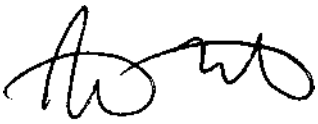
On the environmental front, we exceeded our target unit fuel consumption reduction of 25 percent -- three years ahead of schedule -- and we made history with the cruise industry's first ship able to be solely powered by liquefied natural gas, the world's cleanest burning fossil fuel. We are fully committed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

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

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

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

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



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

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 ("BODs"), 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 half of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, we operate a portfolio of leading global, regional and national cruise brands that sell tailored cruise products, services and vacation experiences on 104 cruise ships to the world's most desirable destinations.

II. Vision, Goals and Related Strategies

Our vision is "Together we deliver unmatched joyful vacation experiences and breakthrough shareholder returns by exceeding guest expectations and leveraging our scale." We believe our portfolio of brands is instrumental to achieving our vision and maintaining our cruise industry leadership positions. Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital, while maintaining our strong investment grade credit ratings and balance sheet. 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 measured capacity growth, ultimately leading to higher revenue yields. We will 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 have made significant investments in performing customer segmentation analyses and data analytics to gain insight into 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 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, as evidenced by our new state-of-the-art revenue management system implemented across six brands in 2018. We also continue with initiatives to better coordinate and optimize our brands' global itinerary strategies, maximizing guest satisfaction and profits. We have invested in new marketing technologies to further engage our guests by bringing to life the cruise experience.

We are building new, innovative, purpose-built ships that are larger, more fuel 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, 2018, we have a total of 21 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 28 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 2019, we expect that 4.0% of our total capacity will be home ported in China.

With 104 ships and 12.4 million guests in 2018, 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, innovation, maritime, procurement, revenue management 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. In 2018, we increased our quarterly dividend to $0.50 per share, representing over $1.4 billion in annual dividends, from $0.40 per share in 2017. Since resuming our stock repurchase program in late 2015, we repurchased approximately 87 million shares for $4.6 billion. Over the same time period, we have nearly doubled our quarterly dividend, distributing a total of $3.8 billion in dividends to our shareholders.

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 commitment to the safety and comfort of our guests and crew is 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 to ensure compliance with all environmental regulations.

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 unequaled 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 recruit, develop and retain 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 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 to 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

Social media has a powerful impact on consumer behavior. Technology allows people to instantly share travel experiences within their social networks. Seeing others embrace travel and experience the world in new ways inspires people to travel themselves. Consumers are looking to experiences and learning for personal fulfillment. Today’s travelers are looking for immersive, meaningful and memorable travel experiences. While it is useful for the cruise industry to consider travel markets across demographic groups, the ability to identify and address target markets based on “psychographics” or attitudes that cut across demographics is even more meaningful. 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.

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 74 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. A recent study by the American Society of Travel Agents (“ASTA”) indicates that the Millennial generation is even more likely to cruise and more likely to enjoy cruises than the Baby Boomer generation.

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 in recent years refocused its marketing efforts, enhanced training of travel agents and collaborated with well-known brands and offers the following:

- Expanded entertainment options and shipboard activities
- 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 2017 global cruise guests carried from G.P. Wild (International Limited) ("G.P. Wild"), an independent cruise research company, as a percentage of total population:

- 5.1% for Australia and New Zealand
- 3.5% for the United States ("U.S.") and Canada
- 2.9% 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 other land-based vacation alternatives.

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

(in thousands)	Average Passenger Capacity (a)		Cruise Guests Carried	
Year	Global Cruise Industry (b)	Carnival Corporation & plc	Global Cruise Industry (c)	Carnival Corporation & plc
2016	470	220	25,200	11,500
2017	490	230	26,700	12,100
2018	520	230	28,300	12,400

(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 2016 and 2017 were obtained from G.P. Wild, an independent cruise research company. The estimates for global cruise guests carried for 2018 are internally developed.

The global cruise industry and our compound annual passenger capacity growth rates are estimated to be 6.7% and 5.6%, respectively, from 2018 to 2022. 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, 2018		
	Passenger Capacity	Percentage of Total Capacity	Number of Cruise Ships
North America and Australia ("NAA") Segment			
Carnival Cruise Line	70,430	30%	26
Princess Cruises	45,240	19	17
Holland America Line	26,480	11	15
P&O Cruises (Australia)	7,790	3	5
Seabourn	2,570	1	5
	152,510	64	68
Europe and Asia ("EA") Segment			
Costa Cruises ("Costa")	34,620	15	14
AIDA Cruises ("AIDA")	25,290	11	12
P&O Cruises (UK)	17,660	7	7
Cunard	6,830	3	3
	84,400	36	36
	236,910	100%	104

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, 2018, we have a total of 21 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.

	Scheduled Delivery Date	Passenger Capacity
Carnival Cruise Line		
Carnival Panorama	October 2019	3,990
Mardi Gras	August 2020	5,280
Newbuild	October 2022	5,280
Princess Cruises		
Sky Princess	October 2019	3,660
Enchanted Princess	June 2020	3,660
Newbuild	October 2021	3,660
Newbuild	November 2023	4,310
Newbuild	May 2025	4,310
Holland America Line		
Newbuild	May 2021	2,670
Seabourn		
Newbuild	June 2021	260
Newbuild	May 2022	260
Costa		
Costa Venezia (intended for Asia)	February 2019	4,200
Costa Smeralda	October 2019	5,220
Newbuild (intended for Asia)	September 2020	4,260
Newbuild	May 2021	5,320
AIDA		
AIDAnova	December 2018	5,230
Newbuild	May 2021	5,410
Newbuild	May 2023	5,410
P&O Cruises (UK)		
Iona	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, a choice that anyone can make at any time which makes that moment better for everyone. 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 17 convenient U.S. home ports, more than any other 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 800,000 children.

Carnival Cruise Line's *Carnival Horizon* entered service in April 2018. This ship features new enhancements that include Dr. Seuss WaterWorks where Dr. Seuss characters transform the water park experience. *Carnival Horizon* is also home to Guy's Pig & Anchor Bar-B-Que Smokehouse|Brewhouse as well as Bonsai Teppanyaki, the cruise line's teppanyaki dining option where guests can experience Carnival-style fun. *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. *Carnival Panorama* will be followed by two 5,280-passenger capacity ships in 2020 and 2022. Both ships 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 ships in North America.

Carnival Cruise Line continues to enhance its existing fleet by adding a variety of exciting new features. It is in the final stages of an extensive fleet enhancement program delivering branded accommodations, dining and entertainment options across its fleet and providing guests a high standard of excellence across any ship, any home port and any itinerary. Carnival Cruise Line also completed the fleet wide roll out of its innovative and highly-rated mobile Hub App. The popular Hub App facilitates onboard revenue purchases, like shore excursions and specialty dining, and communications to enable guests to maximize their fun. The app also includes an innovative Chat feature in addition to fast access to everything happening onboard.

Carnival Cruise Line operates three 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 and Bermuda. In addition, Carnival Cruise Line continues to increase the number of cruises to Cuba.

Princess Cruises is a leading premium cruise line and 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* will debut in October 2019. The 3,660-passenger capacity ship will feature expansive Sky Suites and signature Princess Cruises elements from the relaxing Sanctuary to the expansive three-deck Piazza-style Atrium. *Enchanted Princess*, a sister ship of *Sky Princess,* will debut in 2020 followed by another ship in 2021. Additionally, Princess Cruises has two 4,310-passenger capacity ships slated to be delivered in 2023 and 2025, which will be their first ships to be powered by LNG.

The Princess Cruises Come Back New™ value proposition features an array of offerings. Designed for fresh cuisine is featured across the variety of dining options, including the award-winning restaurant, SHARE, by international chef and television personality Curtis Stone, as well as other specialty dining restaurants from multiple Michelin star chefs. 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. In addition, Camp Discovery, the newly-redesigned youth and teen centers onboard select ships, offers the line's youngest guests the opportunity to connect, play and learn. Original productions shows created exclusively for Princess Cruises by Grammy® and Academy® award-winning composer, Stephen Schwartz, include The Secret Silk, Born to Dance, and Magic to Do. With guests' overall wellness in mind, Princess Cruises has collaborated with leading experts in both the science and beauty of sleep to develop the award-winning Princess Luxury Bed, a multi-year project culminating in 2019. Princess Cruises' guest experience platform OceanMedallion™, onboard *Caribbean Princess,* elevates service through enhanced guest experiences before and during cruise vacations. In addition, MedallionNet™ offers fast and reliable Wi-Fi connectivity.

Princess Cruises offers guests the opportunity to cover the globe with sailings to six continents that call at more than 380 destinations including Princess Cays, an exclusive island destination in The Bahamas, offering recently enhanced 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.

Holland America Line®
SAVOR THE JOURNEY

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 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, a sister ship of *Koningsdam*, will enter service in December 2018, with another sister ship 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 explore and experience America's Test Kitchen's show, hands-on workshops and BBC Earth Experiences presentations. Guests also 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, theme cruises and Oprah Winfrey serving as godmother to *Nieuw Statendam.*

Holland America Line has enhanced its onboard products, including locally cultivated items in culinary 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 by Sophia Fiori, new art collections by emerging artists featuring unique destination centric pieces, a new Fujifilm photo digital creative studio space and an expanded logo-wear collection.

Holland America Line offers cruises to more than 400 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 stay busy all day or simply luxuriate in tranquil solitude. From shorter getaways to 113-day itineraries, the cruises visit all seven continents. Holland America Line offers popular sailings to the Caribbean, Alaska, Mexico, Canada & New England, Bermuda, Europe and the Panama Canal as well as more exotic sailings including Antarctica explorations, South America circumnavigations, Cuba cruises, Australia & New Zealand and Asia voyages, and four annual Grand Voyages.

P&O CRUISES
LIKE NO PLACE ON EARTH

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 local, award-winning chefs including Luke Mangan and Johnny Di Francesco. P&O Cruises (Australia) continues to innovate and enhance their onboard product offering. *Pacific Explorer* hosted the inaugural largest comedy festival at sea, The Big Laugh, in August 2018. P&O Cruises (Australia) will also introduce 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®

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 Ovation, sister ship to the renowned *Seabourn Encore,* entered service in May 2018, and is the second ship designed for the line by hospitality design icon, Adam D. Tihany. The ship features all oceanfront suites with private verandas and an al fresco dining venue, Earth & Ocean at the Patio™. Seabourn has two new ultra-luxury expedition ships set to join the fleet in 2021 and 2022. 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 evening entertainment experience created exclusively for the line; performances by Japanese jazz piano artist, Keiko Matsui; and Unique Spa and Wellness Centers offering holistic health and well-being programs in partnership with Dr. Weil. 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 provides travelers with exciting, adventurous optional activities that are expertly planned, professionally operated and escorted by skilled expert guides. Ventures enables guests to experience nature up close in a way that is unique and exciting.

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

Costa

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

Strategic Report

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 October 2019 and her sister ship in 2021. Both ships will be fueled by LNG. The ship 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 will join 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. A sister ship also designed for the Chinese market will be delivered in late 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, 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 kicked-off its official partnership 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 onboard functionalities to Chinese guests.

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 UAE, the Indian Ocean, South America, the Transatlantic and the Far East.

AIDA

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 will enter the fleet in December 2018 and her sister ships will join the fleet in 2021 and 2023. This new generation of ship combines innovative design with state-of-the-art technology. Some of the many successful features on *AIDAprima* such as the Brewerie, Theatrium, Beach Club and the Four Elements activity area have been further enhanced. *AIDAnova's* Theatrium features a 360-degree stage with 11 LED walls, seven different laser shows and the LED Tube. AIDA is the first cruise company to launch a new generation of ships fueled entirely by LNG.

Guests onboard the entire AIDA fleet experienced Oktoberfest on the high seas as part of the AIDA Oktoberfest Special 2018. The AIDA Selection, a program where guests can experience exploratory cruises to new regions and exclusive destinations, will welcome *AIDAmira*, previously *Costa neoRiviera*, in 2019 with a new itinerary to South Africa and Namibia. 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 23 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, Red Sea, Black Sea 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 combine genuine service, a sense of occasion and attention to detail, ensuring guests have the holiday of a lifetime, every time.

In 2020, P&O Cruises (UK) will launch *Iona*, a new LNG-powered, 5,200-passenger capacity ship, which will be the largest 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 all weathers and providing entertainment, featuring aerial performers and a wealth of live acts. P&O Cruises (UK) will introduce a sister ship in 2022.

P&O Cruises (UK) continues to enhance its entertainment line-up, launching Astonishing on *Azura*, *Britannia* and *Ventura*. This revolutionary guest-interactive magic and illusion show was produced through a partnership with BAFTA-winning presenter Stephen Mulhern, performer Jonathan Wilkes and the mind-blowing trickery of master illusionist Guy Barrett. P&O Cruises (UK) also continued partnering with some of the UK's most popular and recognized entertainers and primetime TV shows.

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 178 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. She 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 offers unparalleled experiences enhanced by recent ship refits. New to *Queen Victoria* are Britannia Club accommodation and dining, where guests can enjoy a spacious balcony stateroom and their own dedicated intimate restaurant. *Queen Mary 2*'s transformation included a redesign of her Grand Lobby and new furnishings throughout. Enhancements to *Queen Elizabeth* ranged from a redesigned retail operation to refreshed outdoor spaces and a new spa and beauty salon concept.

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.

IV. Principal Source Geographic Areas

(in thousands)	Carnival Corporation & plc Cruise Guests Carried 2018	2017	2016	Brands Mainly Serving
United States and Canada	6,790	6,440	6,100	Carnival Cruise Line, Princess Cruises, Holland America Line, Seabourn and Cunard
Continental Europe	2,340	2,290	2,170	Costa and AIDA
Asia	1,140	1,240	1,130	Princess Cruises and Costa
Australia and New Zealand	1,020	1,060	1,010	Carnival Cruise Line, Princess Cruises and P&O Cruises (Australia)
United Kingdom	810	800	840	P&O Cruises (UK) and Cunard
Other	310	270	270	
Total	**12,410**	**12,100**	**11,520**	

V. Cruise Programs

	Carnival Corporation & plc Percentage of Passenger Capacity by Itinerary 2019	2018	2017
Caribbean	32%	33%	32%
Europe without Mediterranean	14	14	13
Mediterranean	13	13	13
Australia and New Zealand	7	8	8
Alaska	6	6	5
China	4	5	6
Other	25	23	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, as evidenced by our new state-of-the-art revenue management system implemented across six brands in 2018. We also continue with initiatives to better coordinate and optimize our brands' global itinerary strategies, maximizing guest satisfaction and profits. We have invested in new marketing technologies 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 include:

- Alcoholic/non-alcoholic 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. 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.

As a convenience to our guests, we sell air transportation to and from airports near the home ports of our ships. In 2018, approximately 10% 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. In 2018, we earned 25% of our revenues from onboard and other revenue activities and services not included in the cruise ticket price including the following:

- Substantially all liquor and some non-alcoholic beverage sales
- Casino gaming
- Shore excursions
- Gift shop sales
- Photo sales
- Internet and communication services
- Full service spas
- Specialty restaurants
- Art sales
- Laundry and dry cleaning services

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 are also implementing 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 the portion of consumer's vacations targeted on cruises and grow "share of suitcase™" for cruising on our brands. 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 the 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 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. We continue our efforts to expand our original media content portfolio, which features three award winning TV shows and three digital shows, all featured on our own digital channel, OceanView™, as well as our new partnership with Univision, which developed the first OCEAN™ prime-time series. Our programs airing on major networks, cable and digital video on-demand platforms, have reached over 400 million views to date. The shows create compelling experiential content that engages all audiences while inspiring them to travel the world. The expansion of our TV lineup across networks allows us to increase consideration and educate consumers about the cruise experience by showcasing our portfolio of brands in iconic global destinations.

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 have also invested 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 sell the majority of our cruises through travel agents and tour operators that serve our guests in their local regions. Our individual cruise brands' relationships with their travel agents 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 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 2018, 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 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. 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 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. We have also 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 intensity of carbon dioxide equivalent ("CO_2e") emissions from operations by 25% by 2020 relative to our 2005 baseline
- 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 fleet 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
- Further develop and implement vendor assurance procedures ensuring compliance with Carnival Corporation & plc's Business Partner Code of Conduct and Ethics
- Continue to work on initiatives and partnerships that support and sponsor a broad range of organizations for the benefit of the communities where we operate

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. We have 11 next-generation LNG cruise ships on order, including *AIDAnova,* entering the fleet in December 2018, the first cruise ship in the industry to be powered at sea by LNG. 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.

In addition, we continue our partnership with The Nature Conservancy, one of the world's leading conservation organizations. They are leveraging our partnership in their efforts to restore coral reefs, protect marine ecosystems and promote natural habitats for marine environments to help reduce the impact of storms and rising sea levels in coastal communities.

XII. Employees

Our shipboard and shoreside employees are sourced from over 100 countries. Excluding employees on leave, we employ an average of 88,000 shipboard 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, 23,000 are female and 79,000 are male. As of November 30, 2018, three of the 11 members of our Boards of Directors are female. Our five executive officers are male and two of the seven 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 23%, 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.

XIII. 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 bar, 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 and Italian 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. In 2016, we expanded our training operations with the opening of the 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. In 2017, CSMART launched an environmental officer training program and began offering additional environmental courses for bridge and engineering officers to further enhance our training on social responsibility and environmental protection. During 2018, we provided training to nearly 6,800 bridge and engineering officers at CSMART.

XIV. Information Technology

With the increasing size and sophistication of cruise ships, the technologies employed to create 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, privacy, infrastructure and innovation. In response to the increasing threat of continually 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. In addition, we have established a committee to further our focus on minimization, protection, and proper handling of private data.

All of our brands are actively collaborating on our global information technology solutions, standards and processes across our shoreside and shipboard environment. 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.

XV. 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 development has opened new 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 revolutionary 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

In 2018, we opened the third of 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.

In 2018, we completed the roll-out of our state-of-the-art revenue management system across six 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.

XVI. 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 and innovation. 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 21 cruise ships with four shipyards.

XVII. 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 maintain war risk insurance 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, including terrorist incidents. Items excluded from this coverage are claims arising from chemical, nuclear and biological attacks. 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 cancelled. However, the policies can be reinstated at different premium rates. This gives insurers the ability to increase our premiums following events that they determine have increased their risk.

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.

XVIII. 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.

XIX. 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 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 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, state and local authorities: We are subject to the decrees, directives, regulations and requirements of the European Union ("EU"), the U.S., U.S. states and hundreds of other 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 regulatory authorities.

As members of the Cruise Line International Association ("CLIA"), we helped to develop and have implemented policies that are intended to enhance shipboard safety 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 BODs have HESS Committees, which were comprised of four independent directors during 2018. 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, environmental compliance, shipbuilding, ship refits and research and development. To ensure that we are compliant with legal and regulatory requirements and that these areas of our business operate in an efficient 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 all health, environmental, safety and security incidents and take appropriate action to prevent recurrence
- Identify those employees responsible for managing health, safety, environment, 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

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
- Construction and materials
- Refurbishment standards
- Radio communications
- Life-saving and other equipment
- Fire protection and detection
- Safe management and operation
- 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 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 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 policies and procedures include the following:

- Training of our bridge, engineering and environmental officers in maritime related best practices at our new 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, environment, 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 discharges, water management and disposal, 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, 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 four annexes 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 and we have voluntarily committed to upgrade the oil separation equipment to the latest MARPOL standards onboard all of our ships by early 2019. Our ships must have oily water separators with oil content monitors installed and must 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 through discharge to ensure that it contains no more than 15 parts per million oil content. This system 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 ("SOx"), nitrogen ("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 also addresses air emissions from vessels in 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 a number of regions throughout the world have been required to use fuel with a sulfur content of no more than 0.1% or 0.5% (depending on the ECA), or to use alternative emission reduction methods, such as advanced air quality systems. Additional local and regional ECAs have come into force since 2015.

The International Maritime Organization's Marine Environment Protection Committee has agreed to implement 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 the use of low sulfur fuel, installation of advanced air quality systems, or the use of alternative fuels, which may increase our fuel costs.

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

c. Other Ship Emission Abatement Methods

In the long-term, the cost impacts of meeting progressively lower sulfur emission 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 30% 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 improvement), creating collaborative energy-savings groups across operating lines and ship's 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 capability 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 *AIDAperla* are the first cruise ships in the world that regularly use dual-fuel engines for an energy supply with LNG while in ports on Northern European and other itineraries

- *AIDAnova* will be 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 11 next generation LNG cruise ships on order, including *AIDAnova*, entering the fleet in December 2018. These innovative ships will reduce exhaust emissions to help protect 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 for fuel oil consumption. This amendment will require 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, formally beginning in 2019. Flag States will then validate the data and transfer it to an IMO database. The IMO will produce an annual report with anonymous data. In early 2018, the IMO also committed to several shipping industry GHG emission reduction goals with 2030 and 2050 target dates.

e. Ballast Water

In 2017, MARPOL began to govern the discharge of ballast water from ships through the MARPOL Ballast Water Management Convention. However, amendments were made to the regulation that effectively extend the implementation date for existing ships by two years. Ballast water is seawater used to stabilize ships at sea and maintain safe operating conditions throughout a voyage. Ballast 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.

ii. U.S. Federal and State Regulations

The Act to Prevent Pollution from Ships authorizes the implementation of 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 and having oil spill response plans in place. We have Certificates of Financial Responsibility that demonstrate our ability to meet the maximum amount of OPA 90 related liability that our ships could be subject to for removal costs and damages, such as from an oil spill or a release of a hazardous substance. 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 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.

The Clean Water Act ("CWA") provides the U.S. Environmental Protection Agency ("EPA") with the authority to regulate commercial vessels' incidental 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, all of the requirements are laid out 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. In addition to these discharge and vessel specific requirements, the VGP includes requirements for inspections, monitoring, reporting and record-keeping. The United States government recently passed the Vessel Incidental Discharge Act (VIDA), an act that will clarify and streamline discharge requirements for the waste streams covered by the VGP and added a new Clean Water Act Section called "Uniform National Standards for Discharges Incidental to Normal Operation of Vessels." VIDA will eventually eliminate the VGP; however, while the standards and regulations are being developed, the 2013 VGP has been administratively extended. There is uncertainty over what to expect with VIDA, including the limits to which VIDA will apply and the mechanism through which state-specific standards would be implemented.

We are subject to the requirements of the U.S. Resource Conservation and Recovery Act for the transportation and 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, comply with certain standards for the proper management of hazardous wastes and use hazardous waste manifests for shipments to approved disposal facilities.

The U.S. National Invasive Species Act ("NISA") was enacted 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. These requirements can be met by performing mid-ocean ballast exchange, by retaining ballast water onboard the vessel or by using environmentally sound ballast water treatment methods approved by the U.S. Coast Guard.

Most U.S. states that border navigable waterways or sea coasts 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.

The state of Alaska has enacted legislation that prohibits certain discharges in designated Alaskan waters and sets effluent limits on others. Further, the state 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 atmospheric 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 ("MRV") regulation, which began collecting emissions data in 2018 from ships over 5,000 gross tons to monitor and report their 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 in the U.S. ("CDC") 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 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. Consumer Financial Responsibility Regulations

In most major countries where we source our guests, we are required to establish financial responsibility, such as obtaining a guarantee from financially 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.

XX. 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%.

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.

XXI. 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.

XXII. 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 84% 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 2018, 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.

2018 Executive Overview

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

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

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

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

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

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

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

- Our brands were featured on television programs all around the world including The New Celebrity Apprentice, The Ellen DeGeneres Show, ITV reality show, The Cruise, in its 6th season in the UK, and Ant & Dec, also in the UK. We created our own original content TV programs which have already reached more than 400 million views airing on major U.S. networks. Our proprietary shows, which include the Voyager with Josh Garcia, Ocean Treks with Jeff Corwin, Vacation Creation, and La Gran Sorpresa, are among the most popular travel series on TV.

- With our history making voyage to Cuba in 2016, we became the first U.S. cruise operator in over 40 years to bring U.S. cruise guests directly from the U.S. to Cuba, and opened up an exciting new destination option for guests of Carnival Cruise Line, Holland America Line and Seabourn. Our cruise brands continue to further the guest experience through new destinations like Cuba and Amber Cove and new terminals like Barcelona and Dubai.

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

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

- OceanMedallion debuted onboard *Caribbean Princess* and has received 36 billion favorable media impressions. We have been recognized globally for our innovation efforts, including being recognized by Fast Company as one of the Top Ten Most Innovative Companies in the travel category.

- Our state-of-the-art revenue management tool has been deployed across half the company to facilitate further yield growth.

- Across many of our brands, we are in the process of rolling out new technology both onboard and shoreside. This includes enhanced targeted marketing, improved CRM capabilities, new mobile apps and redesigned websites, which collectively contribute to an enhanced guest experience, added empowerment to our travel agent partners, increased revenues and reduced cost of sales.

- We underwent multibillion dollar fleet wide reinvestment efforts, including Funship 2.0 for Carnival Cruise Line and Signature of Excellence for Holland America Line.

- We signed a historic joint venture agreement with CSSC, China State Shipbuilding Corporation, forming a local cruise operating company and forging a significant long-term relationship to help build the cruise industry in China.

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

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

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

New Accounting Pronouncements

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

Critical Accounting Estimates

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

Ship Accounting

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

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

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

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

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs. For Carnival Corporation & plc, our 2018 ship depreciation expense would have increased by approximately $42 million assuming we had reduced our estimated 30-year ship useful life estimate by one year at the time we took delivery or acquired each of our ships. In addition, our 2018 ship depreciation expense would have increased by approximately $213 million assuming we had estimated our ships to have no residual value at the time of their delivery or acquisition.

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

Asset Impairments

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

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

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

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

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

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

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

Contingencies

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

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

Results of Operations

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

- Sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from airports near our ships' home ports and cancellation fees. We also collect fees, taxes and other charges from our guests

- The cruise ticket price typically includes the following:

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

- Sales of goods and services not included in the cruise ticket price are generally the following:
  - Substantially all liquor and some non-alcoholic beverage sales
  - Casino gaming
  - Shore excursions
  - Gift shop sales
  - Photo sales
  - Internet and communication services
  - Full service spas
  - Specialty restaurants
  - Art sales
  - Laundry and dry cleaning services

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

We incur cruise operating costs and expenses for the following:

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

- Onboard and other cruise costs, which represent costs that are directly associated with onboard and other revenues, and include the costs of liquor and some non-alcoholic beverages, costs of tangible goods sold by us in our gift shops and from our photo packages, communication costs, costs of cruise vacation protection programs, costs of pre- and post-cruise land packages and credit and debit card fees

- Fuel costs, which include fuel delivery costs

- Payroll and related costs, which represent all costs related to our shipboard personnel, including bridge and engineering officers and crew and hotel and administrative employees, while costs associated with our shoreside personnel are included in selling and administrative expenses

- Food costs, which include both our guest and crew food costs

- Other ship operating expenses, which include port costs that do not vary with guest head counts; repairs and maintenance, including minor improvements and dry-dock expenses; hotel costs; entertainment; gains and losses on ship sales; ship impairments; freight and logistics; insurance premiums and all other ship operating expenses

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

Statistical Information

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

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

(b) In 2018 compared to 2017, we had a 1.9% capacity increase in ALBDs comprised of a 2.9% capacity increase in our NAA segment and a 0.2% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Partial period impact from one Princess Cruises 3,560-passenger capacity ship that entered into service in April 2017
- Partial period impact from one Carnival Cruise Line 3,960-passenger capacity ship that entered into service in April 2018
- Partial period impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018

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

Our EA segment's capacity increase was caused by:

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

This increase was partially offset by

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

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

2018 Compared to 2017

Revenues

Consolidated

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

This increase was caused by:

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

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

This increase was caused by:

- $132 million - higher onboard spending by our guests

- $83 million - 1.9% capacity increase in ALBDs
- $52 million - foreign currency translational impact
- $42 million - increase in other revenues
- $40 million - increase in occupancy

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

NAA Segment

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

This increase was driven by:

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

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

This increase was driven by:

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

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

EA Segment

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

This increase was driven by:

- $251 million - foreign currency translational impact
- $96 million - increase in occupancy
- $69 million - increase in cruise ticket revenues, driven primarily by price improvements in the European, China and various other programs, partially offset by decrease in the Caribbean programs and net unfavorable foreign currency transactional impacts

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

This increase was driven by:

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

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

Costs and Expenses

Consolidated

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

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

These increases were partially offset by:
- $304 million - ship impairments in 2017
- $51 million - gains on ship sales in 2018
- $20 million - improved fuel consumption

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

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

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

NAA Segment

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

This increase was caused by:
- $253 million - higher fuel prices
- $194 million - 2.9% capacity increase in ALBDs
- $102 million - higher commissions, transportation and other
- $31 million - higher dry-dock expenses and repair and maintenance expenses
- $30 million - higher port expenses
- $24 million - higher cruise payroll and related expenses
- $24 million - higher onboard and other expenses

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

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

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

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

EA Segment

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

This increase was caused by:
- $174 million - foreign currency translational impact
- $117 million - higher fuel prices
- $29 million - increase in occupancy

These increases were partially offset by:
- $141 million - ship impairments in 2017

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

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

This increase was driven by:
- $39 million - foreign currency translational impact
- $27 million - higher administrative expenses

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

Operating Income

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

Nonoperating Income (Expense)

	Years Ended November 30,	
(in millions)	**2018**	**2017**
Unrealized gains on fuel derivatives	$ 94	$ 227
Realized (losses) on fuel derivatives, net	(35)	(192)
Gains on fuel derivatives, net	$ 59	$ 35

Explanations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

Reconciliation of Forecasted Data

We have not provided a reconciliation of forecasted gross cruise revenues to forecasted net cruise revenues or forecasted gross cruise costs to forecasted net cruise costs without fuel or forecasted U.S. GAAP net income to forecasted adjusted net income or forecasted U.S. GAAP earnings per share to forecasted adjusted earnings per share because preparation of meaningful U.S. GAAP forecasts of gross cruise revenues, gross cruise costs, net income and earnings per share would require unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates and fuel prices. While we forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period, we do not forecast the impact of unrealized gains and losses on fuel derivatives because we do not believe they are an indication of our future earnings performance. We are unable to determine the future impact of gains or losses on ships sales, restructuring expenses and other non-core gains and charges.

Constant Dollar and Constant Currency

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

We report net revenue yields, net passenger revenue yields, net onboard and other revenue yields and net cruise costs excluding fuel per ALBD on a "constant dollar" and "constant currency" basis assuming the 2018 period's currency exchange rates have remained constant with the 2017 period's 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,		
(dollars in millions, except yields)	**2018**	**2018 Constant Dollar**	**2017**
Passenger ticket revenues	$ 13,930	$ 13,684	$ 12,944
Onboard and other revenues	4,679	4,627	4,330
Gross cruise revenues	18,609	18,311	17,274
Less cruise costs			
Commissions, transportation and other	(2,590)	(2,526)	(2,359)
Onboard and other	(638)	(630)	(587)
	(3,228)	(3,156)	(2,946)
Net passenger ticket revenues	11,340	11,158	10,585
Net onboard and other revenues	4,041	3,997	3,744
Net cruise revenues	$ 15,381	$ 15,155	$ 14,329
ALBDs	83,872,441	83,872,441	82,302,887
Gross revenue yields	$ 221.87	$ 218.32	$ 209.88
% increase	5.7%	4.0%	3.9%
Net revenue yields	$ 183.38	$ 180.69	$ 174.10
% increase	5.3%	3.8%	4.2%
Net passenger ticket revenue yields	$ 135.21	$ 133.03	$ 128.62
% increase	5.1%	3.4%	4.5%
Net onboard and other revenue yields	$ 48.17	$ 47.65	$ 45.48
% increase	5.9%	4.8%	3.5%

	Years Ended November 30,		
(dollars in millions, except yields)	**2018**	**2018 Constant Currency**	**2017**
Net passenger ticket revenues	$ 11,340	$ 11,137	$ 10,585
Net onboard and other revenues	4,041	4,008	3,744
Net cruise revenues	$ 15,381	$ 15,145	$ 14,329
ALBDs	83,872,441	83,872,441	82,302,887
Net revenue yields	$ 183.38	$ 180.57	$ 174.10
% increase	5.3%	3.7%	4.2%
Net passenger ticket revenue yields	$ 135.21	$ 132.79	$ 128.62
% increase	5.1%	3.2%	4.5%
Net onboard and other revenue yields	$ 48.17	$ 47.78	$ 45.48
% increase	5.9%	5.1%	3.5%

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,		
(dollars in millions, except costs per ALBD)	**2018**	**2018 Constant Dollar**	**2017**
Cruise operating expenses	$ 10,910	$ 10,740	$ 10,338
Cruise selling and administrative expenses	2,422	2,385	2,250
Gross cruise costs	13,332	13,125	12,588
Less cruise costs included above			
Commissions, transportation and other	(2,590)	(2,526)	(2,359)
Onboard and other	(638)	(630)	(587)
Gains (losses) on ship sales and impairments	38	34	(298)
Restructuring expenses	(1)	(1)	(3)
Other	(2)	(2)	—
Net cruise costs	10,139	10,000	9,341
Less fuel	(1,619)	(1,619)	(1,244)
Net cruise costs excluding fuel	$ 8,521	$ 8,382	$ 8,097
ALBDs	83,872,441	83,872,441	82,302,887
Gross cruise costs per ALBD	$ 158.96	$ 156.49	$ 152.94
% increase	3.9 %	2.3 %	7.2 %
Net cruise costs excluding fuel per ALBD	$ 101.59	$ 99.93	$ 98.37
% increase	3.3 %	1.6 %	2.6 %

	Years Ended November 30,		
(dollars in millions, except costs per ALBD)	**2018**	**2018 Constant Currency**	**2017**
Net cruise costs excluding fuel	$ 8,521	$ 8,385	$ 8,097
ALBDs	83,872,441	83,872,441	82,302,887
Net cruise costs excluding fuel per ALBD	$ 101.59	$ 99.98	$ 98.37
% increase	3.3 %	1.6 %	2.6 %

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

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 sustain and grow our double-digit ROIC, while maintaining a strong balance sheet and strong investment grade credit ratings. (We define ROIC as the twelve-month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress.) Our ability to generate significant operating cash flow allows us to internally fund our capital improvements, debt maturities and dividend payments. We have $11.5 billion of committed export credit facilities available to fund the vast majority of our new ship growth capital. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity through our available cash and cash equivalents and committed financings for immediate and future liquidity needs and to maintain a reasonable debt maturity profile.

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

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

Sources and Uses of Cash

Operating Activities

Our business provided $5.5 billion of net cash from operations during 2018, an increase of $227 million, or 4.3%, compared to $5.3 billion in 2017. This increase was driven by an increase in customer deposits.

Investing Activities

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

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

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

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

Financing Activities

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

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

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

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

Future Commitments

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

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

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

Capital Expenditure and Capacity Forecast

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

(in billions)	**2019**	**2020**	**2021**	**2022**
Annual capital expenditure forecast	$ 6.8	$ 5.7	$ 5.9	$ 5.4

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

	2019	**2020**	**2021**	**2022**
Annual capacity forecast	4.6%	5.5%	7.2%	5.2%

Share Repurchase Program and Stock Swap Programs

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

In addition to the Repurchase Program, we have programs that allow us to obtain an economic benefit when either Carnival Corporation common stock is trading at a premium to the price of Carnival plc ordinary shares or

Carnival plc ordinary shares are trading at a premium to Carnival Corporation common stock (the "Stock Swap Programs"). For example:

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

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

During 2018 and 2017, there were no sales or repurchases under the Stock Swap Programs. Any sales of Carnival Corporation common stock and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

Funding Sources

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

(in billions)	2019	2020	2021	2022
Availability of committed future financing at November 30, 2018	$ 3.4	$ 2.9	$ 2.8	$ 2.4

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

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

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exchange Rate Risks

Operational Currency Risks

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

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

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

Investment Currency Risks

The foreign currency exchange rates were as follows:

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

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

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

Newbuild Currency Risks

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

Interest Rate Risks

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

	November 30, 2018
Fixed rate	29%
EUR fixed rate	29%
Floating rate	6%
EUR floating rate	28%
GBP floating rate	8%

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

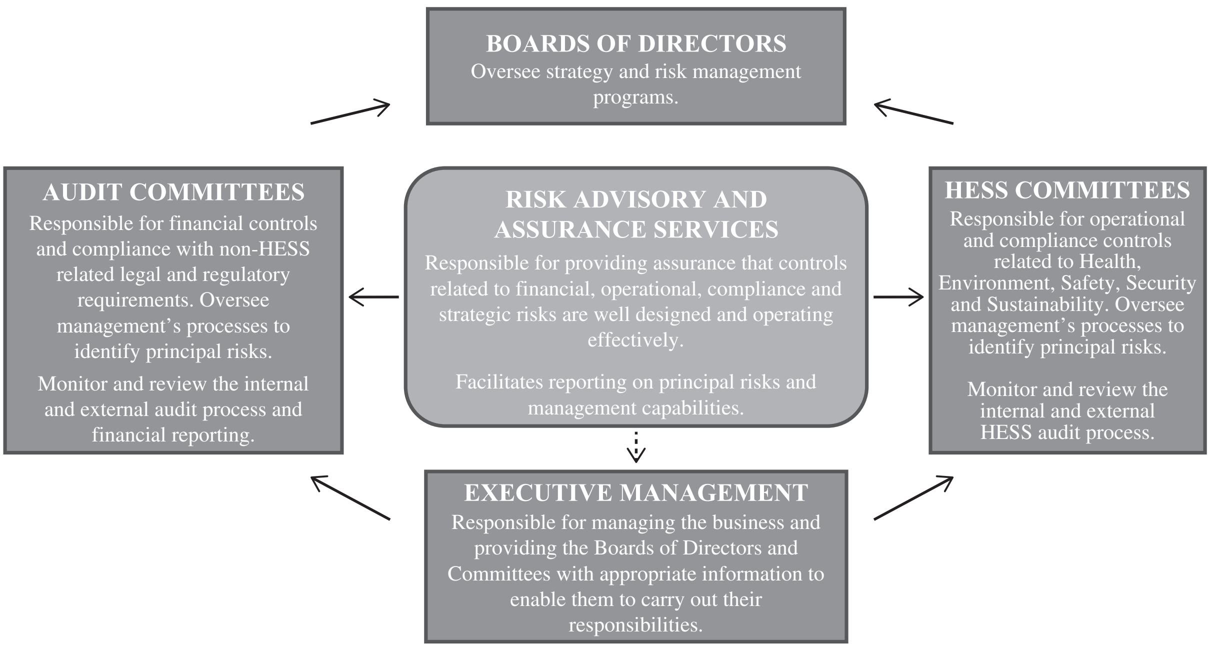
Fuel Price Risks

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

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

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

3. Internal Control and Risk Assessment.



Note: The BOD's Compensation and Nominating & Governance Committees are also responsible for some Strategy and risk management programs.

Carnival Corporation & plc's Boards of Directors

The BODs have overall responsibility for determining the strategic direction of Carnival Corporation & plc and the nature and extent of the risk assumed by it. The BODs 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 BODs 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 BODs 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 BODs, its Committees and Carnival Corporation & plc management in order to continuously and annually assess, manage and/or mitigate risks. In this regard, the BODs delegate certain risk management activities to its Committees and principally to the Audit and HESS 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.

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 BODs 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 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.

Executive Management

Executive Management is responsible for ensuring that we have active plans to manage and/or mitigate the principal financial and non-financial risks, including HESS-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.

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 BODs 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 BODs 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 BODs. 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 as well as the Chief Maritime Officer.

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 fiscal 2018 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 BODs confirm that they have performed their annual review of its effectiveness and that it is in compliance with the UK Corporate Governance Code. The BODs 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 specific risk factors set forth below and the other information contained or incorporated by reference in this document, as these are important factors that could cause our actual results, performance or achievements to differ materially from our expected or historical results. 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. Adverse 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 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. In 2019, 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 redeploy 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 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, tornados, 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. 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 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.

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 also 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 perform audits and monitor our own compliance and where incidents occur, take appropriate action 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, tornados, 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 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 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 and availability of fuel supply may adversely impact our scheduled itineraries and costs

We may be impacted 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.

Additionally, certain of our ships are designed to use LNG as a fuel source. At this time, the marine LNG distribution infrastructure is in the early stages of development with a limited number of suppliers and purchasing is usually made through long-term contracts. We may experience difficulties in operating and maintaining new LNG-based engine technology.

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

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 and pricing

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 BODs 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.

6. Viability Statement.

The BODs 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 BODs 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 BODs have no reason to believe Carnival Corporation & plc will not be viable over a longer period, the period over which the BODs 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 price
- 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 BODs 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 $14.6 billion at November 30, 2018 consisting of $710 million of cash and cash equivalents, which excludes $271 million of cash used for current operations, $2.3 billion available for borrowing under our revolving credit facilities, net of our outstanding commercial paper borrowing, and $11.5 billion under our committed future financings, which are comprised of ship export credit facilities
- Carnival Corporation & plc's primary financial goals include maintaining a strong balance sheet and strong 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 BODs' risk appetite and how these risks are managed or mitigated, the BODs 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 and Stock Swap Programs.

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 April 10 and August 27, 2018, the company approved modifications of the general authorization under the Repurchase Program, which replenished the remaining authorized repurchases at the time of the approvals to $1.0 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

II. Stock Swap Programs

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

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

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

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

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

Any sales of Carnival Corporation shares and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933. During the three months ended November 30, 2018, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap Programs.

III. Carnival plc Shareholder Approvals

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap Programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 20.9 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2019 annual general meeting or October 11, 2019.

This Strategic Report has been approved by the Board.

By order of the Board

Micky Arison
Chairman of the Board of Directors
January 28, 2019

INTRODUCTORY NOTE TO THE CARNIVAL PLC IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 2018

The Carnival plc consolidated IFRS Financial Statements on pages 57 to 102 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, 2018	2017
Revenues		
Cruise		
Passenger ticket	$ 6,483	$ 5,939
Onboard and other	1,580	1,455
Tour and other	272	236
	8,335	7,630
Operating Costs and Expenses		
Cruise		
Commissions, transportation and other	1,215	1,102
Onboard and other	251	227
Payroll and related	899	854
Fuel	715	571
Food	434	420
Other ship operating	1,724	1,761
Tour and other	179	163
	5,417	5,098
Selling and administrative	915	825
Depreciation and amortisation	710	675
Impairment losses (reversals), net	—	252
	7,041	6,850
Operating Income	1,293	780
Nonoperating Income (Expense)		
Interest income	4	2
Interest expense, net of capitalised interest	(21)	(32)
Other (expense) income, net	(84)	178
	(100)	148
Income Before Income Taxes	1,193	928
Income Tax Expense, Net	(29)	(44)
Net Income	$ 1,164	$ 884
Earnings Per Share		
Basic	$ 5.71	$ 4.13
Diluted	$ 5.70	$ 4.11

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. 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:

	2018	2017
DLC basic earnings per share	$ 4.45	$ 3.61
DLC diluted earnings per share	$ 4.44	$ 3.59
DLC adjusted diluted earnings per share	$ 4.26	$ 3.82

CARNIVAL PLC
GROUP STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Years Ended November 30, 2018	2017
Net Income	$ 1,164	$ 884
Other Comprehensive (Loss) Income		
Items that will not be reclassified through the Statements of Income		
Remeasurements of post-employment benefit obligations	14	22
Items that may be reclassified through the Statements of Income		
Changes in foreign currency translation adjustment	(264)	541
Other	76	4
	(188)	545
Other Comprehensive (Loss) Income	(174)	567
Total Comprehensive Income	$ 990	$ 1,451

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,			
	2018	2017	2018	2017
ASSETS				
Current Assets				
Cash and cash equivalents	$ 368	$ 265	$ 267	$ 155
Trade and other receivables, net	202	153	64	75
Inventories	231	208	98	96
Prepaid expenses and other	157	169	66	60
Total current assets	959	795	496	386
Property and Equipment, Net	12,985	13,497	3,848	4,083
Amount Owed from Subsidiaries	—	—	739	826
Goodwill	595	620	141	146
Other Intangible Assets	4	19	—	—
Other Assets	479	227	262	102
Investments in Subsidiaries	—	—	5,472	5,445
	$ 15,022	$ 15,158	$ 10,957	$ 10,988
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Short-term borrowings	$ 848	$ 65	$ 621	$ 65
Current portion of long-term debt	168	424	126	378
Amount owed to the Carnival Corporation group	268	1,560	322	1,615
Accounts payable	328	369	105	144
Accrued liabilities and other	738	790	395	440
Customer deposits	1,768	1,641	1,101	1,077
Total current liabilities	4,117	4,849	2,671	3,719
Long-Term Debt	2,007	1,202	1,258	911
Other Long-Term Liabilities	361	263	209	98
Shareholders' Equity				
Share capital	358	358	358	358
Share premium	173	164	175	164
Retained earnings	10,257	9,474	8,161	6,804
Other reserves	(2,250)	(1,152)	(1,874)	(1,066)
Total shareholders' equity	8,537	8,844	6,820	6,260
	$ 15,022	$ 15,158	$ 10,957	$ 10,988

Net income for the Company was $1.7 billion in 2018 ($276 million in 2017).

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, 2019 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,			
	2018	2017	2018	2017
OPERATING ACTIVITIES				
Income before income taxes	$ 1,193	$ 928	$ 1,741	$ 279
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation and amortisation	710	675	237	244
Impairment losses (reversals), net	—	252	—	198
Liquidation of subsidiaries and related balances	—	—	—	685
Share-based compensation	12	12	4	5
Interest expense, net	17	30	11	19
Other, net	(18)	41	(20)	72
	1,914	1,938	1,975	1,502
Changes in operating assets and liabilities				
Receivables	(51)	19	8	(1)
Inventories	(28)	(74)	(4)	(57)
Prepaid expenses and other	(31)	28	(27)	(12)
Accounts payable	(33)	57	(38)	44
Accrued and other liabilities	32	19	34	30
Customer deposits	209	335	70	294
Cash provided by operations before interest and income taxes	2,013	2,322	2,018	1,800
Interest received	4	2	2	1
Interest paid	(39)	(41)	(29)	(29)
Income taxes paid, net	(39)	(37)	(3)	(3)
Net cash provided by operating activities	1,939	2,246	1,988	1,769
INVESTING ACTIVITIES				
Purchases of property and equipment	(897)	(930)	(304)	(288)
Proceeds from sales of ships	307	—	294	—
Other, net	(149)	45	(152)	6
Net cash used in investing activities	(739)	(885)	(162)	(282)
FINANCING ACTIVITIES				
Changes in loans with the Carnival Corporation group and Group companies	(1,134)	39	(1,053)	(206)
Proceeds from (repayments of) short-term borrowings, net	837	(449)	593	(441)
Principal repayments of long-term debt	(367)	(235)	(321)	(192)
Proceeds from issuance of long-term debt	980	—	469	—
Dividends paid	(394)	(321)	(393)	(321)
Purchases of treasury shares	(990)	(329)	(990)	(329)
Other, net	(26)	(24)	(26)	(24)
Net cash used in financing activities	(1,094)	(1,319)	(1,720)	(1,513)
Effect of exchange rate changes on cash and cash equivalents	(3)	(2)	6	44
Net increase in cash and cash equivalents	104	40	112	18
Cash and cash equivalents at beginning of year	265	225	155	137
Cash and cash equivalents at end of year	$ 368	$ 265	$ 267	$ 155

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: Translation reserve	Reserves: Cash flow hedges	Reserves: Treasury shares	Reserves: Other reserves	Reserves: Merger reserve	Reserves: Total	Total shareholders' equity
At November 30, 2016	$358	$ 154	$ 8,907	$ (2,598)	$ (60)	$ (36)	$ (392)	$ 1,503	$ (1,583)	$ 7,836
Comprehensive income										
Net income	—	—	884	—	—	—	—	—	—	884
Changes in foreign currency translation adjustment	—	—	—	541	—	—	—	—	541	541
Net gains on cash flow derivative hedges	—	—	—	—	5	—	—	—	5	5
Net losses on hedges of net investments in foreign operations	—	—	—	(1)	—	—	—	—	(1)	(1)
Remeasurements of post-employment benefit obligations	—	—	22	—	—	—	—	—	—	22
Total comprehensive income	—	—	906	540	5	—	—	—	545	1,451
Purchase of treasury shares	—	—	—	—	—	(336)	—	—	(336)	(336)
Share repurchase obligations	—	—	—	—	—	—	222	—	222	222
Cash dividends declared	—	—	(341)	—	—	—	—	—	—	(341)
Other, net	—	10	2	—	—	—	—	—	—	12
At November 30, 2017	358	164	9,474	(2,058)	(55)	(372)	(170)	1,503	(1,152)	8,844
Comprehensive income										
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 gains 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

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)

				Reserves						
	Share capital	Share premium	Retained earnings	Translation reserve	Cash flow hedges	Treasury shares	Other reserves	Merger reserve	Total	Total shareholders' equity
At November 30, 2016	$358	$154	$6,847	$(849)	$(60)	$ (36)	$(392)	$36	$(1,301)	$6,058
Comprehensive income										
Net income	—	—	276	—	—	—	—	—	—	276
Changes in foreign currency translation adjustment	—	—	—	345	—	—	—	—	345	345
Net gains on cash flow derivative hedges	—	—	—	—	5	—	—	—	5	5
Net losses on hedges of net investments in foreign operations	—	—	—	(1)	—	—	—	—	(1)	(1)
Remeasurements of post-employment benefit obligations	—	—	22	—	—	—	—	—	—	22
Total comprehensive income	—	—	298	344	5	—	—	—	349	647
Purchases of treasury shares	—	—	—	—	—	(336)	—	—	(336)	(336)
Share repurchase obligations	—	—	—	—	—	—	222	—	222	222
Cash dividends declared	—	—	(341)	—	—	—	—	—	—	(341)
Other, net	—	10	—	—	—	—	—	—	—	10
At November 30, 2017	358	164	6,804	(505)	(55)	(372)	(170)	36	(1,066)	6,260
Comprehensive income										
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 gains 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

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 its headquarters is 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 half of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, 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 (49 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 other 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, which subsidiaries are all entities (including structured entities) over which the Group has control. 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 2018 Carnival plc annual accounts and reports:

- Strategic Report (a)
- Notice of Annual Meetings and Proxy statement ("Proxy Statement") dated January 28, 2019

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 gift shop 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. 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:

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

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

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

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on our ability to recover the carrying value of our asset 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 at least annually and as 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 to manage our interest rate exposure to achieve a desired proportion of fixed and floating rate debt. Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income ("AOCI") until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a non-derivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged until the investment is sold or substantially liquidated. Any ineffective portion is immediately recognized in earnings. For derivatives that do not qualify for hedge accounting treatment, the change in fair value is recognized in earnings.

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

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

Foreign Currency Translation and Transactions

Each foreign entity determines its functional currency by reference to its primary economic environment. We translate the assets and liabilities of our foreign entities that have functional currencies other than the U.S. dollar at exchange rates in effect at the balance sheet date. Revenues and expenses of these foreign entities are translated at weighted-average exchange rates for the period. Equity is translated at historical rates and the resulting foreign currency translation adjustments are included in the translation reserve, which is a separate component of other reserves within shareholders' equity. Therefore, the U.S. dollar value of these non-equity translated items in our 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 net losses of $89 million in 2018 and net gains of $177 million in 2017. 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 voyages 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 recognising these shorter duration cruise revenues and costs and expenses on a completed voyage basis versus on a pro rata basis is not significant. Future travel discount vouchers are included as a reduction of cruise passenger ticket revenues when such vouchers are utilised. Guest cancellation fees are recognized in cruise passenger ticket revenues at the time of cancellation. Revenue is recognized net of expected discounts.

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

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

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

Insurance

We maintain insurance 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 $322 million in 2018 and $298 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.

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.

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 amendments to the standard, IAS 7, *Statement of Cash Flows*, which requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On December 1, 2017, we adopted the amendments of IAS 7 and included incremental disclosures in our financial statements.

The IASB issued a new standard, IFRS 15, *Revenue from Contracts with Customers*. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. IFRS 15 requires an entity to recognize the amount of revenue to which it expects to be entitled when the transfer of control of the promised goods or services passes to the customers. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed under current IFRS, and introduces the use of a model. This guidance is required to be adopted by us in the first quarter of 2019. We have elected the modified retrospective adoption method which requires entities to apply the new revenue standard only to the current period consolidated financial statements and record a cumulative-effect adjustment to the December 1, 2018 opening balance of retained earnings, if any. We have completed our evaluation of changes to our revenues using the five-step model supported by the new revenue standard. The impact of the adoption of IFRS 15 on our consolidated financial statements relates to the gross presentation of prepaid travel agent commissions, shore excursions and other onboard revenues and costs which were historically presented net and will require additional disclosures. The adoption of this guidance will not have a material impact to the timing of our recognition of revenues.

The IASB issued a new standard, IFRS 9, *Financial Instruments*, which replaces the previous standard and will include 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. This standard is required to be adopted by us for the financial year commencing December 1, 2018. The adoption of this guidance will not have a material 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. Based on our assessment to date, the initial adoption of this guidance is expected to increase both our total assets and total liabilities and will require some additional disclosures. We are evaluating certain contractual arrangements to determine if they contain an implicit right to use an asset that would qualify as a leasing arrangement under the new guidance.

The 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. The amendment is required to be adopted by us for the financial year commencing in December 1, 2021 on a prospective basis. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact to 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. Carnival Corporation & plc revised its operating segments due to changes in its internal reporting as a result of the recent strategic realignment of the business in Australia. The presentation of prior period segment information has been revised to reflect this change. 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:

(in millions)	Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortisation	Operating income (loss)	Capital expenditures	Total assets
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)	(10,546)	(5,672)	(1,535)	(1,307)	(2,032)	(2,852)	(27,379)
Carnival plc - IFRS	$ 8,335	$ 5,417	$ 915	$ 710	$ 1,293	$ 897	$ 15,022
2017							
NAA	$ 11,442	$ 6,704	$ 1,337	$ 1,195	$ 2,117	$ 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
Carnival Corporation & plc - U.S. GAAP	17,510	10,501	2,265	1,846	2,809	2,944	40,778
Carnival Corporation, U.S. GAAP vs IFRS differences and eliminations (a)	(9,880)	(5,403)	(1,440)	(1,171)	(2,029)	2,014	(25,620)
Carnival plc - IFRS	$ 7,630	$ 5,098	$ 825	$ 675	$ 780	$ 930	$ 15,158

(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:

	Years Ended November 30,	
(in millions)	2018	2017
Europe	$ 5,392	$ 4,836
Australia and Asia	2,090	2,039
North America	621	553
Others	231	202
	$ 8,335	$ 7,630

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:

	Years Ended November 30,	
(in millions)	2018	2017
Fees payable to the Company's auditor for the audit of the Group and Company financial statements	$ 2	$ 1
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries pursuant to legislation	—	1
	$ 2	$ 2

In addition, during 2018, non-audit service fees of $0.1 million were paid to our auditors for consulting services related to the analysis of customer data (there were no non-audit service fees in 2017.)

NOTE 5 – Taxation

	Years Ended November 30,	
(in millions)	2018	2017
Current taxes	$ (39)	$ (32)
Deferred taxes	9	(12)
Income tax expense, net	$ (29)	$ (44)

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

	Years Ended November 30,	
(in millions)	2018	2017
Income before income taxes	$ 1,193	$ 928
Notional tax expense at UK standard tax rate (2018-19.0% and 2017-19.3%)	(227)	(179)
Effect of Italian and UK tonnage tax and other taxes at different rates	197	135
	$ (29)	$ (44)

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%.

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,	
(in millions, except per share data)	**2018**	**2017**
Net income for basic and diluted earnings per share	$ 1,164	$ 884
Weighted-average shares outstanding	204	214
Dilutive effect of equity plans	—	1
Diluted weighted-average shares outstanding	204	215
Basic earnings per share	$ 5.71	$ 4.13
Diluted earnings per share	$ 5.70	$ 4.11

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

	Group		Company	
	November 30,			
(in millions)	2018	2017	2018	2017
Cash	$ 123	$ 141	$ 42	$ 60
Cash equivalents (money market funds and time deposits)	245	124	225	95
	$ 368	$ 265	$ 267	$ 155

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

NOTE 8 – Trade and Other Receivables

	Group		Company	
	November 30,			
(in millions)	2018	2017	2018	2017
Trade	$ 158	$ 110	$ 47	$ 51
VAT, income taxes and other	45	43	17	24
	$ 202	$ 153	$ 64	$ 75

The aging of trade receivables was as follows:

	Group		Company	
	November 30,			
(in millions)	2018	2017	2018	2017
Current	$ 133	$ 82	$ 42	$ 48
1 to 30 days	14	21	3	3
31 days and thereafter	18	15	3	1
	165	118	48	52
Allowance for bad debts	(7)	(8)	(1)	(1)
	$ 158	$ 110	$ 47	$ 51

NOTE 9 – Inventories

	Group		Company	
	November 30,			
(in millions)	2018	2017	2018	2017
Food, beverages and hotel supplies, net	$ 119	$ 110	$ 40	$ 41
Fuel	52	42	30	23
Other	60	56	27	32
	$ 231	$ 208	$ 98	$ 96

NOTE 10 – Property and Equipment

(in millions)	Group: Ships and ship improvements	Group: Other property and equipment	Group: Total	Company: Ships and ship improvements	Company: Other property and equipment	Company: Total
Cost						
At November 30, 2016	$ 16,329	$ 1,372	$ 17,701	$ 5,540	$ 178	$ 5,718
Exchange movements	1,658	64	1,722	380	11	391
Additions	989	140	1,129	401	15	416
Disposals	(306)	(32)	(338)	(281)	(6)	(287)
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
Accumulated depreciation						
At November 30, 2016	$ (4,834)	$ (679)	$ (5,513)	$ (1,748)	$ (60)	$ (1,808)
Exchange movements	(492)	(40)	(532)	(114)	(4)	(118)
Depreciation	(587)	(86)	(673)	(230)	(15)	(245)
Impairment losses	(252)	—	(252)	(198)	—	(198)
Disposals	233	20	253	213	1	214
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)
Net book value						
At November 30, 2018	$ 12,191	$ 794	$ 12,985	$ 3,720	$ 128	$ 3,848
At November 30, 2017	$ 12,738	$ 759	$ 13,497	$ 3,963	$ 120	$ 4,083

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 discounted future cash flow analyses on certain ships as of July 31, 2017. Based on these discounted future cash flow analyses, we determined that some of these ships had net carrying values that exceeded their estimated discounted 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 $137 million and $115 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. We had no impairment charges in 2018.

The principal assumptions used in our analyses consisted of forecasted future operating results, including net revenue yields and net cruise costs including fuel prices, estimated ship sale proceeds, and changes in strategy, including decisions about the transfer of ships between brands. 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, 2018, the cost of assets under construction, which are included in the above table, totaled $1.1 billion ($658 million at November 30, 2017).

At November 30, 2018, the net book value of assets is shown after deducting government construction grants of $91 million ($102 million at November 30, 2017).

Capitalised interest amounted to $18 million in 2018 ($9 million in 2017). The interest capitalisation rate is based on the weighted-average interest rates applicable to borrowings within the DLC during each period. During 2018, the average capitalisation rate was 2.5% (2.5% during 2017).

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

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

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

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

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

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

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

NOTE 11 – Goodwill

At November 30, 2018, the carrying value of our CGUs' or cruise brands' goodwill balance was $131 million (2017 $137 million) for AIDA, $323 million (2017 $336 million) for Costa and $141 million (2017 $146 million) for Cunard. P&O Cruises (UK) and P&O Cruises (Australia) do not carry goodwill.

As of July 31, 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. Our annual impairment reviews resulted in no goodwill impairment for 2018 and 2017.

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

- Forecasted operating results, including net revenue yields and net cruise costs including fuel prices
- Capacity changes and the expected rotation of vessels into or out of each of these cruise brands, including decisions about the allocation of new ships amongst brands, the transfer of ships between brands and the timing of ship dispositions
- Weighted-average cost of capital of market participants, adjusted for the risk attributable to the geographic regions in which these cruise brands operate, ranged from 6.5% to 8.5% (from 7.5% to 9.0% in 2017)
- Capital expenditures, proceeds from forecasted dispositions of ships, terminal values and long-term perpetuity growth rates of 2.5% or less

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.

For AIDA, Costa 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.

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

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

	Goodwill	
(in millions)	**Group**	**Company**
At November 30, 2016	$ 560	$ 136
Foreign currency translation adjustment	60	10
At November 30, 2017	620	146
Foreign currency translation adjustment	(25)	(6)
At November 30, 2018	$ 595	$ 141

NOTE 12 – Other Assets

	Group		Company	
	November 30,			
(in millions)	**2018**	**2017**	**2018**	**2017**
Other receivables and investments	$ 330	$ 113	$ 166	$ 39
Insurance recoverables, prepaid expenses and other	137	103	96	63
Deferred taxes	12	11	—	—
	$ 479	$ 227	$ 262	$ 102

The Group had gross deferred tax assets of $139 million at November 30, 2018 ($135 million at November 30, 2017) and the Company had gross deferred tax assets of $105 million at November 30, 2018 ($105 million at November 30, 2017), which were not recognized.

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

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

NOTE 13 – Investments in Subsidiaries

(in millions)	**Investments in Subsidiaries**
At November 30, 2017	$ 5,445
Additions	49
Adjustments due to subsidiary liquidations	(3)
Exchange movements	(20)
At November 30, 2018	$ 5,472

The adjustments due to subsidiary liquidations relates to the Company's reduction of its investment in subsidiaries balance for the historical legal liquidation of companies no longer used by the Group, which also impacted associated intercompany balances.

At November 30, 2018, 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, 2018 were as follows:

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
United Kingdom			
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
Fathom Travel Ltd. (a) (d)	100.0%	09608240	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
Argentina			
Costa Cruceros S.A. (c)	99.9%		Avenida Corrientes, 327, Piso 10º, Buenos Aires
Australia			
A. C. N. 098 290 834 Pty. Ltd.	100.0%		Level 5, 465 Victoria Avenue Chatswood NSW 2067
Bermuda			
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
Brazil			
Costa Cruzeiros Agencia Maritime e Turismo Ltda. (c)	99.9%		Av. Paulista, 460, 9º - 10º andar, Bela Vista, São Paulo, SP 01310.100
Ibero Cruzeiros Ltda. (c)	99.9%		Av. Paulista, 460, 9º - 10º andar, Bela Vista, São Paulo, SP 01310.100
Canada			
Westmark Hotels of Canada, Ltd. (c)	100.0%		2900-550 Burrad Street, Vancouver, British Columbia, V6C0A3
China			
Carnival Corporation & plc Asia (Hong Kong) Limited	100.0%		Unit 1207, The Gateway Tower 1, Harbour City, Kowloon, Hong Kong
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

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
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	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
Cunard Celtic Limited	100.0%		Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Global Shipping Service (Shanghai) Co., Ltd.	100.0%		Room 3601L, No. 9, Lane 360 Feihong Road, Hongkou District, Shanghai
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
Curacao			
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%		Schottegatweg Oost 44
Dominican Republic			
Operadora Catalina S.r.L. (c)	99.9%		Muelle Turistico Buena Vista Sur S/n La Romana
Finland			
Carnival Technical Services Finland Limited (c)	100%		Telakkakatu 1, 20240 Turku, FI-20240
France			
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
French Polynesia			
F.P.M. SAS (c)	100.0%		C/O Mamao Bureaux, 121 Avenue Georges Clemenceau, BP 43503 Fare Tony, Papeete
Germany			
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
India			
Carnival Support Services India Private Limited (c)	100.0%		Kohinoor City, Tower 2, Floor 5, Kirol Road, Off. LBS. Marg, Kurla West, Mumbai – 400070
Italy			
APVS S.r.L. (c)	12.0%		Fondamenta San Basilio, Fabbricato 16, 30123 Venezia VE

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
C.F.G. Cruise & Ferry Group S.r.l. (c)	40.0%		Piazza Conte Camillo Benso Di Cavour 12, 57123 Livorno LI
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
Stazioni Maritime 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
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
Japan			
Carnival Japan, Inc.	100.0%		Daiwa Ginza Bldg., 6F., 6-2-1 Ginza Chuo-Ku, Tokyo 104-0061
Carnival Technical Services, Inc.	100.0%		4-3-9, Nihonbashi Muromachi, Chuo-ku, Tokyo 103-0022
Korea			
Carnival Corporation Korea Ltd.	100.0%		33rd Floor, Center One Building West Tower, Euljiro 5-Gil 26, Joong-gu, Seoul, South Korea
Mexico			
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.	100.0%		Carretera a Chankannab Km 4.5 Interior Puerta Maya Cozumel, Quintana Roo
International Cruise Services, S.A. de C.V.	100.0%		Sudermann 159, 3d Floor, Suite 303-304, Col. Chapultepec Morales, Del. Miguel Hidalgo, 11570, Mexico City
International Maritime Recruitment Agency, S.A. de C.V.	100.0%		Sudermann 159, 3d Floor, Suite 303-304, Col. Chapultepec Morales, Del. Miguel Hidalgo, 11570, Mexico City
Monaco			
Prestige Cruises Management S.A.M. (c)	96.0%		Siège de la liquidation: 42 Boulevard d'Italie Monte-Carlo
Netherlands			
Costa International B.V. (c)	99.9%		Telestone 8 - Teleport, Naritaweg 165, 1043 BW, Amsterdam

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
Navitrans B.V.	100.0%		Otto Reuchlinweg 1110, 3072 MD, Rotterdam
Portugal			
Grand Cruise Shipping Unipessoal LdA	100.0%		Rua Dr. Brito Câmara nº20, 1º – 9000-039 Funchal, Madeira
Singapore			
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
Spain			
Barcelona Cruise Terminal SLU (c)	99.9%		Vial Moll Adossat, 122 Terminal D&E. Port de Barcelona 08039 Barcelona
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
Holding Division Iberocruceros SLU (c)	99.9%		Avda. De burgos, 89c edificio 3 planta 4°, Las Tablas, Ciudad Empresarial Adequa, 28050 Madrid
Iberocruceros SLU (c)	99.9%		Avda. De burgos, 89c edificio 3 planta 4°, Las Tablas, Ciudad Empresarial Adequa, 28050 Madrid
Switzerland			
Air-Sea Holiday GmbH (c)	99.9%		Dornacherplatz 7, 4500 Solothurn
Costa Kreuzfahrten GmbH (c)	99.9%		Stampfenbachstrasse 61, 8035 Zurich
United States			
A.J. Juneau Dock, LLC (c)	50.0%		Roberto M Berto, 1429 Tongass Ave, Ketchikan, Alaska 99901
Alaska Hotel Properties LLC (c)	100.0%		Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
Carnival Celebration, Inc. (c)	100.0%		c/o C T Corporation System, 1999 Bryan Street, Suite 900, Dallas, Texas 75201
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%		Sterling Industrial Park, Building 2, 74 S.W. 12th Avenue, Dania Beach, Florida 33004
Holland America Line Inc. (c)	100.0%		CT Corporation System, 711 Capitol Way S STE 204, Olympia, Washington 98501
Holland America Line U.S.A., Inc. (c)	100.0%		CT Corporation System, 711 Capitol Way S STE 204, Olympia, Washington 98501
Ketchikan Dock Company, LLC (c)	30.0%		PO Box 8080, 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

Companies (Countries of Incorporation)	Ownership Interest	UK Companies House Registration Number	Address of Companies' Registered Office
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.	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.
(d) Entity dissolved on January 8, 2019

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, 2018.

NOTE 14 – Unsecured Debt

	Group			
	November 30, 2018		November 30,	
(in millions)	Interest Rates	Maturities Through	2018	2017
Long-Term Debt				
Export Credit Facilities				
Fixed rate	5.0%	2019	$ 36	$ 72
EUR fixed rate	3.8% to 4.5%	2025	189	230
EUR floating rate	0.0% to 0.7%	2026	400	505
Bank Loans				
EUR fixed rate	0.5% to 3.9%	2021	257	655
EUR floating rate	0.3% to 0.7%	2023	852	118
GBP floating rate	1.7%	2023	449	—
Private Placement Notes				
EUR fixed rate	—	—	—	57
Short-Term Borrowings				
EUR fixed rate bank loans	(0.2)%	2019	227	—
EUR floating rate commercial paper	(0.2)%	2019	621	65
Total Debt			3,032	1,702
Less: Unamortized debt issuance costs			(9)	(11)
Total Debt, net of unamortized debt issuance costs			3,023	1,691
Less: short-term borrowings			(848)	(65)
Less: current portion of long-term debt			(168)	(424)
Long-Term Debt			$ 2,007	$ 1,202

	Company			
	November 30, 2018		November 30,	
(in millions)	**Interest Rates**	**Maturities Through**	**2018**	**2017**
Long-Term Debt				
Export Credit Facilities				
Fixed rate	5.0%	2019	$ 36	$ 72
EUR floating rate	0.0%	2025	309	398
Bank Loans				
EUR fixed rate	0.5% to 3.9%	2021	257	655
EUR floating rate	0.3%	2023	341	118
GBP floating rate	1.7%	2023	449	—
Private Placement Notes				
EUR fixed rate	—	—	—	57
Short-Term Borrowings				
EUR floating rate commercial paper	(0.2)%	2019	621	65
Total Debt			2,013	1,365
Less: Unamortized debt issuance costs			(8)	(11)
Total Debt, net of unamortized debt issuance costs			2,005	1,354
Less: short-term borrowings			(621)	(65)
Less: current portion of long-term debt			(126)	(378)
Long-Term Debt			$ 1,258	$ 911

The debt table does not include the impact of our foreign currency and interest rate swaps. The interest rates on some of our debt, and in the case of our main revolving credit facility, fluctuate based on the applicable rating of senior unsecured long-term securities of Carnival Corporation or Carnival plc. For the twelve months ended November 30, 2018, we had no borrowings and 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, including our main revolving credit facility, contain one or more financial covenants that require us to:

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

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

The scheduled annual maturities of our debt were as follows:

(in millions)	Group	Company
Fiscal	**November 30, 2018**	
2019	$ 1,016	$ 747
2020	291	249
2021	121	79
2022	92	50
2023	1,393	840
Thereafter	120	48
	$ 3,032	$ 2,013

(in millions)	Group	Company
Fiscal	**November 30, 2017**	
2018	$ 489	$ 443
2019	351	308
2020	303	260
2021	244	200
2022	95	52
Thereafter	220	102
	$ 1,702	$ 1,365

Committed Ship Financings

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

Revolving Credit Facilities

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

Reconciliation of Liabilities Arising from Financing Activities

	Group				
(in millions)	November 30, 2017	Cash flows	Foreign exchange changes	Other movements	November 30, 2018
Long-Term Debt					
Export Credit Facilities					
Fixed rate	$ 72	$ (36)	$ —	$ —	$ 36
EUR fixed rate	230	(34)	(7)	—	189
EUR floating rate	505	(87)	(17)	—	400
Bank Loans					
EUR fixed rate	655	(33)	(25)	(341) (a)	257
EUR floating rate	118	389	4	341 (a)	852
GBP floating rate	—	469	(20)	—	449
Private Placement Notes					
EUR fixed rate	57	(56)	(2)	—	—
Short-Term Borrowings					
EUR floating rate bank loans	—	244	(16)	—	227
EUR floating rate commercial paper	65	593	(38)	—	621
Total Debt	$ 1,702	$ 1,449	$ (121)	$ —	$ 3,032

	Company				
(in millions)	November 30, 2017	Cash flows	Foreign exchange changes	Other movements	November 30, 2018
Long-Term Debt					
Export Credit Facilities					
Fixed rate	$ 72	$ (36)	$ —	$ —	$ 36
EUR floating rate	398	(75)	(13)	—	309
Bank Loans					
EUR fixed rate	655	(32)	(24)	(341) (a)	257
EUR floating rate	118	(122)	3	341 (a)	341
GBP floating rate	—	469	(20)	—	449
Private Placement Notes					
EUR fixed rate	57	(56)	(2)	—	—
Short-Term Borrowings					
EUR floating rate commercial paper	65	593	(38)	—	621
Total Debt	$ 1,365	$ 741	$ (93)	$ —	$ 2,013

(a) In 2018, we amended two euro-denominated bank loans from fixed rate to floating rate.

NOTE 15 – Other Long-Term Liabilities

	Group		Company	
	November 30,			
(in millions)	2018	2017	2018	2017
Customer deposits	$ 85	$ 63	$ 64	$ 52
Claims reserve	66	63	16	15
Income taxes	24	23	—	—
Deferred income	16	24	2	—
Deferred income taxes	15	25	—	—
Post-employment benefits	22	35	—	10
Ship deposits from CSSC-Carnival	107	—	107	—
Other	28	30	19	21
	$ 361	$ 263	$ 209	$ 98

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

(in millions)	Number of Shares	Share Capital
At November 30, 2016	216.4	$ 358
Ordinary shares issued and fully paid	0.4	—
At November 30, 2017	216.8	358
Ordinary shares issued and fully paid	0.3	—
At November 30, 2018	217.1	$ 358

There were no share options exercised during 2018 or 2017. During 2018, the Company issued 0.1 million ordinary shares (0.3 million ordinary shares in 2017) to the Carnival plc Employee Benefit Trust from treasury stock. There were 22.6 million shares held as treasury stock at November 30, 2018 (6.2 million shares held as treasury stock at November 30, 2017).

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, 2018 and 2017, 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, 2018, the Carnival plc Employee Benefit Trust held 0.2 million ordinary shares of Carnival plc (0.5 million at November 30, 2017) with an aggregate par value of $0.4 million at November 30, 2018 ($0.8 million at November 30, 2017). At November 30, 2018, the market value of these shares was $14 million ($33 million at November 30, 2017). If they had been sold at this market value there would have been no tax liability in either 2018 or 2017 on the gain arising from the sale.

The income attributable to shareholders of the Company was $1.7 billion in 2018 ($0.3 billion in 2017). The 2018 income included $1.4 billion ($0.8 billion in 2017) of dividends from subsidiaries. Retained earnings consisted of $6.4 billion ($5.1 billion in 2017) of distributable reserves and $1.7 billion of nondistributable reserves at November 30, 2018 and 2017.

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 April 10 and August 27, 2018, the company approved modifications of the general authorization under the Repurchase Program, which replenished the remaining authorized repurchases at the time of the approvals to $1.0 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time.

Our repurchases under the Repurchase Program were as follows:

	Carnival Corporation		Carnival plc	
(in millions)	**Number of Shares Repurchased**	**Dollar Amount Paid for Shares Repurchased**	**Number of Shares Repurchased**	**Dollar Amount Paid for Shares Repurchased**
2018	7.8	$ 476	16.3	$ 985
2017	3.3	$ 223	5.6	$ 335

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 are classified as other reserves with the payment obligation recognized in accrued liabilities and other. Subsequent to November 30, 2018, $61 million was repurchased under this agreement. On November 20, 2017, Carnival plc entered into an agreement to purchase a maximum of $200 million of its own shares during the closed period, which ended December 20, 2017, as part of the Repurchase Program. From November 20, 2017 to November 30, 2017, $30 million of purchases were made and accordingly, as of November 30, 2017, $170 million related to these repurchases are classified as other reserves with the payment obligation recognized in accrued liabilities and other.

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

During 2018 and 2017, there were no sales or repurchases under the Stock Swap Programs.

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

	Quarters Ended			
(in millions, except per share data)	**February 28**	**May 31**	**August 31**	**November 30**
2018				
Dividends declared per share	$ 0.45	$ 0.50	$ 0.50	$ 0.50
Dividends declared	$ 93	$ 104	$ 100	$ 99
2017				
Dividends declared per share	$ 0.35	$ 0.40	$ 0.40	$ 0.45
Dividends declared	$ 75	$ 85	$ 86	$ 95

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 the Bank of England in London at 12:00 p.m. on the next combined U.S. and UK business day that follows the quarter end.

At November 30, 2018 there were 7.4 million ordinary shares of Carnival plc (8.3 million at November 30, 2017) authorised 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 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, 2015, it was determined that this plan was 90% 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, 2017, it was determined that this plan was 84% 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,	
(in millions)	**2018**	**2017**
Employee benefit plans' assets (deficits)	$ 11	$ (10)
Other post-employment benefits	(22)	(25)
	$ (11)	$ (35)

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 (%)		**MNOPF New Section (%)**		**MNRPF (%)**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Discount rates	3.0	2.6	2.9	2.5	2.9	2.5
Expected rates of salary increases	3.4	3.2	n/a	n/a	n/a	n/a
Pension increases						
Deferment	2.4	2.2	2.4	2.2	2.4	2.2
Payment	3.1	3.0	3.1	3.0	3.1	3.0
Inflation	3.4	3.2	3.4	3.2	3.4	3.2

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, 2018	November 30, 2017
Male	21.9	22.8
Female	24.2	25.5

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

	November 30, 2018	November 30, 2017
Male	23.7	25.4
Female	26.0	28.2

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

(in millions)	November 30, 2018	November 30, 2017
Present value of obligations	$ (538)	$ (624)
Fair value of plans’ assets	587	638
Net assets before restriction on assets	48	14
Restriction on assets	(37)	(24)
Net assets (liabilities) recognized in Balance Sheets	$ 11	$ (9)

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

(in millions)	November 30, 2018	November 30, 2017
Service cost	$ 4	$ —
Interest cost on defined benefit obligation	15	16
Interest income on plans’ assets	(16)	(16)
Interest income not recognized due to asset ceiling	1	1
Net interest on defined benefit liability	—	1
Administrative expenses	1	1
Cost recognized in Statements of Income	$ 5	$ 2

Our estimated contributions to be paid into these plans during 2019 are $2 million for the Company’s UK Plan and $3 million for the MNRPF in 2019.

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

(in millions)	November 30, 2018	November 30, 2017
Net liabilities at December 1,	$ (9)	$ (29)
Expenses (see above)	(5)	(2)
Amounts recognized in the Group Statements of Comprehensive Income	14	22
Employer contributions	12	2
Exchange movements	(1)	(2)
Net assets (liabilities) at November 30,	$ 11	$ (9)

The cumulative actuarial losses recognized in the Group or Company Statements of Shareholders’ Equity at November 30, 2018 for these plans were $42 million ($57 million at November 30, 2017).

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

(in millions)	November 30, 2018	2017
Present value of obligations at December 1,	$ (624)	$ (562)
Past service cost	(4)	—
Interest cost	(15)	(16)
Benefits paid	37	18
Actuarial losses on plans' liabilities	52	—
Loss due to change in share of MNOPF	(6)	(21)
Exchange movements	22	(43)
Present value of obligations at November 30,	$ (538)	$ (624)

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

- 0.5% reduction in the discount results in an increase of $52 million
- 0.5% increase in inflation rate results in an increase of $39 million
- 1 year increase in life expectancy would result in an increase of $24 million

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

(in millions)	November 30, 2018	2017
Fair value of plans' assets at December 1,	$ 638	$ 554
Interest income on plans' assets	16	16
Return on plans' assets greater than discount rate	(23)	21
Employer contributions	12	2
Benefits paid	(37)	(18)
Administrative expenses	(1)	(1)
Gain due to change in share of MNOPF	6	23
Exchange movements	(24)	41
Fair value of plans' assets at November 30,	$ 587	$ 638

The actual (losses) gains on these plans' assets in 2018 were ($7) million ($37 million in 2017).

These plans' assets were comprised as follows:

(in millions, except percentages)	November 30, 2018		2017	
Equities	$ 222	38%	$ 265	42%
Fixed interest gilts	138	24%	116	18%
Liability matching investments	227	39%	257	40%
	$ 587	100%	$ 638	100%
Restriction on assets (a)	(37)		(24)	
	$ 549		$ 614	

(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 2018, the Group expensed $13 million ($12 million in 2017) 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,	
	2018	2017
Shore employees	6,849	6,695
Shipboard employees	33,244	32,469
	40,093	39,164

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

	Years Ended November 30,	
(in millions)	2018	2017
Salaries, wages and benefits	$ 1,157	$ 1,085
Social security and payroll taxes	70	62
Pensions	20	15
Share-based compensation	12	12
	$ 1,260	$ 1,174

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:

	Years Ended November 30,	
(in millions)	2018	2017
Fees	$ 1	$ 1
Salaries and benefits	7	7
Performance related bonuses	11	9
Total short-term employment benefits	18	17
Share-based compensation	17	16
	$ 35	$ 33

Equity Plans

We issue our share-based compensation awards, which at November 30, 2018 included time-based share awards (restricted stock awards and restricted stock units), performance-based share awards and market-based share awards (collectively "equity awards") under the Carnival 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 6.9 million shares available for future grant at November 30, 2018. We fulfill our equity award obligations using shares purchased in the open market or with unissued shares or treasury shares. Our equity awards generally vest over a three-year period, subject to earlier vesting under certain conditions.

The Group granted 190,164 equity awards at a weighted-average price of £45.59 in 2018 (219,546 equity awards at a weighted-average price of £42.19 in 2017).

NOTE 20 – Related Party Transactions

Transactions with Carnival Corporation and its Subsidiaries

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.

During 2018, Holland America Line and Princess Cruises purchased land tours from us totalling $119 million ($148 million in 2017) and packaged these land tours for sale with their cruises. In addition, during 2018 and 2017, the Group sold pre- and post-cruise vacations, shore excursions and transportation services to the Carnival Corporation group.

During 2018 and 2017, 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 2018 was $685 million ($698 million in 2017), which was included in other ship operating expenses.

During 2018, 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, 2018, amounts owed by the Group and Company to the Carnival Corporation group were unsecured and repayable on demand.

At November 30, 2018 and 2017, Carnival Corporation owned 1.0 million and 1.1 million, or 0.4% and 0.5%, respectively, of the Company's ordinary shares, which are non-voting. At November 30, 2018 and 2017, 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.

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 2018, the Company received total dividends of $1.4 billion ($0.8 billion in 2017) 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, 2018	November 30, 2019	2020	2021	2022	2023	Thereafter	Total
New ship growth capital	$ 3,036	$ 1,965	$ 2,087	$ 1,689	$ 978	$ —	$ 9,755
Port facilities and other operating leases	708	42	47	45	43	374	1,259
	$ 3,744	$ 2,007	$ 2,134	$ 1,734	$ 1,022	$ 374	$ 11,014

(in millions) November 30, 2017	November 30, 2018	2019	2020	2021	2022	Thereafter	Total
New ship growth capital	$ 1,429	$ 2,114	$ 1,852	$ 2,004	$ 673	$ —	$ 8,072
Port facilities and other operating leases	631	35	39	38	39	387	1,169
	$ 2,060	$ 2,149	$ 1,891	$ 2,042	$ 712	$ 387	$ 9,241

Operating lease expense was $715 million for November 30, 2018 ($730 million for November 30, 2017) and substantially all related to ships under charter. Operating lease payments are charged to operating expense on a straight-line basis over the lease term.

Company

At November 30, 2018, the Company had $3.0 billion ($2.0 billion in 2017) 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 realized in a current or future market exchange.

The fair value of cross guarantees within the DLC arrangement were not significant at November 30, 2018 or 2017, and are not expected to result in any material loss.

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

Group

	November 30, 2018				November 30, 2017			
		Fair Value				Fair Value		
(in millions)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets								
Long-term other assets (a)	$ 63	$ —	$ —	$ 62	$ 39	$ —	$ —	$ 38
Total	$ 63	$ —	$ —	$ 62	$ 39	$ —	$ —	$ 38
Liabilities								
Fixed rate debt (b)	$ 710	$ —	$ 737	$ —	$ 1,014	$ —	$ 1,065	$ —
Floating rate debt (b)	2,322	—	2,338	—	688	—	695	—
Total	$ 3,032	$ —	$ 3,075	$ —	$ 1,702	$ —	$ 1,760	$ —

Company

	November 30, 2018				November 30, 2017			
		Fair Value				Fair Value		
(in millions)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets								
Long-term other assets (a)	$ 35	$ —	$ —	$ 34	$ 39	$ —	$ —	$ 38
Total	$ 35	$ —	$ —	$ 34	$ 39	$ —	$ —	$ 38
Liabilities								
Fixed rate debt (b)	$ 293	$ —	$ 300	$ —	$ 784	$ —	$ 804	$ —
Floating rate debt (b)	1,720	—	1,728	—	581	—	585	—
Total	$ 2,013	$ —	$ 2,027	$ —	$ 1,365	$ —	$ 1,389	$ —

(a) Long-term other assets is comprised of notes receivable. 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 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

(in millions)	November 30, 2018 Level 1	November 30, 2018 Level 2	November 30, 2018 Level 3	November 30, 2017 Level 1	November 30, 2017 Level 2	November 30, 2017 Level 3
Assets						
Cash and cash equivalents	$ 368	$ —	$ —	$ 265	$ —	$ —
Marketable securities held in trust (a)	—	—	—	1	—	—
Total	$ 368	$ —	$ —	$ 266	$ —	$ —
Liabilities						
Derivative financial instruments	$ —	$ 14	$ —	$ —	$ 19	$ —
Total	$ —	$ 14	$ —	$ —	$ 19	$ —

Company

(in millions)	November 30, 2018 Level 1	November 30, 2018 Level 2	November 30, 2018 Level 3	November 30, 2017 Level 1	November 30, 2017 Level 2	November 30, 2017 Level 3
Assets						
Cash and cash equivalents	$ 267	$ —	$ —	$ 155	$ —	$ —
Total	$ 267	$ —	$ —	$ 155	$ —	$ —
Liabilities						
Derivative financial instruments	$ —	$ 14	$ —	$ —	$ 19	$ —
Total	$ —	$ 14	$ —	$ —	$ 19	$ —

(a) Marketable securities held in trusts are restricted to funding certain deferred compensation and non-qualified U.S. pension plans.

Derivative Instruments and Hedging Activities

Group and Company

(in millions)	Balance Sheet Location	November 30, 2018	November 30, 2017
Derivative liabilities			
Derivatives designated as hedging instruments			
Interest rate swaps (a)	Accrued liabilities and other	$ 5	$ 6
	Other long-term liabilities	9	13
Total derivative liabilities		$ 14	$ 19

(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 $298 million at November 30, 2018 ($363 million at November 30, 2017) of EURIBOR-based floating rate euro debt to fixed rate euro debt. At November 30, 2018, these interest rate swaps settle through March 2025.

Our derivative contracts include rights of offset with our counterparties.

	November 30, 2018				
(in millions)	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

	November 30, 2017				
(in millions)	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	$ 19	$ —	$ 19	$ —	$ 19

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 realised 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, 2018 guidance, Carnival Corporation & plc estimate its adjusted diluted earnings per share would change by $0.27 per share on an annualized basis for 2019.

Investment Currency Risk

Carnival Corporation & plc considers its investments in foreign operations to be denominated in stable currencies. Carnival Corporation & plc's investments in foreign operations are of a long-term nature. Carnival Corporation & plc has $5.9 billion and $848 million of euro- and sterling-denominated debt, respectively, including the effect of cross currency swaps, which provides an economic offset for its operations with euro and sterling functional currency. Carnival Corporation & plc also partially mitigates its net investment currency exposures by denominating a portion of its foreign currency intercompany payables in its foreign operations' functional currencies.

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

	November 30, 2018	2018 average exchange rate	November 30, 2017	2017 average exchange rate
USD to 1:				
AUD	$ 0.73	$ 0.75	$ 0.76	$ 0.77
CAD	$ 0.75	$ 0.78	$ 0.78	$ 0.77
EUR	$ 1.14	$ 1.18	$ 1.18	$ 1.12
GBP	$ 1.28	$ 1.34	$ 1.33	$ 1.28
RMB	$ 0.14	$ 0.15	$ 0.15	$ 0.15

If the November 30, 2017 currency exchange rates had been used to translate our November 30, 2018 non-U.S. dollar functional currency operations' assets and liabilities (instead of the November 30, 2018 U.S. dollar exchange rates), our total assets would have been higher by $589 million and our total liabilities would have been higher by $313 million.

In addition, based on a 10% change in the U.S. dollar to euro, sterling and Australian dollar exchange rates at November 30, 2018, which are the functional currencies we translate into our U.S. dollar reporting currency, we estimate our 2018 cumulative translation adjustment would have changed by $371 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, 2018, 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 $10.1 billion for newbuilds scheduled to be delivered from 2019 through 2025.

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

Interest Rate 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,	
	2018	**2017**
Fixed rate	29%	28%
EUR fixed rate	29%	38%
Floating rate	6%	10%
EUR floating rate	28%	20%
GBP floating rate	8%	4%

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

Group

(in millions)	**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)
	$ (325)	$ (61)	$ (61)	$ (61)	$ (1,363)	$ (82)	$ (1,954)
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)
	$ (323)	$ (230)	$ (59)	$ (30)	$ (30)	$ (38)	$ (710)

Company

(in millions)	**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 loan	—	—	—	—	(449)	—	(449)
	$ (415)	$ (50)	$ (50)	$ (50)	$ (840)	$ (48)	$ (1,453)
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)
	$ (65)	$ (199)	$ (29)	$ —	$ —	$ —	$ (293)

The interest rate and maturities profiles of financial assets and (liabilities) at November 30, 2017 were as follows:

Group

(in millions)	2018	2019	2020	2021	2022	There-after	Total
Floating rate							
Cash and cash equivalents	$ 265	$ —	$ —	$ —	$ —	$ —	$ 265
EUR export credit facilities	(89)	(76)	(64)	(64)	(64)	(148)	(505)
EUR bank loans	—	—	—	(118)	—	—	(118)
EUR commercial paper	(65)	—	—	—	—	—	(65)
	$ 111	$ (76)	$ (64)	$ (182)	$ (64)	$ (148)	$ (423)
Fixed rate							
Bearing interest at 0.0% to 0.9%	$ (179)	$ (177)	$ (177)	$ —	$ —	$ —	$ (533)
Bearing interest at 3.0% to 3.9%	(47)	(46)	(46)	(46)	(15)	(40)	(240)
Bearing interest at 4.0% to 5.9%	(52)	(52)	(16)	(16)	(16)	(32)	(184)
Bearing interest at 6.0% to 7.9%	(57)	—	—	—	—	—	(57)
	$ (335)	$ (275)	$ (239)	$ (62)	$ (31)	$ (72)	$ (1,014)

Company

(in millions)	2018	2019	2020	2021	2022	There-after	Total
Floating rate							
Cash and cash equivalents	$ 155	$ —	$ —	$ —	$ —	$ —	$ 155
EUR export credit facilities	(75)	(65)	(52)	(52)	(52)	(102)	(398)
EUR bank loan	—	—	—	(118)	—	—	(118)
EUR commercial paper	(65)	—	—	—	—	—	(65)
	$ 15	$ (65)	$ (52)	$ (170)	$ (52)	$ (102)	$ (426)
Fixed rate							
Bearing interest at 0.0% to 0.9%	$ (179)	$ (177)	$ (177)	$ —	$ —	$ —	$ (533)
Bearing interest at 3.0% to 3.9%	(31)	(30)	(31)	(30)	—	—	(122)
Bearing interest at 4.0% to 5.9%	(36)	(36)	—	—	—	—	(72)
Bearing interest at 6.0% to 7.9%	(57)	—	—	—	—	—	(57)
	$ (303)	$ (243)	$ (208)	$ (30)	$ —	$ —	$ (784)

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, 2018 market interest rates, its annual interest expense on floating rate debt would change by an insignificant amount. Substantially all of Carnival Corporation & plc's fixed rate debt can only be called or prepaid by incurring 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, committed financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, by:

- Conducting business with large, well-established financial institutions, insurance companies and export credit agencies

- Diversifying our counterparties
- Having guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and 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, 2018, 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 these trade receivables, charter-hire agreements and contingent obligations are not considered to be material, principally due to the large number of unrelated accounts, the nature of these contingent obligations and their short maturities. We have not experienced significant credit losses on our trade receivables, charter-hire agreements and contingent obligations. We do not normally require collateral or other security to support normal credit sales.

Capital Management

The consolidated Carnival Corporation & plc group's primary financial goals are to profitably grow its cruise business and increase its ROIC, reaching double digit returns, while maintaining a strong balance sheet and strong 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 investments. Carnival Corporation & plc is committed to returning free cash flow to its shareholders in the form of dividends and/or share repurchases. As Carnival Corporation & plc continues to profitably grow its cruise business, it plans to increase its debt level, in a manner consistent with maintaining its strong credit metrics and strong investment grade credit ratings. This will allow Carnival Corporation & plc to return both free cash flow and incremental debt proceeds to its shareholders in the form of dividends and/or share repurchases. Other objectives of its capital structure policy are to maintain a sufficient level of liquidity with its available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile.

At November 30, 2018, the net debt to capital ratio for Carnival Corporation & plc, applying U.S. GAAP and prepared on the same basis as above, was 28% (27% at November 30, 2017).

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

	November 30,	
(in millions)	**2018**	**2017**
Total debt	$ 3,023	$ 1,691
Cash equivalents	(245)	(124)
Net debt	2,778	1,567
Shareholders' equity	8,537	8,844
Total capital	$ 11,315	$ 10,411
Net debt to capital ratio	25%	15%

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, 2018, the consolidated Carnival Corporation & plc had liquidity of $14.6 billion. Carnival Corporation & plc's liquidity consisted of $710 million of cash and cash equivalents, which excludes $271 million of cash used for current operations, $2.3 billion available for borrowing under its revolving credit facilities, net of its outstanding commercial paper borrowing, and $11.5 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.

(in billions)	2019	2020	2021	2022
Availability of committed future financing at November 30, 2018	$ 3.4	$ 2.9	$ 2.8	$ 2.4

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

The summary of the maturity profiles of the financial liabilities at November 30, 2018 and 2017 was as follows:

Group

(in millions)	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	$ 2,375	$ 345	$ 170	$ 142	$1,425	$ 167	$ 4,624

(in millions)	2018	2019	2020	2021	2022	There-after	Total
November 30, 2017							
Floating rate debt	$ 154	$ 78	$ 68	$ 186	$ 66	$ 153	$ 705
Fixed rate debt	358	290	249	68	36	75	1,076
Undiscounted cash flow obligations of debt, including future interest	512	368	317	254	102	228	1,781
Amounts owed to Carnival Corporation group	1,560	—	—	—	—	—	1,560
Trade payables, accrued liabilities and other	1,159	—	—	—	—	—	1,159
Other liabilities	—	26	24	22	20	52	144
At November 30, 2017	$ 3,231	$ 394	$ 341	$ 276	$ 122	$ 280	$ 4,644

Company

(in millions)	2019	2020	2021	2022	2023	There-after	Total
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	$ 1,585	$ 267	$ 96	$ 68	$ 848	$ 54	$ 2,918

(in millions)	2018	2019	2020	2021	2022	There-after	Total
November 30, 2017							
Floating rate debt	$ 141	$ 65	$ 55	$ 173	$ 54	$ 104	$ 592
Fixed rate debt	316	251	211	31	—	—	809
Undiscounted cash flow obligations of debt, including future interest	457	316	266	204	54	104	1,401
Amounts owed to Carnival Corporation group	1,615	—	—	—	—	—	1,615
Trade payables, accrued liabilities and other	584	—	—	—	—	—	584
Other liabilities	—	5	4	4	4	17	34
At November 30, 2017	$ 2,656	$ 321	$ 270	$ 208	$ 58	$ 121	$ 3,634

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

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 2018 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 2018; 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 2018, 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

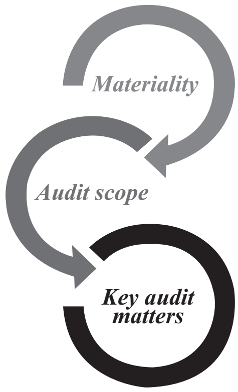
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 2017 to 30 November 2018.

Our audit approach

Overview



- Overall Group materiality: $56 million (2017: $59 million), based on approximately 5% of net income before income taxes, adjusted for any goodwill and ship impairment charges in the year.
- Overall Company materiality: $53 million (2017: $56 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 two 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.
- Impairment review of AIDA, Costa and Cunard goodwill and the carrying value of certain ships.

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. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that 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. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, pensions legislation, UK and international tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, 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. 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.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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***
Risks of fraud in relation to revenue recognition (see note 2 to the financial statements for the Directors' disclosures of the related accounting policies) 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.	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. 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. 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. 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. 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. In our testing we did not identify any material misstatements.
Impairment review of AIDA, Costa and Cunard goodwill and the carrying value of certain 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 certain 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 2018, AIDA, Costa and Cunard have goodwill carrying values of $131 million, $323 million and $141 million respectively. AIDA's, Costa's and Cunard's goodwill valuations are dependent on maintaining or improving net revenue yields	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 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 prices), 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.

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. The performance of certain ships led the Directors to evaluate the carrying value of these ships. The ship valuations are either dependent on continuing net revenue yield growth and operational improvements, where the ship is expected to remain in use, or for those that are 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 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 to previous forecasts. 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. Based on our testing, 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, two operating units were in scope for specific audit procedures, being Carnival plc Princess Ship Charters and Holland America Princess Alaska Tours. 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, respectively. 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 the 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:

	Group financial statements	***Company financial statements***
Overall materiality	\$56 million (2017: \$59 million).	\$53 million (2017: \$56 million).
How we determined it	Approximately 5% of net income before income taxes, adjusted for any goodwill and ship impairment charges in the year.	1% of total assets.
Rationale for benchmark applied	We believe that net income before income taxes, adjusted for any goodwill and ship impairment charges, to the extent that they are significant, is the primary measure used by shareholders and other users of the financial statements in assessing the performance of the Group, and that by excluding items (such as goodwill and ship impairment charges, to the extent that they are significant), it provides a clearer view on the performance of the underlying business.	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 \$27 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) (2017: $3 million) and $5 million (Company audit) (2017: $3 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:

Reporting obligation	***Outcome***
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.
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 and Directors' Report, 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).

Strategic Report and Directors' Report

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

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)*

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 48 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 54 and 55 of the Strategic Report of the Annual 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.

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)*

Other Code Provisions We have nothing to report in respect of our responsibility to report when: • The statement given by the Directors, on page A-10 in 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 pages C4-C6 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.
Directors' Remuneration In our opinion, the part of the Directors' Remuneration Report in, Annex B of the Proxy Statement dated 28 January 2019, to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

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 pages A-9 and A-10 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 16 years, covering the years ended 30 November 2003 to 30 November 2018.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 January 2019

CARNIVAL
CORPORATION & PLC

2018 ANNUAL REPORT

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CARNIVAL CORPORATION & PLC
2018 ANNUAL REPORT

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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 half of global cruise guests, and a leading provider of vacations to all major cruise destinations throughout the world. With operations in North America, Australia, Europe and Asia, its portfolio features Carnival Cruise Line, Princess Cruises, Holland America Line, Seabourn, P&O Cruises (Australia), Costa Cruises, AIDA Cruises, P&O Cruises (UK) and Cunard.

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

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

HIGHLIGHTS

	November 30,				
	2018	**2017**	**2016**	**2015**	**2014**
(in millions, except per share amounts and statistical data)					
Revenues	**$ 18,881**	$ 17,510	$ 16,389	$ 15,714	$ 15,884
Net Income	**$ 3,152**	$ 2,606	$ 2,779	$ 1,757	$ 1,216
Adjusted Net Income [(a)]	**$ 3,029**	$ 2,770	$ 2,580	$ 2,106	$ 1,504
Earnings Per Share - Diluted	**$ 4.44**	$ 3.59	$ 3.72	$ 2.26	$ 1.56
Adjusted Earnings Per Share - Diluted [(a)]	**$ 4.26**	$ 3.82	$ 3.45	$ 2.70	$ 1.93
Statistical Data					
Passengers Carried (in thousands)	**12,400**	12,100	11,500	10,800	10,600
Passenger Capacity [(b)]	**237,000**	232,000	226,000	216,000	212,000
Number of Ships	**104**	103	102	99	100

(a) For a reconciliation to U.S. GAAP, see "Selected Financial Data."

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

CHIEF EXECUTIVE OFFICER'S LETTER TO SHAREHOLDERS

Dear Shareholders,

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

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

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

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

Creating Demand in Excess of Measured Capacity Growth

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CARNIVAL
CORPORATION & PLC

SHAREHOLDER BENEFIT

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

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

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

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

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

NORTH AMERICA BRANDS

CARNIVAL CRUISE LINE*

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

PRINCESS CRUISES*

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

HOLLAND AMERICA LINE

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

SEABOURN

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

CUNARD*

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

COSTA CRUISES*

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

CONTINENTAL EUROPE BRANDS

COSTA CRUISES*

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

AIDA CRUISES

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

UNITED KINGDOM BRANDS

P & O CRUISES (UK)

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

CUNARD*

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

PRINCESS CRUISES (UK)*

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

AUSTRALIA BRANDS

P & O CRUISES (AUSTRALIA)
PRINCESS CRUISES*
CARNIVAL CRUISE LINE*

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

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

Annex 1
DLC Annual Report

CARNIVAL CORPORATION & PLC
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

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

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

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

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

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

Annex 1
DLC Annual Report

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

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

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

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

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

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

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

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

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

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

CARNIVAL CORPORATION & PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – General

Description of Business

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

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

DLC Arrangement

Carnival Corporation and Carnival plc operate a dual listed company ("DLC") arrangement, whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and provisions in Carnival Corporation's Articles of Incorporation and By-Laws and Carnival plc's Articles of Association. The two companies operate as a single economic enterprise with a single senior executive management team and identical Boards of Directors, but each has retained its separate legal identity. Each company's shares are publicly traded; on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange ("LSE") for Carnival plc. The Carnival plc American 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 gift shop merchandise, which are all carried at the lower of cost or net realizable value. Cost is determined using the weighted-average or first-in, first-out methods.

Property and Equipment

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

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

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

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

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

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

Goodwill and Other Intangibles

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

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

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

Derivatives and Other Financial Instruments

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

All derivatives are recorded at fair value. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income ("AOCI") until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a non-derivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged until the investment is sold or substantially liquidated. Any ineffective portion is immediately recognized in earnings. For derivatives that do not qualify for hedge accounting treatment, the change in fair value is recognized in earnings.

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

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

Foreign Currency Translation and Transactions

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

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

Revenue and Expense Recognition

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

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

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

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

Insurance

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

Selling and Administrative Expenses

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

Share-Based Compensation

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

Earnings Per Share

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

Accounting Pronouncements

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

The FASB issued guidance, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. When effective, this standard will replace most existing revenue recognition guidance in U.S. GAAP. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in U.S. GAAP. This guidance is required to be adopted by us in the first quarter of 2019. We have elected the modified retrospective adoption method which requires entities to apply the new revenue standard only to the current period consolidated financial statements and record a cumulative-effect adjustment to the December 1, 2018 opening balance of retained earnings, if any. We have completed our preliminary evaluation of changes to our revenues using the five step model supported by the new revenue standard. The impact of the adoption of ASC 606 on our consolidated financial statements relates to the gross presentation of prepaid travel agent commissions, shore excursions and other onboard revenues and costs which were historically presented net. The adoption of this guidance will not have a material impact to the timing of our recognition of revenues and will require additional disclosures.

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

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

The FASB issued amended guidance, *Statement of Cash Flows - Restricted Cash*, which requires restricted cash to be presented with cash and cash equivalents in the statement of cash flows. This guidance is required to be adopted by us in the first quarter of 2019 and must be applied using a retrospective approach to each period presented. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

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

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

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

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

NOTE 3 – Property and Equipment

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

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

Sales of Ships

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

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

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

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

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

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

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

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

NOTE 4 – Other Assets

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

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

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

NOTE 5 – Unsecured Debt

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

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

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

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

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

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

The scheduled annual maturities of our debt were as follows:

(in millions) **Fiscal**	**November 30, 2018**
2019	$ 2,426
2020	2,143
2021	1,101
2022	1,081
2023	1,776
Thereafter	1,868
	$ 10,394

Committed Ship Financings

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

Revolving Credit Facilities

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

NOTE 6 – Commitments

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

NOTE 7 – Contingencies

Litigation

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

Contingent Obligations – Indemnifications

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

NOTE 8 – Taxation

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

U.S. Income Tax

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

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

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

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

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

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

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

UK and Australian Income Tax

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

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

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

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

Italian and German Income Tax

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

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

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

Asian Countries Income Taxes

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

Other

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

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

NOTE 9 – Shareholders' Equity

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurements

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

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

Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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

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

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

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

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

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

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

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

Valuation of Goodwill and Trademarks

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

During 2017, we made a decision to strategically realign our business in Australia, which includes reducing capacity in P&O Cruises (Australia). We performed discounted cash flow analyses and determined that the estimated fair values of the P&O Cruises (Australia) reporting unit and its trademark no longer exceeded their carrying values. We recognized a goodwill impairment charge of $38 million and a trademark impairment charge of $50 million for the year ended November 30, 2017.

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

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

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

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

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

Impairments of Ships

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

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

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

Derivative Instruments and Hedging Activities

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

(a) At November 30, 2018 and 2017, we had cross currency swaps totaling $156 million and $324 million, respectively, that are designated as hedges of our net investments in foreign operations with a euro-denominated functional currency. At November 30, 2018, this cross currency swap settles through September 2019.

(b) At November 30, 2017, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments.

(c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed $385 million at November 30, 2018 and $479 million at November 30, 2017 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At November 30, 2018, these interest rate swaps settle through March 2025.

(d) At November 30, 2017, we had fuel derivatives consisting of zero cost collars on Brent crude oil ("Brent") to cover a portion of our estimated fuel consumption through 2018.

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

	November 30, 2018				
(in millions)	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	$ —	$ —	$ —	$ —	$ —
Liabilities	$ 29	$ —	$ 29	$ —	$ 29

	November 30, 2017				
(in millions)	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	$ 15	$ —	$ 15	$ (8)	$ 7
Liabilities	$ 161	$ —	$ 161	$ (8)	$ 153

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

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

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

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

Financial Risk

Fuel Price Risks

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

	November 30,		
(in millions)	2018	2017	2016
Unrealized gains on fuel derivatives, net	$ 94	$ 227	$ 236
Realized losses on fuel derivatives, net	(35)	(192)	(283)
Gains (losses) on fuel derivatives, net	$ 59	$ 35	$ (47)

Foreign Currency Exchange Rate Risks

Overall Strategy

We manage our exposure to fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and non-derivative financial instruments. Our primary focus is to monitor our exposure to, and manage, the economic foreign currency exchange risks faced by our operations and realized if we exchange one currency for another. We currently only hedge certain of our ship commitments and net investments in foreign operations. The financial impacts of the hedging instruments we do employ generally offset the changes in the underlying exposures being hedged.

Operational Currency Risks

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

Investment Currency Risks

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

Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decision to hedge a non-functional currency ship commitment for our cruise brands is made on a case-by-case basis, considering the amount and duration of the exposure, market volatility, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts to manage foreign currency exchange rate risk for some of our ship construction payments. At November 30, 2018 we had no outstanding foreign currency derivative contracts used to manage shipyard payments.

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

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

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our debt portfolio management and investment strategies. We evaluate our debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps, issuance of new debt, amendment of existing debt or early retirement of existing debt.

Concentrations of Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. We seek to minimize these credit risk exposures, including counterparty nonperformance primarily associated with our cash equivalents, investments, committed financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, by:

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

We believe the risk of nonperformance by any of our significant counterparties is remote. At November 30, 2018, our exposures under foreign currency contracts and interest rate swap agreements were not material. We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe, which includes charter-hire agreements in Asia and credit and debit card providers to which we extend credit in the normal course of our business. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. Concentrations of credit risk associated with these trade receivables, charter-hire agreements and contingent obligations are not considered to be material, principally due to the large number of unrelated accounts, the nature of these contingent obligations and their short maturities. We have not experienced significant credit losses on our trade receivables, charter-hire agreements and contingent obligations. We do not normally require collateral or other security to support normal credit sales.

NOTE 11 – Segment Information

Beginning in the first quarter of 2018, we revised our operating segments due to changes in our internal reporting as a result of the recent strategic realignment of our business in Australia. The presentation of prior period segment information has been revised to reflect this change. Our operating segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker ("CODM"), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. The CODM assesses performance and makes decisions to allocate resources for Carnival Corporation & plc based upon review of the results across all of our segments. Our four reportable segments are comprised of (1) NAA cruise operations, (2) EA cruise operations, (3) Cruise Support and (4) Tour and Other.

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

(in millions)	Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)		Capital expenditures	Total assets
	As of and for the years ended November 30,							
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
	$ 18,881	$ 11,089	$ 2,450	$ 2,017	$ 3,325		$ 3,749	$ 42,401
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
	$ 17,510	$ 10,501	$ 2,265	$ 1,846	$ 2,809		$ 2,944	$ 40,778
2016								
NAA	$ 10,563	$ 5,961	$ 1,273	$ 1,117	$ 2,211		$ 2,114	$ 24,066
EA	5,464	3,203	638	538	1,086		622	12,844
Cruise Support	131	67	278	42	(256)		310	1,513
Tour and Other	231	152	8	41	30		16	458
	$ 16,389	$ 9,383	$ 2,197	$ 1,738	$ 3,071		$ 3,062	$ 38,881

(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:

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

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

NOTE 12 – Compensation Plans

Equity Plans

We issue our share-based compensation awards, which at November 30, 2018 included time-based share awards (restricted stock awards and restricted stock units), performance-based share awards and market-based share awards (collectively “equity awards”), under the Carnival Corporation and Carnival plc stock plans. Equity awards are principally granted to management level employees and members of our Boards of Directors. The plans are administered by the Compensation Committee which is made up of independent directors who determine which employees are eligible to participate, the monetary value or number of shares for which equity awards are to be granted and the amounts that may be exercised or sold within a specified term. We had an aggregate of 13.5 million shares available for future grant at November 30, 2018. We fulfill our equity award obligations using shares purchased in the open market or with unissued shares or treasury shares. Our equity awards generally vest over a three-year period, subject to earlier vesting under certain conditions.

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at November 30, 2015	3,609,395	$ 42.84
Granted	1,451,917	$ 53.98
Vested	(1,454,381)	$ 38.18
Forfeited	(193,806)	$ 47.76
Outstanding at November 30, 2016	3,413,125	$ 48.03
Granted	1,116,314	$ 54.79
Vested	(1,466,690)	$ 38.95
Forfeited	(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

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

Defined Benefit Pension Plans

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

In addition, we participate in two multiemployer defined benefit pension plans in the UK, the British Merchant Navy Officers Pension Fund (registration number 10005645) ("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 MNOPF New Section deficit as amounts are invoiced by, and become due and payable to, the trustees. We accrue and expense our portion of the MNRPF deficit based on our estimated probable obligation from the most recent actuarial review. Total expense for all defined benefit pension plans, including the multiemployer plans, was $36 million in 2018, $53 million in 2017 and $27 million in 2016.

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

Defined Contribution Plans

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

NOTE 13 – Earnings Per Share

	Years Ended November 30,		
(in millions, except per share data)	**2018**	**2017**	**2016**
Net income for basic and diluted earnings per share	$ 3,152	$ 2,606	$ 2,779
Weighted-average shares outstanding	709	722	745
Dilutive effect of equity plans	2	3	2
Diluted weighted-average shares outstanding	710	725	747
Basic earnings per share	$ 4.45	$ 3.61	$ 3.73
Diluted earnings per share	$ 4.44	$ 3.59	$ 3.72

NOTE 14 – Supplemental Cash Flow Information

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

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

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

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

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

PricewaterhouseCoopers, LLP

Miami, Florida
January 28, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Concerning Factors That May Affect Future Results

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

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

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

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by our forward looking statements. This note contains important cautionary statements of the known factors that we consider could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position. It is not possible to predict or identify all such risks. There may be additional risks that we consider immaterial or which are unknown. These factors include, but are not limited to, the following:

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

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

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

2018 Executive Overview

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

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

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

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

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

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

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

- Our brands were featured on television programs all around the world including The New Celebrity Apprentice, The Ellen DeGeneres Show, ITV reality show, The Cruise, in its 6th season in the UK, and Ant & Dec, also in the UK. We created our own original content TV programs which have already reached more than 400 million views airing on major U.S. networks. Our proprietary shows, which include the Voyager with Josh Garcia, Ocean Treks with Jeff Corwin, Vacation Creation, and La Gran Sorpresa, are among the most popular travel series on TV.

- With our history making voyage to Cuba in 2016, we became the first U.S. cruise operator in over 40 years to bring U.S. cruise guests directly from the U.S. to Cuba, and opened up an exciting new destination option for guests of Carnival Cruise Line, Holland America Line and Seabourn. Our cruise brands continue to further the guest experience through new destinations like Cuba and Amber Cove and new terminals like Barcelona and Dubai.

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

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

- OceanMedallion debuted onboard *Caribbean Princess* and has received 36 billion favorable media impressions. We have been recognized globally for our innovation efforts, including being recognized by Fast Company as one of the Top Ten Most Innovative Companies in the travel category.

- Our state-of-the-art revenue management tool has been deployed across half the company to facilitate further yield growth.

- Across many of our brands, we are in the process of rolling out new technology both onboard and shoreside. This includes enhanced targeted marketing, improved CRM capabilities, new mobile apps and redesigned websites, which collectively contribute to an enhanced guest experience, added empowerment to our travel agent partners, increased revenues and reduced cost of sales.

- We underwent multibillion dollar fleet wide reinvestment efforts, including Funship 2.0 for Carnival Cruise Line and Signature of Excellence for Holland America Line.

- We signed a historic joint venture agreement with CSSC, China State Shipbuilding Corporation, forming a local cruise operating company and forging a significant long-term relationship to help build the cruise industry in China.

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

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

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

New Accounting Pronouncements

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

Critical Accounting Estimates

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

Ship Accounting

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

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

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

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

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs. Our 2018 ship depreciation expense would have increased by approximately $42 million assuming we had reduced our estimated 30-year ship useful life estimate by one year at the time we took delivery or acquired each of our ships. In addition, our 2018 ship depreciation expense would have increased by approximately $213 million assuming we had estimated our ships to have no residual value at the time of their delivery or acquisition.

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

Asset Impairments

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

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

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

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

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

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

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

Contingencies

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

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

Results of Operations

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

- Sales of passenger cruise tickets and, in some cases, the sale of air and other transportation to and from airports near our ships' home ports and cancellation fees. We also collect fees, taxes and other charges from our guests

- The cruise ticket price typically includes the following:

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

- Sales of goods and services not included in the cruise ticket price are generally the following:

    - Substantially all liquor and some non-alcoholic beverage sales
    - Casino gaming
    - Shore excursions
    - Gift shop sales
    - Photo sales
    - Internet and communication services
    - Full service spas
    - Specialty restaurants
    - Art sales
    - Laundry and dry cleaning services

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

We incur cruise operating costs and expenses for the following:

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

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

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

Statistical Information

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

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

(b) In 2018 compared to 2017, we had a 1.9% capacity increase in ALBDs comprised of a 2.9% capacity increase in our NAA segment and a 0.2% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

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

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

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

Our EA segment's capacity increase was caused by:
- Partial period impact from one AIDA 3,290-passenger capacity ship that entered into service in June 2017

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

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

Our NAA segment's capacity increase was caused by:
- Full period impact from one Seabourn 600-passenger capacity ship that entered into service in December 2016
- Partial period impact from one Holland America Line 2,650-passenger capacity ship that entered into service in April 2016
- Partial period impact from one Carnival Cruise Line 3,930-passenger capacity ship that entered into service in May 2016
- Partial period impact from one Princess Cruises 3,560-passenger capacity ship that entered into service in April 2017

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

Our EA segment's capacity increase was caused by:
- Partial period impact from one AIDA 3,290-passenger capacity ship that entered into service in April 2016
- Partial period impact from one AIDA 3,290-passenger capacity ship that entered into service in June 2017

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

2018 Compared to 2017

Revenues

Consolidated

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

This increase was caused by:

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

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

This increase was caused by:

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

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

NAA Segment

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

This increase was driven by:

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

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

This increase was driven by:

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

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

EA Segment

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

This increase was driven by:

- $251 million - foreign currency translational impact

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

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

This increase was driven by:
- $55 million - foreign currency translational impact
- $21 million - increase in occupancy

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

Costs and Expenses

Consolidated

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

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

These increases were partially offset by:
- $304 million - ship impairments in 2017
- $51 million - gains on ship sales in 2018
- $20 million - improved fuel consumption

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

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

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

NAA Segment

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

This increase was caused by:
- $253 million - higher fuel prices
- $194 million - 2.9% capacity increase in ALBDs
- $102 million - higher commissions, transportation and other

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

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

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

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

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

EA Segment

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

This increase was caused by:
- $174 million - foreign currency translational impact
- $117 million - higher fuel prices
- $29 million - increase in occupancy

These increases were partially offset by:
- $141 million - ship impairments in 2017
- $39 million - gains on ship sales in 2018
- $21 million - lower cruise payroll and related expenses

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

This increase was driven by:
- $39 million - foreign currency translational impact
- $27 million - higher administrative expenses

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

Operating Income

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

Nonoperating Income (Expense)

	Years Ended November 30,	
(in millions)	**2018**	**2017**
Unrealized gains on fuel derivatives	$ 94	$ 227
Realized (losses) on fuel derivatives, net	(35)	(192)
Gains on fuel derivatives, net	$ 59	$ 35

Explanations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

Reconciliation of Forecasted Data

We have not provided a reconciliation of forecasted gross cruise revenues to forecasted net cruise revenues or forecasted gross cruise costs to forecasted net cruise costs without fuel or forecasted U.S. GAAP net income to forecasted adjusted net income or forecasted U.S. GAAP earnings per share to forecasted adjusted earnings per share because preparation of meaningful U.S. GAAP forecasts of gross cruise revenues, gross cruise costs, net income and earnings per share would require unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates and fuel prices. While we forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period, we do not forecast the impact of unrealized gains and losses on fuel derivatives because we do not believe they are an indication of our future earnings performance. We are unable to determine the future impact of gains or losses on ships sales, restructuring expenses and other non-core gains and charges.

Constant Dollar and Constant Currency

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

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

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

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

Examples:

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

- Our operations have revenue and expense transactions in currencies other than their functional currency. If their functional currency strengthens against these other currencies, it reduces the functional currency revenues and expenses. If the functional currency weakens against these other currencies, it increases the functional currency revenues and expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2017 Compared to 2016

Revenues

Consolidated

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

This increase was caused by:

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

These increases were partially offset by:

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

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

This increase was driven by:

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

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

NAA Segment

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

This increase was driven by:

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

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

The increase was driven by:

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

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

EA Segment

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

This increase was caused by:

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

These increases were partially offset by:

- $63 million - foreign currency translational impact

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

The increase was caused by:

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

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

Costs and Expenses

Consolidated

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

This increase was caused by:

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

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

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

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

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

NAA Segment

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

This increase was driven by:

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

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

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

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

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

EA Segment

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

This increase was caused by:

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

These increases were partially offset by:

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

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

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

Operating Income

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

Nonoperating Expense

	Years Ended November 30,	
(in millions)	**2017**	**2016**
Unrealized gains on fuel derivatives	$ 227	$ 236
Realized losses on fuel derivatives, net	(192)	(283)
Gains (losses) on fuel derivatives, net	$ 35	$ (47)

Non-GAAP Financial Measures

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

The increase was caused by:

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

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

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

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

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

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

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

The increase was caused by:

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

These increases were partially offset by:

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

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

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

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and sustain and grow our double-digit ROIC, while maintaining a strong balance sheet and strong investment grade credit ratings. (We define ROIC as the twelve-month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress.) Our ability to generate significant operating cash flow allows us to internally fund our capital improvements, debt maturities and dividend payments. We have $11.5 billion of committed export credit facilities available to fund the vast majority of our new ship growth capital. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity through our available cash and cash equivalents and committed financings for immediate and future liquidity needs and to maintain a reasonable debt maturity profile.

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

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

Sources and Uses of Cash

Operating Activities

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

Investing Activities

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

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

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

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

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

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

Financing Activities

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

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

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

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

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

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

Future Commitments

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

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

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

Capital Expenditure and Capacity Forecast

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

(in billions)	2019	2020	2021	2022
Annual capital expenditure forecast	$ 6.8	$ 5.7	$ 5.9	$ 5.4

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

	2019	2020	2021	2022
Annual capacity forecast	4.6%	5.5%	7.2%	5.2%

Share Repurchase Program and Stock Swap Programs

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

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

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

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

Funding Sources

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

(in billions)	2019	2020	2021	2022
Availability of committed future financing at November 30, 2018	$ 3.4	$ 2.9	$ 2.8	$ 2.4

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

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

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exchange Rate Risks

Operational Currency Risks

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

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

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

Investment Currency Risks

The foreign currency exchange rates were as follows:

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

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

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

Newbuild Currency Risks

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

Interest Rate Risks

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

	November 30, 2018
Fixed rate	29%
EUR fixed rate	29%
Floating rate	6%
EUR floating rate	28%
GBP floating rate	8%

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

Fuel Price Risks

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

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

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

SELECTED FINANCIAL DATA

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

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

(in millions)	As of November 30,				
	2018	**2017**	**2016**	**2015**	**2014**
Balance Sheet					
Total assets (a)	$ 42,401	$ 40,778	$ 38,881	$ 39,237	$ 39,448
Total debt (a)	$ 10,323	$ 9,195	$ 9,399	$ 8,787	$ 9,088

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

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

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 Depository Shares ("ADSs"), each one of which represents one Carnival plc ordinary share, are traded on the NYSE under the symbol "CUK." The depository for the ADSs is JPMorgan Chase Bank.

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

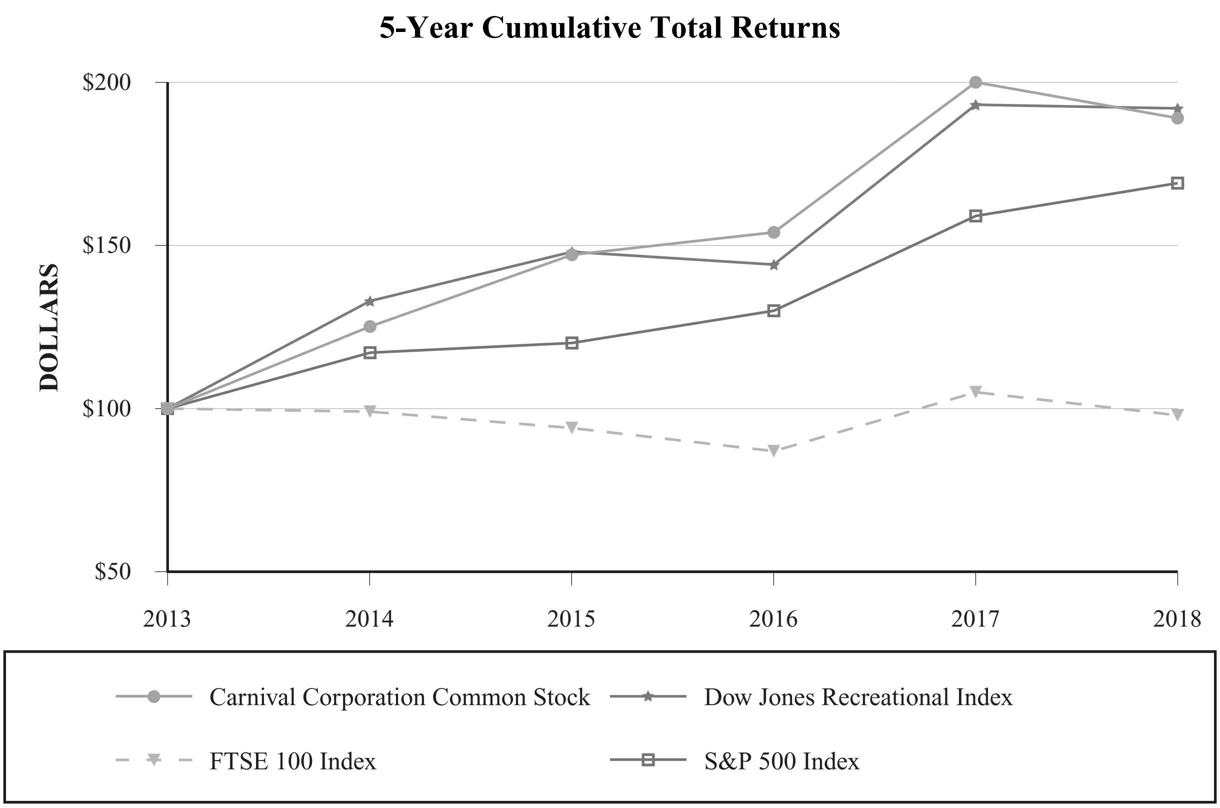
All dividends for both Carnival Corporation and Carnival plc are declared in U.S. dollars. If declared, holders of Carnival Corporation common stock and Carnival plc ADSs receive a dividend payable in U.S. dollars. The dividends payable for Carnival plc ordinary shares are payable in sterling, unless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

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

STOCK PERFORMANCE GRAPHS

Carnival Corporation

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

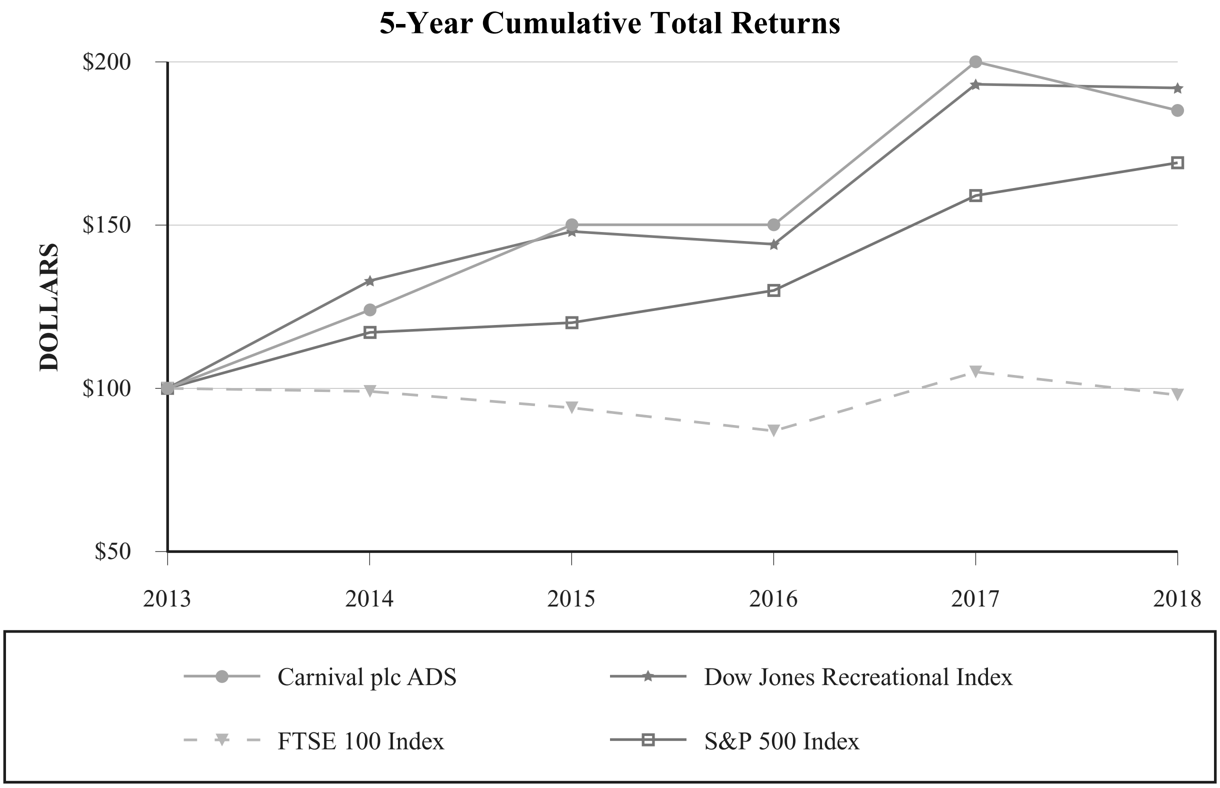


Assumes $100 Invested on November 30, 2013
Assumes Dividends Reinvested
Years Ended November 30,

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

Carnival plc

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



	Assumes $100 Invested on November 30, 2013 Assumes Dividends Reinvested Years Ended November 30,					
	2013	2014	2015	2016	2017	2018
Carnival plc ADS	$ 100	$ 124	$ 150	$ 150	$ 200	$ 185
Dow Jones Recreational Index	$ 100	$ 133	$ 148	$ 144	$ 193	$ 192
FTSE 100 Index	$ 100	$ 99	$ 94	$ 87	$ 105	$ 98
S&P 500 Index	$ 100	$ 117	$ 120	$ 130	$ 159	$ 169

Annex 1
DLC Annual Report

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.

	2018 Quarters Ended			
(in millions, except per share data)	**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:

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

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

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

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

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 Arison [3]
Chairman of the Board
Carnival Corporation & plc

Sir Jonathon Band [4, 5]
Former First Sea Lord and
Chief of Naval Staff
British Navy

Jason Glen Cahilly [1]
Founder and Chief Executive Officer
Dragon Group LLC

Helen Deeble [4]
Former Chief Executive Officer
P&O Ferries Division Holdings Ltd.

Arnold W. Donald [3]
President and Chief Executive Officer
Carnival Corporation & plc

Richard J. Glasier [1, 2, 5]
Former President and Chief Executive Officer
Argosy Gaming Company

Debra Kelly-Ennis [4]
Former President and Chief Executive Officer
Diageo Canada, Inc.

Katie Lahey [1]
Chairman
Korn Ferry Australasia

Sir John Parker [4, 5]
Non-Executive Chairman
Laing O'Rourke and Pennon Group plc

Stuart Subotnick [1, 3, 5]
President and Chief Executive Officer
Metromedia Company

Laura Weil [1, 2]
Founder and Managing Partner
Village Lane Advisory LLC

Randall J. Weisenburger [1, 2, 5]
Managing Member
Mile26 Capital LLC

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

DIRECTORS EMERITUS AND LIFE PRESIDENTS

Ted Arison (1924-1999)
Chairman Emeritus, Carnival Corporation

Maks Birnbach (1920-2007)
Director Emeritus, Carnival Corporation

A. Kirk Lanterman
Chairman Emeritus
Holland America Line Inc.

Meshulam Zonis (1933-2009)
Director Emeritus, Carnival Corporation

Uzi Zucker
Director Emeritus, Carnival Corporation & plc

Horst Rahe
Life President of AIDA Cruises

The Lord Sterling of Plaistow GCVO, CBE
Life President of P&O Cruises

OTHER INFORMATION

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

Registered Office
Carnival plc
Carnival House
100 Harbour Parade
Southampton S015 1ST UK
44 (0) 23 8065 5000

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
333 SE 2nd Avenue, Suite 3000
Miami, Florida 33131-2330 U.S.A.

Registrars, Stock Transfer Agents and Dividend Reinvestment Plan Administrators
Carnival Corporation
Computershare Investor Services
P.O. Box 505000
Louisville, Kentucky 40233-5000 U.S.A.
800 568 3476 (U.S.A, U.S.A Territories and Canada)
781 575 2879 (Outside U.S.A, U.S.A Territories and Canada)

Carnival plc
Equiniti Limited
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA UK
0371 384 2665 (UK)
44 121 415 7107 (Outside UK)

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

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

CARNIVAL PLC

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