

July 1, 2015

**RELEASE OF CARNIVAL CORPORATION & PLC QUARTERLY REPORT ON FORM 10-Q AND
CARNIVAL PLC GROUP HALF-YEARLY FINANCIAL REPORT**

Carnival Corporation & plc announced its second quarter and six month results of operations in its earnings release issued on June 23, 2015. Carnival Corporation & plc is hereby announcing that today it has filed its joint Quarterly Report on Form 10-Q ("Form 10-Q") with the U.S. Securities and Exchange Commission ("SEC") containing the Carnival Corporation & plc 2015 second quarter and six month interim financial statements, which reported results are unchanged from those previously announced on June 23, 2015.

The information included in the attached Schedules A, B and C is extracted from the Form 10-Q and has been prepared in accordance with SEC rules and regulations. Schedules A and B contain the unaudited consolidated financial statements for Carnival Corporation & plc as of and for the three and six months ended May 31, 2015, together with management's discussion and analysis ("MD&A") of financial condition and results of operations. These Carnival Corporation & plc consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Within the Carnival Corporation and Carnival plc dual listed company arrangement the Directors consider the most appropriate presentation of Carnival plc's results and financial position is by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc. Schedule C contains information on Carnival Corporation and Carnival plc's sales and purchases of their equity securities and use of proceeds from such sales.

In addition, the Directors are today presenting in the attached Schedule D the unaudited interim financial statements for the Carnival plc Group as of and for the six months ended May 31, 2015. The Carnival plc Group financial statements exclude the consolidated results of Carnival Corporation and are prepared under International Financial Reporting Standards as adopted by the European Union. All these schedules are presented together as Carnival plc's Group half-yearly financial report, in accordance with the requirements of the UK Disclosure and Transparency Rules.

MEDIA CONTACT

Roger Frizzell
001 305 406 7862

INVESTOR RELATIONS CONTACT

Beth Roberts
001 305 406 4832

The Form 10-Q, including the portions extracted for this announcement, is available for viewing on the SEC website at www.sec.gov under Carnival Corporation or Carnival plc or the Carnival Corporation & plc website at www.carnivalcorp.com or www.carnivalplc.com. A copy of the Form 10-Q has been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm. Additional information can be obtained via Carnival Corporation & plc's website listed above or by writing to Carnival plc at Carnival House, 100 Harbour Parade, Southampton, SO15 1ST, United Kingdom.

Carnival Corporation & plc is the largest cruise company in the world, with a portfolio of 10 cruise brands in North America, Europe, Australia and Asia, comprised of Carnival Cruise Line, Holland America Line, Princess Cruises, Seabourn, AIDA Cruises, Costa Cruises, Cunard, P&O Cruises (Australia), P&O Cruises (UK) and fathom.

Together, these brands will operate 100 ships in 2015 totaling 219,000 lower berths with eight new ships scheduled to be delivered between 2016 and 2018, along with four additional new ships on order between 2019 through 2020. Carnival Corporation & plc also operates Holland America Princess Alaska Tours, the leading tour companies 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. Additional information can be found on www.carnival.com, www.hollandamerica.com, www.princess.com, www.seabourn.com, www.aida.de, www.costacruise.com, www.cunard.com, www.pocruises.com.au, www.pocruises.com and www.fathom.org.

SCHEDULE A

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

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|-------------------------------|----------------|-----------------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | |
| Cruise | | | | |
| Passenger tickets | \$ 2,628 | \$ 2,698 | \$ 5,260 | \$ 5,425 |
| Onboard and other | 927 | 905 | 1,816 | 1,755 |
| Tour and other | 35 | 30 | 44 | 38 |
| | <u>3,590</u> | <u>3,633</u> | <u>7,120</u> | <u>7,218</u> |
| Operating Costs and Expenses | | | | |
| Cruise | | | | |
| Commissions, transportation and other | 481 | 520 | 1,067 | 1,141 |
| Onboard and other | 114 | 115 | 225 | 228 |
| Payroll and related | 469 | 485 | 936 | 965 |
| Fuel | 333 | 527 | 650 | 1,050 |
| Food | 242 | 251 | 482 | 496 |
| Other ship operating | 734 | 642 | 1,332 | 1,238 |
| Tour and other | 31 | 32 | 47 | 46 |
| | <u>2,404</u> | <u>2,572</u> | <u>4,739</u> | <u>5,164</u> |
| Selling and administrative | 491 | 504 | 1,020 | 1,025 |
| Depreciation and amortization | 406 | 410 | 807 | 815 |
| | <u>3,301</u> | <u>3,486</u> | <u>6,566</u> | <u>7,004</u> |
| Operating Income | <u>289</u> | <u>147</u> | <u>554</u> | <u>214</u> |
| Nonoperating (Expense) Income | | | | |
| Interest income | 2 | 2 | 4 | 4 |
| Interest expense, net of capitalized interest | (57) | (72) | (114) | (143) |
| (Losses) gains on fuel derivatives, net | (13) | 11 | (181) | (6) |
| Other income, net | 5 | 11 | 15 | 11 |
| | <u>(63)</u> | <u>(48)</u> | <u>(276)</u> | <u>(134)</u> |
| Income Before Income Taxes | <u>226</u> | <u>99</u> | <u>278</u> | <u>80</u> |
| Income Tax Expense, Net | <u>(4)</u> | <u>(1)</u> | <u>(7)</u> | <u>(2)</u> |
| Net Income | <u>\$ 222</u> | <u>\$ 98</u> | <u>\$ 271</u> | <u>\$ 78</u> |
| Earnings Per Share | | | | |
| Basic | <u>\$ 0.29</u> | <u>\$ 0.13</u> | <u>\$ 0.35</u> | <u>\$ 0.10</u> |
| Diluted | <u>\$ 0.29</u> | <u>\$ 0.13</u> | <u>\$ 0.35</u> | <u>\$ 0.10</u> |
| Dividends Declared Per Share | <u>\$ 0.25</u> | <u>\$ 0.25</u> | <u>\$ 0.50</u> | <u>\$ 0.50</u> |

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

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

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|--------------|-------------------------|---------------|
| | May 31, | | May 31, | |
| | 2015 | 2014 | 2015 | 2014 |
| Net Income | <u>\$ 222</u> | <u>\$ 98</u> | <u>\$ 271</u> | <u>\$ 78</u> |
| Items Included in Other Comprehensive (Loss) Income | | | | |
| Change in foreign currency translation adjustment | (135) | (17) | (818) | 100 |
| Other | (5) | (13) | (45) | (18) |
| Other Comprehensive (Loss) Income | <u>(140)</u> | <u>(30)</u> | <u>(863)</u> | <u>82</u> |
| Total Comprehensive Income (Loss) | <u>\$ 82</u> | <u>\$ 68</u> | <u>\$ (592)</u> | <u>\$ 160</u> |

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

CARNIVAL CORPORATION & PLC
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in millions, except par values)

| | May 31, 2015 | November 30, 2014 |
|---|------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 298 | \$ 331 |
| Trade and other receivables, net | 380 | 332 |
| Insurance recoverables | 176 | 154 |
| Inventories | 327 | 349 |
| Prepaid expenses and other | 298 | 322 |
| Total current assets | <u>1,479</u> | <u>1,488</u> |
| Property and Equipment, Net | 32,179 | 32,819 |
| Goodwill | 3,041 | 3,127 |
| Other Intangibles | 1,247 | 1,270 |
| Other Assets | 665 | 744 |
| | <u>\$ 38,611</u> | <u>\$ 39,448</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings | \$ 305 | \$ 666 |
| Current portion of long-term debt | 1,316 | 1,059 |
| Accounts payable | 637 | 626 |
| Claims reserve | 295 | 262 |
| Accrued liabilities and other | 1,223 | 1,276 |
| Customer deposits | 3,907 | 3,032 |
| Total current liabilities | <u>7,683</u> | <u>6,921</u> |
| Long-Term Debt | 6,648 | 7,363 |
| Other Long-Term Liabilities | 1,028 | 960 |
| Contingencies | | |
| Shareholders' Equity | | |
| Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 653 shares at 2015 and 652 shares at 2014 issued | 7 | 7 |
| Ordinary shares of Carnival plc, \$1.66 par value; 216 shares at 2015 and 2014 issued | 358 | 358 |
| Additional paid-in capital | 8,412 | 8,384 |
| Retained earnings | 19,041 | 19,158 |
| Accumulated other comprehensive loss | (1,479) | (616) |
| Treasury stock, 59 shares at 2015 and 2014 of Carnival Corporation and 32 shares at 2015 and 2014 of Carnival plc, at cost | (3,087) | (3,087) |
| Total shareholders' equity | <u>23,252</u> | <u>24,204</u> |
| | <u>\$ 38,611</u> | <u>\$ 39,448</u> |

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

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

| | Six Months Ended May 31, | |
|--|-----------------------------|----------------|
| | 2015 | 2014 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 271 | \$ 78 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 807 | 815 |
| (Gains) on ship sales and ship impairment, net | (4) | (15) |
| Losses on fuel derivatives, net | 181 | 6 |
| Share-based compensation | 25 | 26 |
| Other, net | 16 | 9 |
| Changes in operating assets and liabilities | | |
| Receivables | (85) | 105 |
| Inventories | 11 | (9) |
| Insurance recoverables, prepaid expenses and other | 61 | 216 |
| Accounts payable | 39 | (13) |
| Claims reserves and accrued and other liabilities | (5) | (221) |
| Customer deposits | 969 | 676 |
| Net cash provided by operating activities | <u>2,286</u> | <u>1,673</u> |
| INVESTING ACTIVITIES | | |
| Additions to property and equipment | (1,381) | (1,329) |
| Proceeds from sales of ships | 25 | 42 |
| (Payments) receipts of fuel derivative settlements | (95) | 1 |
| Other, net | 24 | 18 |
| Net cash used in investing activities | <u>(1,427)</u> | <u>(1,268)</u> |
| FINANCING ACTIVITIES | | |
| (Repayments of) proceeds from short-term borrowings, net | (357) | 448 |
| Principal repayments of long-term debt | (584) | (1,401) |
| Proceeds from issuance of long-term debt | 472 | 829 |
| Dividends paid | (388) | (388) |
| Other, net | (4) | (7) |
| Net cash used in financing activities | <u>(861)</u> | <u>(519)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (31) | (5) |
| Net decrease in cash and cash equivalents | (33) | (119) |
| Cash and cash equivalents at beginning of period | 331 | 462 |
| Cash and cash equivalents at end of period | <u>\$ 298</u> | <u>\$ 343</u> |

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

CARNIVAL CORPORATION & PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – General

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

Basis of Presentation

The Consolidated Balance Sheet at May 31, 2015, the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended May 31, 2015 and 2014 and the Consolidated Statements of Cash Flows for the six months ended May 31, 2015 and 2014 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2014 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 29, 2015. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

Revision of Prior Period Financial Statements

In the first quarter of 2015, we revised and corrected the accounting for one of our brands' marine and technical spare parts in order to consistently expense and classify them fleetwide. We evaluated the materiality of this revision and concluded that it was not material to any of our previously issued financial statements. However, had we not revised, this accounting may have resulted in material inconsistencies to our financial statements in the future. Accordingly, we revised previously reported results for the three months ended February 28, 2014 and as of November 30, 2014 in our Form 10-Q for the quarter ended February 28, 2015. In addition, we revised previously reported results for the three and six months ended May 31, 2014 in this Form 10-Q. We will revise all other previously reported results as such financial information is included in future filings.

The effects of this revision on our Consolidated Statements of Income were as follows (in millions, except per share data):

| | Three Months Ended May 31, 2014 | | | Six Months Ended May 31, 2014 | | |
|-------------------------------|---------------------------------|------------|------------|-------------------------------|------------|------------|
| | As Previously Reported | Adjustment | As Revised | As Previously Reported | Adjustment | As Revised |
| Other ship operating | \$ 635 | \$ 7 | \$ 642 | \$ 1,226 | \$ 12 | \$ 1,238 |
| Depreciation and amortization | \$ 409 | \$ 1 | \$ 410 | \$ 814 | \$ 1 | \$ 815 |
| Operating income | \$ 155 | \$ (8) | \$ 147 | \$ 227 | \$ (13) | \$ 214 |
| Income before income taxes | \$ 107 | \$ (8) | \$ 99 | \$ 93 | \$ (13) | \$ 80 |
| Net income | \$ 106 | \$ (8) | \$ 98 | \$ 91 | \$ (13) | \$ 78 |
| Earnings per share | | | | | | |
| Basic | \$ 0.14 | \$ (0.01) | \$ 0.13 | \$ 0.12 | \$ (0.02) | \$ 0.10 |
| Diluted | \$ 0.14 | \$ (0.01) | \$ 0.13 | \$ 0.12 | \$ (0.02) | \$ 0.10 |

The effects of this revision on our Consolidated Statements of Comprehensive Income were as follows (in millions):

| | Three Months Ended May 31, 2014 | | | Six Months Ended May 31, 2014 | | |
|----------------------------|---------------------------------|------------|------------|-------------------------------|------------|------------|
| | As Previously Reported | Adjustment | As Revised | As Previously Reported | Adjustment | As Revised |
| Net income | \$ 106 | \$ (8) | \$ 98 | \$ 91 | \$ (13) | \$ 78 |
| Total comprehensive income | \$ 76 | \$ (8) | \$ 68 | \$ 173 | \$ (13) | \$ 160 |

The effects of this revision on our Consolidated Balance Sheet were as follows (in millions):

| | November 30, 2014 | | |
|--|------------------------|-------------|------------|
| | As Previously Reported | Adjustment | As Revised |
| Inventories | \$ 364 | \$ (15) | \$ 349 |
| Total current assets | \$ 1,503 | \$ (15) | \$ 1,488 |
| Property and equipment, net | \$ 32,773 | \$ 46 | \$ 32,819 |
| Other assets | \$ 859 | \$ (115) | \$ 744 |
| Total assets | \$ 39,532 | \$ (84) | \$ 39,448 |
| Retained earnings | \$ 19,242 | \$ (84) (a) | \$ 19,158 |
| Total shareholders' equity | \$ 24,288 | \$ (84) | \$ 24,204 |
| Total liabilities and shareholders' equity | \$ 39,532 | \$ (84) | \$ 39,448 |

(a) As of November 30, 2014, the cumulative impact of this revision was an \$84 million reduction in retained earnings. The diluted earnings per share decreases were \$0.03 for each of 2014 and 2013, \$0.02 for 2012, \$0.03 for pre-2010 and \$0.11 in the aggregate. There was no annual diluted earnings per share impact for 2011 and 2010.

This non-cash revision did not impact our operating cash flows for any period. The effects of this revision on the individual line items within operating cash flows on our Consolidated Statement of Cash Flows were as follows (in millions):

| | Six Months Ended May 31, 2014 | | |
|--|-------------------------------|------------|------------|
| | As Previously Reported | Adjustment | As Revised |
| Net income | \$ 91 | \$ (13) | \$ 78 |
| Depreciation and amortization | \$ 814 | \$ 1 | \$ 815 |
| Inventories | \$ (8) | \$ (1) | \$ (9) |
| Insurance recoverables, prepaid expenses and other | \$ 201 | \$ 15 | \$ 216 |
| Claims reserves and accrued and other liabilities | \$ (219) | \$ (2) | \$ (221) |

Other

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. The portion of these fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were \$123 million and \$125 million and \$257 million and \$262 million for the three and six months ended May 31, 2015 and 2014, respectively.

During the three and six months ended May 31, 2015 and 2014, repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were \$352 million and \$274 million and \$603 million and \$526 million, respectively, and are substantially all included in other ship operating expenses.

Accounting Pronouncement

In 2014, amended guidance was issued by the Financial Accounting Standards Board regarding the accounting for service concession arrangements. The new guidance defines a service concession as an arrangement between a public-sector grantor, such as a port authority, and a company that will operate and maintain the grantor's infrastructure for a specified period of time. In exchange, the company may be given a right to charge the public, such as our cruise guests, for the use of the infrastructure. The guidance will prohibit us from recording the infrastructure we have constructed to be used by us pursuant to the service concession arrangement within property and equipment. This guidance is required to be adopted by us in the first quarter of 2016 on a modified retrospective basis, however, early adoption is permitted. The adoption of this guidance will not have a material impact to our consolidated financial statements.

NOTE 2 – Unsecured Debt

At May 31, 2015, our short-term borrowings consisted of commercial paper of \$261 million and euro-denominated bank loans of \$44 million with an aggregate weighted-average floating interest rate of 0.6%.

In February 2015, we entered into an export credit facility that will provide us with the ability to borrow up to an aggregate of \$505 million. Proceeds from this facility will be used to pay for a portion of the purchase price of a Princess Cruises' ("Princess") ship, which is expected to be delivered in March 2017. If drawn, this borrowing will be due in semi-annual installments through March 2029.

In February 2015, we borrowed \$472 million under a euro-denominated export credit facility, the proceeds of which were used to pay for a portion of P&O Cruises (UK)'s *Britannia* purchase price. The floating rate facility is due in semi-annual installments through February 2027.

In April 2015, Carnival Corporation, Carnival plc, and certain of Carnival Corporation and Carnival plc's subsidiaries exercised their option to extend the termination date of their five-year multi-currency revolving credit facility from June 2019 to June 2020, which was approved by each bank.

NOTE 3 – Contingencies

Litigation

As a result of the January 2012 ship incident, litigation claims and investigations, including, but not limited to, those arising from personal injury, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims.

The UK Maritime & Coastguard Agency and the U.S. Department of Justice are investigating allegations that *Caribbean Princess* breached international pollution laws. We are cooperating with the investigations, including conducting our own internal investigation into the matter. The ultimate outcome of this matter cannot be determined at this time. However, we do not expect it to have a significant impact on our results of operations.

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

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

At May 31, 2015, Carnival Corporation had estimated contingent obligations totaling \$376 million, excluding termination payments as discussed below, to participants in LILO transactions for two of its ships. At the inception of these leases, the aggregate of the net present value of these obligations was paid by Carnival Corporation to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished and neither the funds nor the contingent obligations have been included in our Consolidated Balance Sheets.

In the event that Carnival Corporation were to default on its contingent obligations and assuming performance by all other participants, we estimate that it would, as of May 31, 2015, be responsible for a termination payment of \$22 million. In 2017, Carnival Corporation has the right to exercise options that would terminate these LILO transactions at no cost to it.

If the credit rating of one of the financial institutions who is directly paying the contingent obligations falls below AA-, or below A- for the other financial institution, then Carnival Corporation will be required to replace the applicable financial institution with another financial institution whose credit rating is at least AA or meets other specified credit requirements. In such circumstances, it would incur additional costs, although we estimate that they would not be significant to our consolidated financial statements. The financial institution payment undertaker subject to the AA- credit rating threshold has a credit rating of AA, and the financial institution subject to the A- credit rating threshold has a credit rating of A+. If Carnival Corporation's credit rating, which is BBB+, falls below BBB, it will be required to provide a standby letter of credit for \$31 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

Contingent Obligations – Indemnifications

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

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

Fair Value Measurements

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

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

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

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at May 31, 2015 and November 30, 2014. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. 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

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

| | May 31, 2015 | | | | November 30, 2014 | | | |
|-------------------------------|-----------------|---------------|-----------------|--------------|-------------------|---------------|-----------------|--------------|
| | Carrying Value | Fair Value | | | Carrying Value | Fair Value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| Assets | | | | | | | | |
| Cash and cash equivalents (a) | \$ 248 | \$ 248 | \$ — | \$ — | \$ 240 | \$ 240 | \$ — | \$ — |
| Restricted cash (b) | 7 | 7 | — | — | 11 | 11 | — | — |
| Long-term other assets (c) | 140 | 1 | 99 | 38 | 156 | 1 | 103 | 49 |
| Total | \$ 395 | \$ 256 | \$ 99 | \$ 38 | \$ 407 | \$ 252 | \$ 103 | \$ 49 |
| Liabilities | | | | | | | | |
| Fixed rate debt (d) | \$ 4,157 | \$ — | \$ 4,458 | \$ — | \$ 4,433 | \$ — | \$ 4,743 | \$ — |
| Floating rate debt (d) | 4,112 | — | 4,094 | — | 4,655 | — | 4,562 | — |
| Total | \$ 8,269 | \$ — | \$ 8,552 | \$ — | \$ 9,088 | \$ — | \$ 9,305 | \$ — |

- (a) Cash and cash equivalents are comprised of cash on hand, and at May 31, 2015, also included a money market deposit account. Due to their short maturities, the carrying values approximate their fair values.
- (b) Restricted cash is comprised of a money market deposit account.
- (c) At May 31, 2015 and November 30, 2014, long-term other assets were substantially all comprised of notes and other receivables. The fair values of our Level 1 and Level 2 notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.

- (d) Debt does not include the impact of interest rate swaps. The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at May 31, 2015 and November 30, 2014 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At May 31, 2015 and November 30, 2014, the net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at May 31, 2015 and November 30, 2014 being slightly higher than the floating interest rates on these debt obligations, including the impact of any changes in our credit ratings. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1, and accordingly, are considered Level 2. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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

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

| | May 31, 2015 | | | November 30, 2014 | | |
|--|---------------|---------------|--------------|-------------------|---------------|--------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Assets | | | | | | |
| Cash equivalents (a) | \$ 50 | \$ — | \$ — | \$ 91 | \$ — | \$ — |
| Restricted cash (b) | 23 | — | — | 19 | — | — |
| Marketable securities held in rabbi trusts (c) | 106 | 15 | — | 113 | 9 | — |
| Derivative financial instruments (d) | — | 20 | — | — | 14 | — |
| Long-term other asset (e) | — | — | 20 | — | — | 20 |
| Total | \$ 179 | \$ 35 | \$ 20 | \$ 223 | \$ 23 | \$ 20 |
| Liabilities | | | | | | |
| Derivative financial instruments (d) | \$ — | \$ 369 | \$ — | \$ — | \$ 278 | \$ — |
| Total | \$ — | \$ 369 | \$ — | \$ — | \$ 278 | \$ — |

- (a) Cash equivalents are comprised of money market funds.
- (b) The majority of restricted cash is comprised of money market funds.
- (c) At May 31, 2015 and November 30, 2014, marketable securities held in rabbi trusts were comprised of Level 1 bonds, frequently-priced mutual funds invested in common stocks and money market funds and Level 2 other investments. Their use is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.
- (d) See “Derivative Instruments and Hedging Activities” section below for detailed information regarding our derivative financial instruments.
- (e) Long-term other asset is comprised of an auction-rate security. The fair value was based on a broker quote in an inactive market, which is considered a Level 3 input. During the six months ended May 31, 2015, there were no purchases or sales pertaining to this auction rate security.

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

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

Valuation of Goodwill and Other Intangibles

The reconciliation of the changes in the carrying amounts of our goodwill, which goodwill has been allocated to our North America and Europe, Australia & Asia (“EAA”) cruise brands, was as follows (in millions):

| | North America Cruise Brands | EAA Cruise Brands | Total |
|---|--------------------------------|----------------------|----------|
| Balance at November 30, 2014 | \$ 1,898 | \$ 1,229 | \$ 3,127 |
| Foreign currency translation adjustment | — | (86) | (86) |
| Balance at May 31, 2015 | \$ 1,898 | \$ 1,143 | \$ 3,041 |

At July 31, 2014, all of our cruise brands carried goodwill, except for Ibero Cruises (“the former Ibero”) and Seabourn. As of that date, we performed our annual goodwill impairment reviews and no goodwill was impaired. At May 31, 2015, accumulated goodwill impairment charges were \$153 million, which were all related to the former Ibero.

The reconciliation of the changes in the carrying amounts of our intangible assets not subject to amortization, which represent trademarks that have been allocated to our North America and EAA cruise brands, was as follows (in millions):

| | North America Cruise Brands | EAA Cruise Brands | Total |
|---|--------------------------------|----------------------|----------|
| Balance at November 30, 2014 | \$ 927 | \$ 338 | \$ 1,265 |
| Foreign currency translation adjustment | — | (22) | (22) |
| Balance at May 31, 2015 | \$ 927 | \$ 316 | \$ 1,243 |

As of July 31, 2014, we also performed our annual trademark impairment reviews for our cruise brands that have trademarks recorded, which are AIDA Cruises (“AIDA”), P&O Cruises (Australia), P&O Cruises (UK) and Princess. No trademarks were considered to be impaired at that time.

The determination of our cruise brand, cruise ship and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments in determining whether our goodwill, cruise ships and trademarks have been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognize an impairment charge.

At May 31, 2015 and November 30, 2014, our intangible assets subject to amortization are not significant to our consolidated financial statements.

Derivative Instruments and Hedging Activities

We utilize derivative and nonderivative 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, and interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. In addition, we utilize our fuel derivatives program to mitigate a portion of the risk to our future cash flows attributable to potential fuel price increases, which we define as our “economic risk.” Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. The changes in fair value are recognized currently in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income (“AOCI”) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a nonderivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or substantially liquidated. We formally document hedging

relationships for all derivative and nonderivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all our derivative contracts as either current or long-term, depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. 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.

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

| | Balance Sheet Location | May 31, 2015 | November 30, 2014 |
|---|-------------------------------|-----------------|----------------------|
| Derivative assets | | | |
| Derivatives designated as hedging instruments | | | |
| Net investment hedges (a) | Prepaid expenses and other | \$ 9 | \$ 6 |
| | Other assets – long-term | 9 | 6 |
| Interest rate swaps (b) | Prepaid expenses and other | 2 | 1 |
| | Other assets – long-term | — | 1 |
| Total derivative assets | | <u>\$ 20</u> | <u>\$ 14</u> |
| Derivative liabilities | | | |
| Derivatives designated as hedging instruments | | | |
| Net investment hedges (a) | Accrued liabilities and other | \$ 4 | \$ — |
| | Other long-term liabilities | 4 | — |
| Interest rate swaps (b) | Accrued liabilities and other | 12 | 13 |
| | Other long-term liabilities | 28 | 35 |
| Foreign currency zero cost collars (c) | Accrued liabilities and other | — | 1 |
| | Other long-term liabilities | 16 | — |
| | | <u>64</u> | <u>49</u> |
| Derivatives not designated as hedging instruments | | | |
| Fuel (d) | Accrued liabilities and other | 106 | 90 |
| | Other long-term liabilities | 199 | 139 |
| | | <u>305</u> | <u>229</u> |
| Total derivative liabilities | | <u>\$ 369</u> | <u>\$ 278</u> |

- (a) We had foreign currency forwards totaling \$451 million at May 31, 2015 and \$403 million at November 30, 2014 that are designated as hedges of our net investments in foreign operations, which have a euro- and sterling-denominated functional currency. At May 31, 2015, these foreign currency forwards settle through July 2017. At May 31, 2015, we also had foreign currency swaps totaling \$401 million that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At May 31, 2015, these foreign currency swaps settle through September 2019.
- (b) 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 \$626 million at May 31, 2015 and \$750 million at November 30, 2014 of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025. In addition, at May 31, 2015 and November 30, 2014 we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. At May 31, 2015 and November 30, 2014, these interest rate swap agreements effectively changed \$500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settle through February 2016.
- (c) At May 31, 2015 and November 30, 2014, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See “Newbuild Currency Risks” below for additional information regarding these derivatives.
- (d) At May 31, 2015 and November 30, 2014, 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. See “Fuel Price Risks” below for additional information regarding these fuel derivatives.

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

| | May 31, 2015 | | | | |
|-------------|---------------|---|---|---|-------------|
| | 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 | \$ 34 | \$ (14) | \$ 20 | \$ (20) | \$ — |
| Liabilities | \$ 383 | \$ (14) | \$ 369 | \$ (20) | \$ 349 |

| | November 30, 2014 | | | | |
|-------------|-------------------|---|---|---|-------------|
| | 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 | \$ 78 | \$ (64) | \$ 14 | \$ (14) | \$ — |
| Liabilities | \$ 342 | \$ (64) | \$ 278 | \$ (14) | \$ 264 |

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

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|-------------------------------|---------|-----------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| Net investment hedges | \$ 6 | \$ (1) | \$ 46 | \$ — |
| Foreign currency zero cost collars – cash flow hedges | \$ (10) | \$ (3) | \$ (48) | \$ (6) |
| Interest rate swaps – cash flow hedges | \$ 5 | \$ (10) | \$ 3 | \$ (14) |

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require interest-bearing, non-restricted cash to be posted or received as collateral to the extent the fuel derivative fair value payable to or receivable from an individual counterparty exceeds \$100 million. At May 31, 2015, we had \$11 million of collateral posted to one of our fuel derivative counterparties, which was all returned to us in June 2015 as the collateral posting was no longer required. At May 31, 2014, no collateral was required to be received from our fuel derivative counterparties. At November 30, 2014, 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. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of May 31, 2015 and November 30, 2014 and for the three and six months ended May 31, 2015 and 2014 where such impacts were not significant.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relates to the consumption of fuel on our ships. We use our fuel derivatives program to mitigate a portion of our economic risk attributable to potential fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity and our program currently consists of zero cost collars on Brent.

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

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

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|--|-------------------------------|-------|-----------------------------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| Unrealized gains (losses) on fuel derivatives, net | \$ 34 | \$ 10 | \$ (78) | \$ (7) |
| Realized (losses) gains on fuel derivatives | (47) | 1 | (103) | 1 |
| (Losses) gains on fuel derivatives, net | \$ (13) | \$ 11 | \$ (181) | \$ (6) |

At May 31, 2015, our outstanding fuel derivatives consisted of zero cost collars on Brent to cover a portion of our estimated fuel consumption as follows:

| <u>Maturities (a)</u> | <u>Transaction Dates</u> | <u>Barrels (in thousands)</u> | <u>Weighted- Average Floor Prices</u> | <u>Weighted- Average Ceiling Prices</u> | <u>Percent of Estimated Fuel Consumption Covered</u> |
|-----------------------|--------------------------|-----------------------------------|---|---|--|
| Fiscal 2015 (Q3-Q4) | | | | | |
| | November 2011 | 1,080 | \$ 80 | \$ 114 | |
| | February 2012 | 1,080 | \$ 80 | \$ 125 | |
| | June 2012 | 618 | \$ 74 | \$ 110 | |
| | April 2013 | 522 | \$ 80 | \$ 111 | |
| | May 2013 | 942 | \$ 80 | \$ 110 | |
| | October 2014 | 960 | \$ 79 | \$ 110 | |
| | | <u>5,202</u> | | | 50% |
| Fiscal 2016 | | | | | |
| | June 2012 | 3,564 | \$ 75 | \$ 108 | |
| | February 2013 | 2,160 | \$ 80 | \$ 120 | |
| | April 2013 | 3,000 | \$ 75 | \$ 115 | |
| | | <u>8,724</u> | | | 46% |
| Fiscal 2017 | | | | | |
| | February 2013 | 3,276 | \$ 80 | \$ 115 | |
| | April 2013 | 2,028 | \$ 75 | \$ 110 | |
| | January 2014 | 1,800 | \$ 75 | \$ 114 | |
| | October 2014 | 1,020 | \$ 80 | \$ 113 | |
| | | <u>8,124</u> | | | 43% |
| Fiscal 2018 | | | | | |
| | January 2014 | 2,700 | \$ 75 | \$ 110 | |
| | October 2014 | 3,000 | \$ 80 | \$ 114 | |
| | | <u>5,700</u> | | | 30% |

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

Foreign Currency Exchange Rate Risks

Overall Strategy

We manage our exposure to fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and nonderivative financial instruments. Our primary focus is to manage the economic foreign currency exchange risks faced by our operations, which are the ultimate foreign currency exchange risks that would be realized by us if we exchanged one currency for another, and not accounting risks. While we will continue to monitor our exposure to these economic risks, we do not currently hedge our foreign currency exchange risks with derivative or nonderivative financial instruments, with the exception of 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 European and Australian cruise brands generate significant revenues and incur significant expenses in their euro, sterling or Australian dollar functional currency, which subjects us to "foreign currency translational" risk related to these currencies. Accordingly, exchange rate fluctuations of the euro, sterling and Australian dollar against the U.S. dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for these cruise brands' revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Substantially all of our brands also have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and principally includes the euro, sterling and Australian, Canadian and U.S. dollars. In addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, we also have "foreign currency transactional" risks related to changes in the exchange rates for our brands' revenues and expenses that are in a currency other than their functional currency. However, these brands' revenues and expenses in non-functional currencies create some degree of natural offset from these currency exchange movements. In addition, we monitor this foreign currency transactional risk in order to measure its impact on our results of operations.

Investment Currency Risks

We consider our investments in foreign operations to be denominated in relatively stable currencies and of a long-term nature. We partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations' functional currencies, principally sterling. We have designated \$1.9 billion as of May 31, 2015 and \$2.4 billion as of November 30, 2014 of our foreign currency intercompany payables as nonderivative hedges of our net investments in foreign operations. Accordingly, we have included \$449 million at May 31, 2015 and \$359 million at November 30, 2014 of cumulative foreign currency transaction nonderivative gains in the cumulative translation adjustment component of AOCI, which offsets a portion of the losses recorded in AOCI upon translating our foreign operations' net assets into U.S. dollars. During the three and six months ended May 31, 2015 and 2014, we recognized foreign currency nonderivative transaction gains (losses) of \$18 million (\$1 million in 2014) and \$90 million (\$39 million in 2014), respectively, in the cumulative translation adjustment component of AOCI.

Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decisions regarding whether or not to hedge a non-functional currency ship commitment for our cruise brands are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts and have used nonderivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

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

In February 2015, we settled our foreign currency zero cost collars that were designated as cash flow hedges for the final euro-denominated shipyard payments of P&O Cruises (UK)'s *Britannia*, which resulted in \$33 million being recognized in other comprehensive loss during the three months ended February 28, 2015.

At May 31, 2015, our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of \$1.4 billion and substantially relates to a Carnival Cruise Line, Holland America Line and Seabourn newbuilds all scheduled to be delivered in 2018.

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

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our debt portfolio management and investment strategies. We evaluate our debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. At May 31, 2015 and November 30, 2014, 52% and 48% of our debt bore fixed and floating interest rates, respectively, including the effect of interest

rate swaps. In addition, to the extent that we have excess cash available for investment, we purchase high quality short-term investments with floating interest rates, which offset a portion of the impact of interest rate fluctuations arising from our floating interest rate debt portfolio.

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. Our maximum exposure under foreign currency and fuel derivative contracts and interest rate swap agreements that are in-the-money, which were not material at May 31, 2015, is the replacement cost, net of any collateral received or contractually allowed offset, in the event of nonperformance by the counterparties to the contracts, all of which are currently our lending banks. 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 normally conducting business with large, well-established financial institutions, insurance companies and export credit agencies, and by diversifying our counterparties. In addition, we have guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimize risk. We normally do require collateral and/or guarantees to support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards. We currently believe the risk of nonperformance by any of these significant counterparties is remote.

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

NOTE 5 – Segment Information

We have three reportable cruise segments that are comprised of our (1) North America cruise brands, (2) EAA cruise brands and (3) Cruise Support. In addition, we have a Tour and Other segment. Our segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker (“CODM”), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. Decisions to allocate resources and assess performance for Carnival Corporation & plc are made by the CODM upon review of the segment results across all of our cruise brands and other segments.

Our North America cruise segment includes Carnival Cruise Line, Holland America Line, Princess and Seabourn. Our EAA cruise segment includes AIDA, Costa Cruises, Cunard, P&O Cruises (Australia), P&O Cruises (UK) and prior to November 2014, the former Ibero. These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, maintenance requirements, supporting systems and processes and products and services they provide. Our Cruise Support segment represents certain of our port and related facilities and other services that are provided for the benefit of our cruise brands.

Our Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours. In 2014, our Tour and Other segment also included one ship that we chartered to an unaffiliated entity. In November 2014, we entered into a bareboat charter/sale agreement under which *Grand Holiday* was chartered to an unrelated entity in January 2015 through March 2025. Additionally, in December 2014, we entered into a bareboat charter/sale agreement under which *Costa Celebration* was chartered to an unrelated entity in December 2014 through August 2021, as amended. Under these agreements, ownership of *Grand Holiday* and *Costa Celebration* will be transferred to the buyer at the end of their lease term. Neither of these transactions met the criteria to qualify as a sales-type lease and, accordingly, they are being accounted for as operating leases whereby we recognize the charter revenue over the term of the agreements. Subsequent to entering into these agreements, our Tour and Other segment includes these three ships.

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

| | Three Months Ended May 31, | | | | |
|---------------------------------|----------------------------|------------------------------|----------------------------|-------------------------------|-------------------------|
| | Revenues | Operating costs and expenses | Selling and administrative | Depreciation and amortization | Operating income (loss) |
| 2015 | | | | | |
| North America Cruise Brands (a) | \$ 2,266 | \$ 1,534 | \$ 271 | \$ 251 | \$ 210 |
| EAA Cruise Brands | 1,279 | 849 | 171 | 138 | 121 |
| Cruise Support | 27 | 7 | 47 | 6 | (33) |
| Tour and Other (a) | 35 | 31 | 2 | 11 | (9) |
| Intersegment elimination (a) | (17) | (17) | — | — | — |
| | <u>\$ 3,590</u> | <u>\$ 2,404</u> | <u>\$ 491</u> | <u>\$ 406</u> | <u>\$ 289</u> |
| 2014 | | | | | |
| North America Cruise Brands (a) | \$ 2,166 | \$ 1,581 | \$ 280 | \$ 240 | \$ 65 |
| EAA Cruise Brands | 1,438 | 973 | 178 | 157 | 130 |
| Cruise Support | 12 | (1) | 44 | 5 | (36) |
| Tour and Other (a) | 30 | 32 | 2 | 8 | (12) |
| Intersegment elimination (a) | (13) | (13) | — | — | — |
| | <u>\$ 3,633</u> | <u>\$ 2,572</u> | <u>\$ 504</u> | <u>\$ 410</u> | <u>\$ 147</u> |
| Six Months Ended May 31, | | | | | |
| | Revenues | Operating costs and expenses | Selling and administrative | Depreciation and amortization | Operating income (loss) |
| | | | | | |
| 2015 | | | | | |
| North America Cruise Brands (a) | \$ 4,459 | \$ 2,911 | \$ 558 | \$ 497 | \$ 493 |
| EAA Cruise Brands | 2,582 | 1,792 | 349 | 276 | 165 |
| Cruise Support | 52 | 6 | 108 | 12 | (74) |
| Tour and Other (a) | 44 | 47 | 5 | 22 | (30) |
| Intersegment elimination (a) | (17) | (17) | — | — | — |
| | <u>\$ 7,120</u> | <u>\$ 4,739</u> | <u>\$ 1,020</u> | <u>\$ 807</u> | <u>\$ 554</u> |
| 2014 | | | | | |
| North America Cruise Brands (a) | \$ 4,286 | \$ 3,119 | \$ 577 | \$ 475 | \$ 115 |
| EAA Cruise Brands | 2,870 | 2,012 | 365 | 309 | 184 |
| Cruise Support | 37 | — | 79 | 14 | (56) |
| Tour and Other (a) | 38 | 46 | 4 | 17 | (29) |
| Intersegment elimination (a) | (13) | (13) | — | — | — |
| | <u>\$ 7,218</u> | <u>\$ 5,164</u> | <u>\$ 1,025</u> | <u>\$ 815</u> | <u>\$ 214</u> |

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

NOTE 6 – Earnings Per Share

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

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|-------------------------------|------|-----------------------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income for basic and diluted earnings per share | 222 | 98 | 271 | 78 |
| Weighted-average common and ordinary shares outstanding | 778 | 776 | 777 | 776 |
| Dilutive effect of equity plans | 2 | 2 | 3 | 2 |
| Diluted weighted-average shares outstanding | 780 | 778 | 780 | 778 |
| Basic and diluted earnings per share | 0.29 | 0.13 | 0.35 | 0.10 |
| Anti-dilutive equity awards excluded from diluted earnings per share computations | — | 3 | — | 3 |

SCHEDULE B

Cautionary Note Concerning Factors That May Affect Future Results

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

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

- general economic and business conditions;
- increases in fuel prices;
- incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and other incidents affecting the health, safety, security and satisfaction of guests and crew;
- the international political climate, armed conflicts, terrorist and pirate attacks, vessel seizures, and threats thereof, and other world events affecting the safety and security of travel;
- negative publicity concerning the cruise industry in general or us in particular, including any adverse environmental impacts of cruising;
- geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect;
- economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- changes in and compliance with laws and regulations relating to the protection of persons with disabilities, employment, environment, health, safety, security, tax and other regulations under which we operate;
- our inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations;
- increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;
- continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the prices for, the services and products provided by these vendors;

- disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- failure to keep pace with developments in technology;
- competition from and overcapacity in the cruise ship and land-based vacation industry;
- loss of key personnel or our ability to recruit or retain qualified personnel;
- union disputes and other employee relationship issues;
- disruptions in the global financial markets or other events that may negatively affect the ability of our counterparties and others to perform their obligations to us;
- the continued strength of our cruise brands and our ability to implement our strategies;
- additional risks to our international operations not generally applicable to our U.S. operations;
- our decisions to self-insure against various risks or our inability to obtain insurance for certain risks at reasonable rates;
- litigation, enforcement actions, fines or penalties;
- fluctuations in foreign currency exchange rates;
- whether our future operating cash flow will be sufficient to fund future obligations and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations;
- risks associated with our dual listed company arrangement;
- uncertainties of a foreign legal system as Carnival Corporation and Carnival plc are not U.S. corporations and
- the ability of a small group of shareholders to effectively control the outcome of shareholder voting.

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

Outlook

On June 23, 2015, we said that we expected our non-GAAP diluted earnings per share for the 2015 third quarter to be in the range of \$1.56 to \$1.60 and 2015 full year to be in the range of \$2.35 to \$2.50 (see “Key Performance Non-GAAP Financial Indicators”). Our guidance was based on the following assumptions:

| | <u>Third Quarter</u> | <u>Full Year 2015</u> |
|-----------------------------------|----------------------|-----------------------|
| Fuel cost per metric ton consumed | \$492 | \$444 |
| Currencies | | |
| U.S. dollar to €1 | \$1.13 | \$1.13 |
| U.S. dollar to £1 | \$1.54 | \$1.53 |
| U.S. dollar to Australian dollar | \$0.77 | \$0.78 |
| U.S. dollar to Canadian dollar | \$0.80 | \$0.81 |

The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions.

The above forward-looking statements involve risks, uncertainties and assumptions with respect to us. There are many factors that could cause our actual results to differ materially from those expressed above including, but not limited to, general economic and business conditions, increases in fuel prices, incidents, spread of contagious diseases, adverse weather conditions, geopolitical events, negative publicity and other factors that could adversely impact our revenues, costs and expenses. You should read the above forward-looking statements together with the discussion of these and other risks under “Cautionary Note Concerning Factors That May Affect Future Results.”

Critical Accounting Estimates

For a discussion of our critical accounting estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that is included in the 2014 Form 10-K.

Seasonality

Our revenues from the sale of passenger tickets are seasonal. Historically, demand for cruises has been greatest during our third quarter, which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher ticket prices and occupancy levels and, accordingly, the largest share of our operating income is earned during this period. The seasonality of our results also increases due to ships being taken out-of-service for maintenance, which we schedule during non-peak

demand periods. In addition, substantially all of Holland America Princess Alaska Tours' revenue and net income is generated from May through September in conjunction with the Alaska cruise season.

Statistical Information

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|-------------------------------|--------|-----------------------------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| Available lower berth days ("ALBDs") (in thousands) (a) (b) | 19,307 | 18,872 | 37,891 | 37,158 |
| Occupancy percentage (c) | 102.8 | 102.2 | 102.9 | 102.6 |
| Passengers carried (in thousands) | 2,608 | 2,551 | 5,071 | 4,960 |
| Fuel consumption in metric tons (in thousands) | 810 | 802 | 1,593 | 1,603 |
| Fuel consumption in metric tons per ALBD | 0.042 | 0.043 | 0.042 | 0.043 |
| Fuel cost per metric ton consumed | 411 | 657 | 408 | 655 |
| Currencies | | | | |
| U.S. dollar to €1 | 1.10 | 1.38 | 1.13 | 1.37 |
| U.S. dollar to £1 | 1.52 | 1.67 | 1.53 | 1.66 |
| U.S. dollar to Australian dollar | 0.78 | 0.92 | 0.79 | 0.91 |
| U.S. dollar to Canadian dollar | 0.81 | 0.91 | 0.81 | 0.91 |

(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) For the three months ended May 31, 2015 compared to the three months ended May 31, 2014, we had a 2.3% capacity increase in ALBDs comprised of a 6.2 % capacity increase in our EAA brands, while our North America brands' capacity was flat.

Our EAA brands' capacity increase was caused by:

- full quarter impact from one Costa 3,692-passenger capacity ship delivered in 2014 and
- full quarter impact from one P&O Cruises (UK) 3,647-passenger capacity ship delivered in 2015.

These increases were partially offset by the full quarter impact from the bareboat charter/sale of a Costa ship and a former Ibero ship.

Our North America brands' capacity was caused by the full quarter impact from one Princess 3,560-passenger capacity ship delivered in 2014, which was offset by more ship dry-dock days in 2015 compared to 2014.

For the six months ended May 31, 2015 compared to the six months ended May 31, 2014, we had a 2.0% capacity increase in ALBDs comprised of a 3.0% capacity increase in our EAA brands and a 1.3% capacity increase in our North America brands.

Our EAA brands' capacity increase was caused by:

- full period impact from one Costa 3,692-passenger capacity ship delivered in 2014 and
- partial period impact from one P&O Cruises (UK) 3,647-passenger capacity ship delivered in 2015.

These increases were partially offset by:

- full period impact from the bareboat charter/sale of a Costa ship and a former Ibero ship and
- more ship dry-dock days in 2015 compared to 2014.

Our North America brands' capacity increase was caused by the full period impact from one Princess 3,560-passenger capacity ship delivered in 2014, which was partially offset by more ship dry-dock days in 2015 compared to 2014.

(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.

Three Months Ended May 31, 2015 (“2015”) Compared to Three Months Ended May 31, 2014 (“2014”)

Revision of Prior Period Financial Statements

Management's discussion and analysis of the results of operations is based on the revised Consolidated Statement of Income for the three months ended May 31, 2014 (see "Note 1- General - Revision of Prior Period Financial Statements" in the consolidated financial statements for additional discussion).

Revenues

Consolidated

Cruise passenger ticket revenues made up 73% of our 2015 total revenues. Cruise passenger ticket revenues decreased by \$70 million, or 2.6%, to \$2.6 billion in 2015 from \$2.7 billion in 2014.

This decrease was caused by:

- \$207 million - foreign currency translational impact from a stronger U.S. dollar against the euro, sterling and the Australian dollar (“currency impact”) and
- \$13 million - decrease in air transportation revenues from guests who purchased their tickets from us.

These decreases were partially offset by:

- \$71 million - increase in cruise ticket pricing, driven primarily by improvements in Caribbean, Mediterranean and North European itineraries, partially offset by unfavorable foreign currency transactional impacts;
- \$62 million - 2.3% capacity increase in ALBDs and
- \$15 million - slight percentage point increase in occupancy.

The remaining 27% of 2015 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$22 million, or 2.4%, to \$927 million in 2015 from \$905 million in 2014.

This increase was caused by:

- \$49 million - higher onboard spending by our guests and
- \$21 million - 2.3% capacity increase in ALBDs.

These increases were partially offset by the currency impact, which accounted for \$48 million.

Onboard and other revenues included concession revenues that decreased by \$5 million, or 1.9%, to \$253 million in 2015 from \$258 million in 2014. This decrease was caused by the currency impact.

North America Brands

Cruise passenger ticket revenues made up 71% of our 2015 total revenues. Cruise passenger ticket revenues increased by \$61 million, or 4.0%, to \$1.6 billion in 2015 from \$1.5 billion in 2014. This increase was caused by our 3.2 percentage point increase in occupancy, which accounted for \$48 million, and an increase in cruise ticket pricing, which accounted for \$22 million. The increase in cruise ticket pricing was driven primarily by improvements in Caribbean itineraries, partially offset by unfavorable foreign currency transactional impacts.

The remaining 29% of 2015 total revenues were comprised of onboard and other cruise revenues, which increased by \$35 million, or 5.6%, to \$656 million in 2015 from \$621 million in 2014.

This increase was caused by:

- \$33 million - higher onboard spending by our guests and
- \$20 million - 3.2 percentage point increase in occupancy.

These increases were partially offset by lower third-party revenues, which accounted for \$17 million.

Onboard and other revenues included concession revenues that increased by \$6 million, or 3.5%, to \$177 million in 2015 from \$171 million in 2014.

EAA Brands

Cruise passenger ticket revenues made up 81% of our 2015 total revenues. Cruise passenger ticket revenues decreased by \$128 million, or 11%, to \$1.0 billion in 2015 from \$1.2 billion in 2014.

This decrease was caused by:

- \$207 million - currency impact and
- \$40 million - 3.5 percentage point decrease in occupancy.

These decreases were partially offset by:

- \$72 million - 6.2% capacity increase in ALBDs and
- \$51 million - increase in cruise ticket pricing, driven primarily by improvements in Mediterranean and North European itineraries.

The remaining 19% of 2015 total revenues were comprised of onboard and other cruise revenues, which decreased by \$31 million, or 12%, to \$238 million in 2015 from \$269 million in 2014.

This decrease was caused by:

- \$48 million - currency impact and
- \$9 million - 3.5 percentage point decrease in occupancy.

These decreases were partially offset by:

- \$17 million - 6.2% capacity increase in ALBDs and
- \$11 million - higher onboard spending by our guests.

Onboard and other revenues included concession revenues that decreased by \$12 million, or 14%, to \$76 million in 2015 from \$88 million in 2014. This decrease was caused by the currency impact.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by \$168 million, or 6.5%, to \$2.4 billion in 2015 from \$2.6 billion in 2014.

This decrease was caused by:

- \$199 million - lower fuel prices;
- \$149 million - currency impact and
- \$22 million - nonrecurrence of an impairment charge incurred in 2014 related to *Grand Celebration*.

These decreases were partially offset by:

- \$91 million - higher dry-dock expenses and other ship repair and maintenance expenses;
- \$59 million - 2.3% capacity increase in ALBDs;
- \$37 million - nonrecurrence of a gain from the sale of *Costa Voyager* recognized in 2014 and
- \$15 million - various other operating expenses, net.

Selling and administrative expenses decreased by \$13 million, or 2.6%, to \$491 million in 2015 from \$504 million in 2014.

Depreciation and amortization expenses decreased slightly by \$4 million, to \$406 million in 2015 from \$410 million in 2014.

Our total costs and expenses as a percentage of revenues decreased to 92% in 2015 from 96% in 2014.

North America Brands

Operating costs and expenses decreased by \$51 million, or 3.3%, to \$1.5 billion in 2015 from \$1.6 billion in 2014.

This decrease was caused by:

- \$127 million - lower fuel prices and
- \$25 million - various other operating expenses, net.

These decreases were partially offset by:

- \$85 million - higher dry-dock expenses and other ship repair and maintenance expenses and
- \$16 million - 3.2 percentage point increase in occupancy.

Our total costs and expenses as a percentage of revenues decreased to 91% in 2015 from 97% in 2014.

EAA Brands

Operating costs and expenses decreased by \$124 million, or 13%, to \$849 million in 2015 from \$1.0 billion in 2014.

This decrease was caused by:

- \$149 million - currency impact;
- \$72 million - lower fuel prices;
- \$22 million - nonrecurrence of an impairment charge incurred in 2014 related to *Grand Celebration* and
- \$13 million - 3.5 percentage point decrease in occupancy.

These decreases were partially offset by:

- \$60 million - 6.2% capacity increase in ALBDs;
- \$37 million - nonrecurrence of a gain from the sale of *Costa Voyager* recognized in 2014 and
- \$35 million - various other operating expenses, net.

Depreciation and amortization expenses decreased by \$19 million, or 12%, to \$138 million in 2015 from \$157 million in 2014.

Our total costs and expenses as a percentage of revenues remained at 91% in both 2015 and 2014.

Operating Income

Our consolidated operating income increased by \$142 million, or 97%, to \$289 million in 2015 from \$147 million in 2014. Our North America brands' operating income increased by \$145 million, or 223%, to \$210 million in 2015 from \$65 million in 2014, and our EAA brands' operating income decreased by \$9 million, or 6.9%, to \$121 million in 2015 from \$130 million in 2014. These changes were primarily due to the reasons discussed above.

Nonoperating Expense

Net interest expense decreased by \$15 million, or 21%, to \$57 million in 2015 from \$72 million in 2014.

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

| | Three Months Ended May 31, | |
|---|-------------------------------|-------|
| | 2015 | 2014 |
| Unrealized gains on fuel derivatives, net | \$ 34 | \$ 10 |
| Realized (losses) gains on fuel derivatives | (47) | 1 |
| (Losses) gains on fuel derivatives, net | \$ (13) | \$ 11 |

Key Performance Non-GAAP Financial Indicators

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

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

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

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

As a result of our revision of 2014 cruise ship operating expenses, our previously reported results changed as follows (in millions, except per ALBD data):

| | Three Months Ended May 31, 2014 | | Six Months Ended May 31, 2014 | |
|--|------------------------------------|---------------|----------------------------------|---------------|
| | As Previously Reported | As Revised | As Previously Reported | As Revised |
| Gross cruise costs per ALBD | \$160.80 | \$161.18 | \$164.89 | \$165.20 |
| Net cruise costs per ALBD | \$127.95 | \$128.33 | \$128.45 | \$128.77 |
| Net cruise costs excluding fuel per ALBD | \$100.00 | \$100.38 | \$100.18 | \$100.50 |
| U.S. GAAP net income | \$106 | \$98 | \$91 | \$78 |
| Non-GAAP net income | \$80 | \$73 | \$83 | \$70 |

In addition, because our EAA cruise brands utilize the euro, sterling and Australian dollar as their functional currency to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report these non-GAAP financial measures assuming the 2015 periods’ currency exchange rates have remained constant with the 2014 periods’ rates,

or on a “constant dollar basis,” in order to remove the impact of changes in exchange rates on the translation of our EAA brands. We believe that this is a useful measure since it facilitates a comparative view of the changes in our business in a fluctuating currency exchange rate environment.

Although our constant dollar basis measure removes the foreign currency translational impact as discussed above, it does not remove the foreign currency transactional impact from changes in exchange rates on our brands' revenues and expenses that are denominated in a currency other than their functional currency. Historically, the foreign currency transactional impact had not been significant when measuring the periodic changes in our results of operations. However, given the continuing expansion of our global business and the heightened volatility in foreign currency exchange rates, we believe the foreign currency transactional impact is more significant in measuring our 2015 results compared to 2014, than in previous years. Together, the foreign currency translational and transactional impacts discussed above are referred to as on the “constant currency basis.” See “Quantitative and Qualitative Disclosures About Market Risk” for a further discussion of the 2015 impact of currency exchange rate changes.

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 non-GAAP net income and non-GAAP earnings per share excluding these unrealized gains and losses.

We have not included in our earnings guidance the impact of unrealized gains and losses on fuel derivatives because these unrealized amounts involve a significant amount of uncertainty, and we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on a non-GAAP basis only. As a result, we did not present a reconciliation between forecasted non-GAAP diluted earnings per share guidance and forecasted U.S. GAAP diluted earnings per share guidance, since we do not believe that the reconciliation information would be meaningful. However, we do forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. 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. There are no specific rules for determining our non-GAAP current and constant dollar financial measures and, accordingly, they are susceptible to varying calculations, and it is possible that they 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.

Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues by ALBDs as follows (dollars in millions, except yields):

| | Three Months Ended May 31, | | |
|---|-----------------------------------|-------------------------------------|-------------------|
| | 2015 | 2015 Constant Dollar | 2014 |
| Passenger ticket revenues | \$ 2,628 | \$ 2,835 | \$ 2,698 |
| Onboard and other revenues | 927 | 976 | 905 |
| Gross cruise revenues | 3,555 | 3,811 | 3,603 |
| Less cruise costs | | | |
| Commissions, transportation and other | (481) | (530) | (520) |
| Onboard and other | (114) | (121) | (115) |
| | <u>(595)</u> | <u>(651)</u> | <u>(635)</u> |
| Net passenger ticket revenues | 2,147 | 2,305 | 2,178 |
| Net onboard and other revenues | 813 | 855 | 790 |
| Net cruise revenues | \$ 2,960 | \$ 3,160 | \$ 2,968 |
| ALBDs | 19,306,832 | 19,306,832 | 18,872,035 |
| Gross revenue yields | \$ 184.15 | \$ 197.38 | \$ 190.92 |
| % (decrease) increase vs. 2014 | (3.5)% | 3.4% | |
| Net revenue yields | \$ 153.29 | \$ 163.66 | \$ 157.27 |
| % (decrease) increase vs. 2014 | (2.5)% | 4.1% | |
| Net passenger ticket revenue yields | \$ 111.20 | \$ 119.41 | \$ 115.40 |
| % (decrease) increase vs. 2014 | (3.6)% | 3.5% | |
| Net onboard and other revenue yields | \$ 42.09 | \$ 44.25 | \$ 41.87 |
| % increase vs. 2014 | 0.5 % | 5.7% | |

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

| | Three Months Ended May 31, | | |
|---|-----------------------------------|-------------------------------------|-------------------|
| | 2015 | 2015 Constant Dollar | 2014 |
| Cruise operating expenses | \$ 2,373 | \$ 2,523 | \$ 2,540 |
| Cruise selling and administrative expenses | 489 | 524 | 502 |
| Gross cruise costs | 2,862 | 3,047 | 3,042 |
| Less cruise costs included above | | | |
| Commissions, transportation and other | (481) | (530) | (520) |
| Onboard and other | (114) | (121) | (115) |
| Gains on ship sales and ship impairment, net | 2 | 2 | 15 |
| Restructuring expenses | (7) | (8) | — |
| Net cruise costs | 2,262 | 2,390 | 2,422 |
| Less fuel | (333) | (333) | (527) |
| Net cruise costs excluding fuel | \$ 1,929 | \$ 2,057 | \$ 1,895 |
| ALBDs | 19,306,832 | 19,306,832 | 18,872,035 |
| Gross cruise costs per ALBD | \$ 148.22 | \$ 157.78 | \$ 161.18 |
| % decrease vs. 2014 | (8.0)% | (2.1)% | |
| Net cruise costs per ALBD | \$ 117.11 | \$ 123.73 | \$ 128.33 |
| % decrease vs. 2014 | (8.7)% | (3.6)% | |
| Net cruise costs excluding fuel per ALBD | \$ 99.88 | \$ 106.50 | \$ 100.38 |
| % (decrease) increase vs. 2014 | (0.5)% | 6.1 % | |

Non-GAAP diluted earnings per share was computed as follows (in millions, except per share data):

| | Three Months Ended | |
|--|---------------------------|----------------|
| | May 31, | |
| | 2015 | 2014 |
| Net income - diluted | | |
| U.S. GAAP net income | \$ 222 | \$ 98 |
| (Gains) on ship sales and ship impairment, net | (2) | (15) (a) |
| Restructuring expenses | 7 | — |
| Unrealized gains on fuel derivatives, net | (34) | (10) |
| Non-GAAP net income | \$ 193 | \$ 73 |
| Weighted-average shares outstanding - diluted | 780 | 778 |
| Earnings per share - diluted | | |
| U.S. GAAP earnings per share | \$ 0.29 | \$ 0.13 |
| (Gains) on ship sales and ship impairment, net | — | (0.02) (a) |
| Restructuring expenses | 0.01 | — |
| Unrealized gains on fuel derivatives, net | (0.05) | (0.02) |
| Non-GAAP earnings per share | \$ 0.25 | \$ 0.09 |

(a) Represents a \$37 million gain from the sale of *Costa Voyager*, partially offset by an impairment charge of \$22 million related to *Grand Celebration*.

Net cruise revenues decreased slightly by \$8 million and remained at \$3.0 billion in 2015 and 2014. The slight decrease was caused by the currency impact, which accounted for \$200 million.

This decrease in net cruise revenues was partially offset by:

- \$123 million - 4.1% increase in constant dollar net revenue yields and
- \$68 million - 2.3% capacity increase in ALBDs.

The 4.1% increase in net revenue yields on a constant dollar basis was due to a 3.5% increase in net passenger ticket revenue yields and a 5.7% increase in net onboard and other revenue yields.

The 3.5% increase in net passenger ticket revenue yields was caused by a 5.0% increase from our North America brands and a 1.2% increase from our EAA brands. The increase in net passenger ticket revenue yields was driven primarily by improvements in Caribbean, Mediterranean and North European itineraries, partially offset by unfavorable foreign currency transactional impacts.

The 5.7% increase in net onboard and other revenue yields was substantially all due to our North America brands.

Gross cruise revenues decreased by \$48 million, or 1.3%, and remained at \$3.6 billion in 2015 and 2014 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$34 million, or 1.8%, and remained at \$1.9 billion in both 2015 and 2014.

This increase was caused by:

- \$118 million - 6.1% increase in constant dollar net cruise costs excluding fuel per ALBD and
- \$44 million - 2.3% capacity increase in ALBDs.

These increases in net cruise costs excluding fuel were partially offset by the currency impact, which accounted for \$128 million.

The 6.1% increase in constant dollar net cruise costs excluding fuel per ALBD was caused by:

- \$91 million - higher dry-dock expenses and other ship repair and maintenance expenses and
- \$27 million - various other expenses, net.

Fuel costs decreased by \$194 million, or 37%, to \$333 million in 2015 from \$527 million in 2014. This was substantially due to lower fuel prices, which accounted for \$199 million, partially offset by our 2.3% capacity increase in ALBDs, which accounted for \$12 million.

Gross cruise costs decreased by \$180 million, or 5.9%, to \$2.9 billion in 2015 from \$3.0 billion in 2014 for principally the same reasons as discussed above.

Six Months Ended May 31, 2015 (“2015”) Compared to Six Months Ended May 31, 2014 (“2014”)

Revision of Prior Period Financial Statements

Management's discussion and analysis of the results of operations is based on the revised Consolidated Statement of Income for the six months ended May 31, 2014 (see "Note 1- General - Revision of Prior Period Financial Statements" in the consolidated financial statements for additional discussion).

Revenues

Consolidated

Cruise passenger ticket revenues made up 74% of our 2015 total revenues. Cruise passenger ticket revenues decreased by \$165 million, or 3.0%, to \$5.3 billion in 2015 from \$5.4 billion in 2014. This decrease was caused by the currency impact, which accounted for \$349 million.

This decrease was partially offset by:

- \$107 million - 2.0% capacity increase in ALBDs;
- \$55 million - increase in cruise ticket pricing, driven primarily by improvements in Caribbean, Mediterranean and North European itineraries, partially offset by unfavorable foreign currency transactional impacts and
- \$19 million - slight percentage point increase in occupancy.

The remaining 26% of 2015 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$61 million, or 3.5%, and remained at \$1.8 billion in both 2015 and 2014.

This increase was caused by:

- \$105 million - higher onboard spending by our guests and
- \$35 million - 2.0% capacity increase in ALBDs.

These increases were partially offset by the currency impact, which accounted for \$81 million.

Onboard and other revenues included concession revenues that decreased by \$10 million, or 2.0%, to \$489 million in 2015 from \$499 million in 2014. This decrease was caused by the currency impact.

North America Brands

Cruise passenger ticket revenues made up 71% of our 2015 total revenues. Cruise passenger ticket revenues increased by \$83 million, or 2.7%, to \$3.2 billion in 2015 and \$3.1 billion in 2014.

This increase was caused by:

- \$44 million - 1.5 percentage point increase in occupancy;
- \$41 million - 1.3% capacity increase in ALBDs and
- \$8 million - increase in cruise ticket pricing, driven primarily by improvements in Caribbean itineraries, partially offset by unfavorable foreign currency transactional impacts.

The remaining 29% of 2015 total revenues were comprised of onboard and other cruise revenues, which increased by \$86 million, or 7.3%, to \$1.3 billion in 2015 from \$1.2 billion in 2014.

This increase was caused by:

- \$70 million - higher onboard spending by our guests;
- \$17 million - 1.5 percentage point increase in occupancy and

- \$16 million - 1.3% capacity increase in ALBDs.

These increases were partially offset by lower third-party revenues, which accounted for \$16 million.

Onboard and other revenues included concession revenues that increased by \$10 million, or 3.0%, to \$339 million in 2015 from \$329 million in 2014.

EAA Brands

Cruise passenger ticket revenues made up 81% of our 2015 total revenues. Cruise passenger ticket revenues decreased by \$244 million, or 10%, to \$2.1 billion in 2015 from \$2.3 billion in 2014.

This decrease was caused by:

- \$349 million - currency impact and
- \$33 million - 1.4 percentage point decrease in occupancy.

These decreases were partially offset by:

- \$71 million - 3.0% capacity increase in ALBDs and
- \$51 million - increase in cruise ticket pricing, driven primarily by improvements in Mediterranean and North European itineraries.

The remaining 19% of 2015 total revenues were comprised of onboard and other cruise revenues, which decreased by \$45 million, or 8.6%, to \$480 million in 2015 from \$525 million in 2014. This decrease was caused by the currency impact, which accounted for \$81 million.

This decrease was partially offset by:

- \$29 million - higher onboard spending by our guests and
- \$16 million - 3.0% capacity increase in ALBDs.

Onboard and other revenues included concession revenues that decreased by \$20 million, or 12%, to \$150 million in 2015 from \$170 million in 2014. This decrease was caused by the currency impact.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by \$425 million, or 8.2%, to \$4.7 billion in 2015 from \$5.2 billion in 2014.

This decrease was caused by:

- \$394 million - lower fuel prices;
- \$259 million - currency impact;
- \$27 million - lower fuel consumption per ALBD;
- \$22 million - nonrecurrence of an impairment charge incurred in 2014 related to *Grand Celebration* and
- \$20 million - gain on a litigation settlement.

These decreases were partially offset by:

- \$101 million - 2.0% capacity increase in ALBDs;
- \$101 million - higher dry-dock expenses;
- \$37 million - nonrecurrence of a gain from the sale of *Costa Voyager* recognized in 2014 and
- \$58 million - various other operating expenses, net.

Selling and administrative expenses decreased slightly by \$5 million, and remained at \$1.0 billion in both 2015 and 2014.

Depreciation and amortization expenses decreased slightly by \$8 million to \$807 million in 2015 from \$815 million in 2014.

Our total costs and expenses as a percentage of revenues decreased to 92% in 2015 from 97% in 2014.

North America Brands

Operating costs and expenses decreased by \$212 million, or 6.8%, to \$2.9 billion in 2015 from \$3.1 billion in 2014.

This decrease was caused by:

- \$257 million - lower fuel prices;
 - \$19 million - gain on a litigation settlement;
 - \$18 million - lower fuel consumption per ALBD and
 - \$36 million - various other operating expenses, net.
- These decreases were partially offset by:
- \$62 million - higher dry-dock expenses;
 - \$41 million - 1.3% capacity increase in ALBDs and
 - \$15 million - 1.5 percentage point increase in occupancy.

Our total costs and expenses as a percentage of revenues decreased to 89% in 2015 from 97% in 2014.

EAA Brands

Operating costs and expenses decreased by \$220 million, or 11%, to \$1.8 billion in 2015 from \$2.0 billion in 2014.

This decrease was caused by:

- \$259 million - currency impact;
- \$136 million - lower fuel prices and
- \$22 million - nonrecurrence of an impairment charge incurred in 2014 related to *Grand Celebration*.

These decreases were partially offset by:

- \$61 million - 3.0% capacity increase in ALBDs;
- \$39 million - higher dry-dock expenses;
- \$37 million - nonrecurrence of a gain from the sale of *Costa Voyager* recognized in 2014;
- \$31 million - increases in commissions, transportation and other related expenses and
- \$29 million - various other operating expenses, net.

Depreciation and amortization expenses decreased by \$33 million, or 11%, to \$276 million in 2015 from \$309 million in 2014. This decrease was caused by the currency impact, which accounted for \$46 million, partially offset by a 3% capacity increase in ALBDs, which accounted for \$9 million.

Our total costs and expenses as a percentage of revenues remained at 94% in both 2015 and 2014.

Operating Income

Our consolidated operating income increased by \$340 million, or 159%, to \$554 million in 2015 from \$214 million in 2014. Our North America brands' operating income increased by \$378 million, or 329%, to \$493 million in 2015 from \$115 million in 2014, and our EAA brands' operating income decreased by \$19 million, or 10%, to \$165 million in 2015 from \$184 million in 2014. These changes were primarily due to the reasons discussed above.

Nonoperating Expense

Net interest expense decreased by \$29 million, or 20%, to \$114 million in 2015 from \$143 million in 2014.

Losses on fuel derivatives, net were comprised of the following:

| | Six Months Ended | |
|--|------------------|---------------|
| | May 31, | |
| | 2015 | 2014 |
| Unrealized (losses) on fuel derivatives, net | \$ (78) | \$ (7) |
| Realized (losses) gains on fuel derivatives | (103) | 1 |
| Losses on fuel derivatives, net | <u>\$ (181)</u> | <u>\$ (6)</u> |

Key Performance Non-GAAP Financial Indicators

Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues by ALBDs as follows (dollars in millions, except yields):

| | Six Months Ended May 31, | | |
|---|--------------------------|-------------------------|-------------------|
| | 2015 | 2015 Constant Dollar | 2014 |
| Passenger ticket revenues | \$ 5,260 | \$ 5,609 | \$ 5,425 |
| Onboard and other revenues | 1,816 | 1,897 | 1,755 |
| Gross cruise revenues | 7,076 | 7,506 | 7,180 |
| Less cruise costs | | | |
| Commissions, transportation and other | (1,067) | (1,162) | (1,141) |
| Onboard and other | (225) | (236) | (228) |
| | <u>(1,292)</u> | <u>(1,398)</u> | <u>(1,369)</u> |
| Net passenger ticket revenues | 4,193 | 4,447 | 4,284 |
| Net onboard and other revenues | 1,591 | 1,661 | 1,527 |
| Net cruise revenues | \$ 5,784 | \$ 6,108 | \$ 5,811 |
| ALBDs | 37,890,712 | 37,890,712 | 37,158,340 |
| Gross revenue yields | \$ 186.76 | \$ 198.11 | \$ 193.23 |
| % (decrease) increase vs. 2014 | (3.3)% | 2.5% | |
| Net revenue yields | \$ 152.65 | \$ 161.20 | \$ 156.39 |
| % (decrease) increase vs. 2014 | (2.4)% | 3.1% | |
| Net passenger ticket revenue yields | \$ 110.66 | \$ 117.36 | \$ 115.29 |
| % (decrease) increase vs. 2014 | (4.0)% | 1.8% | |
| Net onboard and other revenue yields | \$ 41.99 | \$ 43.83 | \$ 41.10 |
| % increase vs. 2014 | 2.2 % | 6.7% | |

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

| | <u>Six Months Ended May 31,</u> | | |
|---|---------------------------------|-----------------------------|-------------------|
| | <u>2015</u> | <u>2015 Constant Dollar</u> | <u>2014</u> |
| Cruise operating expenses | \$ 4,692 | \$ 4,951 | \$ 5,118 |
| Cruise selling and administrative expenses | 1,016 | 1,074 | 1,021 |
| Gross cruise costs | 5,708 | 6,025 | 6,139 |
| Less cruise costs included above | | | |
| Commissions, transportation and other | (1,067) | (1,162) | (1,141) |
| Onboard and other | (225) | (236) | (228) |
| Gains on ship sales and ship impairment, net | 4 | 4 | 15 |
| Restructuring expenses | (7) | (9) | — |
| Net cruise costs | 4,413 | 4,622 | 4,785 |
| Less fuel | (650) | (650) | (1,050) |
| Net cruise costs excluding fuel | \$ 3,763 | \$ 3,972 | \$ 3,735 |
| ALBDs | 37,890,712 | 37,890,712 | 37,158,340 |
| Gross cruise costs per ALBD | \$ 150.64 | \$ 159.01 | \$ 165.20 |
| % decrease vs. 2014 | (8.8)% | (3.7)% | |
| Net cruise costs per ALBD | \$ 116.45 | \$ 121.98 | \$ 128.77 |
| % decrease vs. 2014 | (9.6)% | (5.3)% | |
| Net cruise costs excluding fuel per ALBD | \$ 99.28 | \$ 104.81 | \$ 100.50 |
| %(decrease) increase vs. 2014 | (1.2)% | 4.3 % | |

Non-GAAP fully diluted earnings per share was computed as follows (in millions, except per share data):

| | <u>Six Months Ended May 31,</u> | |
|--|---------------------------------|----------------|
| | <u>2015</u> | <u>2014</u> |
| Net income - diluted | | |
| U.S. GAAP net income | \$ 271 | \$ 78 |
| (Gains) on ship sales and ship impairment, net | (4) | (15) (a) |
| Restructuring expenses | 7 | — |
| Unrealized losses on fuel derivatives, net | 78 | 7 |
| Non-GAAP net income | \$ 352 | \$ 70 |
| Weighted-average shares outstanding - diluted | 780 | 778 |
| Earnings per share - diluted | | |
| U.S. GAAP earnings per share | \$ 0.35 | \$ 0.10 |
| (Gains) on ship sales and ship impairment, net | (0.01) | (0.02) (a) |
| Restructuring expenses | 0.01 | — |
| Unrealized losses on fuel derivatives, net | 0.10 | 0.01 |
| Non-GAAP earnings per share | \$ 0.45 | \$ 0.09 |

(a) Represents a \$37 million gain from the sale of *Costa Voyager*, partially offset by an impairment charge of \$22 million related to *Grand Celebration*.

Net cruise revenues decreased slightly by \$27 million, and remained at \$5.8 billion in both 2015 and 2014. The slight decrease was caused by the currency impact, which accounted for \$324 million.

This decrease in net cruise revenues was partially offset by:

- \$182 million - 3.1% increase in constant dollar net revenue yields and
- \$115 million - 2.0% capacity increase in ALBDs.

The 3.1% increase in net revenue yields on a constant dollar basis was due to a 6.7% increase in net onboard and other revenue yields and a 1.8% increase in net passenger ticket revenue yields.

The 6.7% increase in net onboard and other revenue yields was caused by a 6.4% increase from our North America brands and a 4.0% increase from our EAA brands.

The 1.8% increase in net passenger ticket revenue yields was caused by a 2.6% increase from our North America brands and a slight increase from our EAA brands. The increase in net passenger ticket revenue yields was driven primarily by improvements in Caribbean, Mediterranean and North European itineraries, partially offset by unfavorable foreign currency transactional impacts.

Gross cruise revenues decreased by \$104 million, or 1.4%, to \$7.1 billion in 2015 from \$7.2 billion in 2014 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased slightly by \$28 million to \$3.8 billion in 2015 from \$3.7 billion in 2014.

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

- \$163 million - 4.3% increase in constant dollar net cruise costs excluding fuel per ALBD and
- \$74 million - 2.0% capacity increase in ALBDs.

These increases in net cruise costs excluding fuel were partially offset by the currency impact, which accounted for \$209 million.

The 4.3% increase in constant dollar net cruise costs excluding fuel per ALBD was primarily due to higher dry-dock expenses, which accounted for \$101 million.

Fuel costs decreased by \$400 million, or 38%, to \$650 million in 2015 from \$1.0 billion in 2014.

This decrease was caused by:

- \$394 million - lower fuel prices and
- \$27 million - lower fuel consumption per ALBD.

These decreases in fuel costs were partially offset by our 2.0% capacity increase in ALBDs, which accounted for \$21 million.

Gross cruise costs decreased by \$431 million, or 7.0%, to \$5.7 billion in 2015 from \$6.1 billion in 2014 for principally the same reasons as discussed above.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital ("ROIC"), reaching double digit returns in the next three to four years, while maintaining a strong balance sheet. (We define ROIC as the twelve month non-GAAP earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress). Our ability to generate significant operating cash flows allows us to internally fund our capital investments. Our goal is to return excess free cash flows to our shareholders in the form of additional dividends and/or share buybacks. In addition, we are committed to maintaining our strong investment grade credit ratings, which are among the highest in the leisure travel industry. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several

years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability in most financial credit market environments to obtain debt financing, as needed. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, those noted under “Cautionary Note Concerning Factors That May Affect Future Results.” If our long-term senior unsecured credit ratings were to be downgraded or assigned a negative outlook, our access to and cost of debt financing may be negatively impacted.

At May 31, 2015, we had a working capital deficit of \$6.2 billion. This deficit included \$3.9 billion of current customer deposits, which represent the passenger revenues already collected for cruises departing over the next twelve months and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our May 31, 2015 working capital deficit also included \$1.6 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our May 31, 2015 working capital deficit balance, our non-GAAP adjusted working capital deficit was \$676 million. Our business model, along with our strong balance sheet and unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future.

At November 30, 2014, the U.S. dollar was \$1.56 to sterling, \$1.25 to the euro and \$0.85 to the Australian dollar. Had these November 30, 2014 currency exchange rates been used to translate our May 31, 2015 non-U.S. dollar functional currency operations’ assets and liabilities instead of the May 31, 2015 U.S. dollar exchange rates of \$1.53 to sterling, \$1.10 to the euro and \$0.76 to the Australian dollar, our total assets would have been higher by \$1.4 billion and our total liabilities would have been higher by \$725 million.

Sources and Uses of Cash

Operating Activities

Our business provided \$2.3 billion of net cash from operations during the six months ended May 31, 2015, an increase of \$613 million, or 37%, compared to \$1.7 billion for the same period in 2014. This increase was caused by more cash being provided from our operating results and an increase in customer deposits, partially offset by more cash being used for our other working capital needs.

Investing Activities

During the six months ended May 31, 2015, net cash used in investing activities was \$1.4 billion. This was caused by our expenditures for capital projects, of which \$685 million was spent on our ongoing new shipbuilding program, primarily for P&O Cruises (UK)’s *Britannia*. In addition to our new shipbuilding program, we had capital expenditures of \$585 million for ship improvements and replacements and \$110 million for information technology, buildings and improvements and other assets. Furthermore, during the six months ended May 31, 2015 we received cash installments of \$25 million from the sales of *Ocean Princess*, *Seabourn Legend* and *Seabourn Spirit*. Finally, we paid \$95 million of fuel derivative settlements.

During the six months ended May 31, 2014, net cash used in investing activities was \$1.3 billion. This was caused by our expenditures for capital projects, of which \$782 million was spent on our ongoing new shipbuilding program, principally for *Regal Princess*. In addition to our new shipbuilding program, we had capital expenditures of \$398 million for ship improvements and replacements and \$150 million for information technology, buildings and improvements and other assets. Furthermore, during the six months ended May 31, 2014, we sold *Costa Voyager* and received \$42 million in cash proceeds.

Financing Activities

During the six months ended May 31, 2015, net cash used in financing activities of \$861 million was substantially due to the following:

- repaid a net \$357 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$584 million of long-term debt;

- borrowed \$472 million of long-term debt under an export credit facility and
- paid cash dividends of \$388 million.

During the six months ended May 31, 2014, net cash used in financing activities of \$519 million was substantially due to the following:

- borrowed a net \$448 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$1.4 billion of long-term debt, including early repayments of \$339 million of two bank loans and \$409 million of two export credit facilities;
- borrowed \$829 million of new long-term debt under an export credit facility and a bank loan and
- paid cash dividends of \$388 million.

Future Commitments and Funding Sources

Our contractual cash obligations as of May 31, 2015 have changed compared to November 30, 2014 primarily as a result of our debt borrowings and repayments and new ship payments as noted above under “Sources and Uses of Cash.”

The year-over-year percentage increase in our capacity is expected to be 0.6% for the third quarter of 2015 and 3.3% for the fourth quarter of 2015. The year-over-year percentage increase in our annual capacity is currently expected to be 2.0% in 2015, 3.7% in 2016, 3.5% in 2017 and 2.0% in 2018. These percentage increases are expected to result primarily from contracted new ships entering service. These increases are partially offset by *Seabourn Pride* (April 2014), *Costa Celebration* (December 2014), *Grand Holiday* (January 2015), *Seabourn Legend* (April 2015) and *Seabourn Spirit* (May 2015) having left the fleet and *Ocean Princess* leaving the fleet in March 2016.

At May 31, 2015, we had liquidity of \$4.9 billion. Our liquidity consisted of \$60 million of cash and cash equivalents, which excludes \$238 million of cash used for current operations, \$2.5 billion available for borrowing under our revolving credit facilities, net of our commercial paper borrowings, and \$2.4 billion under our committed future financings, which are comprised of ship export credit facilities. Of this \$2.4 billion, \$0.4 billion is scheduled to be funded in 2015, \$1.5 billion in 2016 and \$0.5 billion in 2017. At May 31, 2015, our revolving credit facilities are scheduled to mature in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants as described in Note 5 - “Unsecured Debt” in the annual consolidated financial statements, which is included within our 2014 Form 10-K. At May 31, 2015, we believe 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.

Strategic Memorandums of Agreement

On March 26, 2015, we signed two long-term strategic Memorandums of Agreement (“MOAs”) with Italian shipbuilder, Fincantieri S.p.A., and German shipbuilder, Meyer Werft, that will add a total of nine new cruise ships to our fleet over a four-year period from 2019 through 2022. These MOAs are consistent with our long-term strategy of measured capacity growth over time and are subject to several conditions, including obtaining satisfactory financing.

Pursuant to one of our MOAs discussed above, on June 15, 2015 we signed a multi-billion dollar contract with Meyer Werft to build four next-generation cruise ships to be delivered between 2019 and 2020, each with more than 5,000 lower berths and at a cost per lower berth in line with our existing order book of newbuilds.

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 fuel derivatives, hedging strategies and market risks, see the discussion below and “Note 4 - Fair Value Measurements, Derivative Instruments and Hedging Activities” in the consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations within our 2014 Form 10-K.

Foreign Currency Exchange Rate Risks

At May 31, 2015 62% and 38% (67% and 33% at November 30, 2014) of our debt was U.S. dollar- and euro-denominated, respectively, including the effect of foreign currency swaps.

During the three months ended February 28, 2015, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of a Princess newbuild's and *Seabourn Encore's* euro-denominated shipyard payments. The Princess newbuild’s collars mature in March 2017 at a weighted-average ceiling of \$590 million and a weighted-average floor of \$504 million. The *Seabourn Encore's* collars mature in November 2016 at a weighted-average ceiling of \$221 million and a weighted-average floor of \$185 million. If the spot rate is between the weighted-average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

During the three months ended May 31, 2015, we entered into foreign currency swaps totaling \$401 million that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. These foreign currency swaps settle through September 2019.

We have foreign operations that have functional currencies other than the U.S. dollar, which result in foreign currency translational impacts. Our operations execute transactions in a number of currencies different than their functional currencies, principally the euro, sterling and Australian, Canadian and U.S. dollars, which result in foreign currency transactional impacts. Based on a 10% hypothetical change in all currency exchange rates that were used in our 2015 June guidance, we estimate (including both the foreign currency translational and transactional impacts) that our non-GAAP diluted earnings per share 2015 June guidance would change by the following:

- \$0.25 per share on an annualized basis;
- \$0.18 per share for the remaining two quarters and
- \$0.12 per share for the third quarter.

Fuel Price Risks

At May 31, 2015, the estimated fair value of our outstanding fuel derivative contracts was a \$305 million liability.

SCHEDULE C

Unregistered Sales of Equity Securities and Use of Proceeds.

A. Repurchase Authorizations

Our Boards of Directors have authorized, subject to certain restrictions, the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the “Repurchase Program”). The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time. During the six months ended May 31, 2015, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program has been \$975 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs described below. At June 23, 2015, the

remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2016 annual general meeting or July 13, 2016. Depending on market conditions and other factors, we may purchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently.

B. Stock Swap Programs

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

In the event that Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell shares of Carnival Corporation common stock through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in October 2008, Carnival Corporation was authorized to issue and sell up to 19.2 million shares of its common stock in the U.S. market and had 18.1 million shares remaining at June 23, 2015. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act of 1933.

In the event that Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Corporation or Carnival Investments Limited, a subsidiary of Carnival Corporation, through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in January 2013, Carnival Corporation or Carnival Investments Limited was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and had 32.0 million shares remaining at June 23, 2015. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

During the six months ended May 31, 2015, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap programs.

Change in UK Tax Law

The following information is provided to update the prospectus of Carnival plc dated January 31, 2013 (the "Carnival plc Prospectus"), related to the Stock Swap programs, for a change in UK tax law.

The government of the UK introduced a new statutory residence test effective from April 6, 2013, which replaced the existing rules on residence and abolished the concept of ordinary residence.

Under the current rules, a U.S. Holder who is an individual and who is not resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of our shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency in connection with which our shares are used, held or acquired.

A U.S. Holder who is an individual, who has ceased to be resident for tax purposes in the UK or is treated as resident outside the UK for purposes of the double tax treaty ("Treaty non-resident") for a period of five years or less (or, for departures before April 6, 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five years) and who disposes of all or part of his shares during that period may be liable for capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

As used in the preceding paragraphs, the term "U.S. Holder" has the meaning given to it in the Carnival plc Prospectus.

SCHEDULE D

CARNIVAL PLC
INTERIM CONDENSED GROUP STATEMENTS OF INCOME
(UNAUDITED)

(in millions, except per share data)

| | Six Months Ended May 31, | |
|---|---------------------------------|-------------------|
| | 2015 | 2014 |
| | | (restated) |
| | | (See Note 2) |
| Revenues | | |
| Cruise | | |
| Passenger tickets | \$ 2,450 | \$ 2,605 |
| Onboard and other | 620 | 614 |
| Tour and other | 44 | 38 |
| | 3,114 | 3,257 |
| Operating Costs and Expenses | | |
| Cruise | | |
| Commissions, transportation and other | 595 | 639 |
| Onboard and other | 96 | 94 |
| Payroll and related | 349 | 367 |
| Fuel | 280 | 417 |
| Food | 182 | 191 |
| Other ship operating | 773 | 661 |
| Tour and other | 48 | 46 |
| | 2,323 | 2,415 |
| Selling and administrative | 383 | 409 |
| Depreciation and amortisation | 306 | 335 |
| Gain on ship sale and ship impairment, net | - | (15) |
| | 3,012 | 3,144 |
| Operating Income | 102 | 113 |
| Nonoperating (Expense) Income | | |
| Interest income | 1 | 2 |
| Interest expense, net of capitalised interest | (29) | (37) |
| Other (expense) income, net | (2) | 3 |
| | (30) | (32) |
| Income Before Income Taxes | 72 | 81 |
| Income Tax Expense, Net | (4) | (1) |
| Net Income | \$ 68 | \$ 80 |
| Earnings Per Share | | |
| Basic | \$ 0.31 | \$ 0.37 |
| Diluted | \$ 0.31 | \$ 0.37 |
| Weighted-Average Shares Outstanding | | |
| Basic | 216 | 216 |
| Diluted | 217 | 216 |

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc ("dual listed company ("DLC") Financial Statements"), which are included within the attached Schedule A (see Note 1). For information, set out below is the U.S. GAAP and Non-GAAP consolidated earnings per share included within the DLC Financial Statements and MD&A sections, within the attached Schedule B, of this Interim Financial Report, respectively, for the six months ended May 31:

| | 2015 | 2014 |
|--|-------------|-------------|
| DLC U.S. GAAP basic earnings per share | \$ 0.35 | \$ 0.10 |
| DLC U.S. GAAP diluted earnings per share | \$ 0.35 | \$ 0.10 |
| DLC Non-GAAP diluted earnings per share | \$ 0.45 | \$ 0.09 |

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

CARNIVAL PLC
INTERIM CONDENSED GROUP STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)
(in millions)

| | Six Months Ended May 31, | |
|---|---------------------------------|-------------------|
| | 2015 | 2014 |
| | | (restated) |
| Net Income | \$ 68 | \$ 80 |
| Other Comprehensive (Loss) Income | | |
| Items that will not be reclassified through the Statements of Income | | |
| Actuarial (losses) gains on post-employment benefit obligations | (9) | 4 |
| Items that may be reclassified through the Statements of Income | | |
| Changes in foreign currency translation adjustment | (806) | 87 |
| Net gains on hedges of net investments in foreign operations | 47 | - |
| Net losses on cash flow derivative hedges | (31) | (19) |
| | (790) | 68 |
| Other Comprehensive (Loss) Income | (799) | 72 |
| Total Comprehensive (Loss) Income | \$ (731) | \$ 152 |

The accompanying notes are an integral part of these interim financial statements. These interim financial statements only present the Carnival plc consolidated IFRS Interim 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, which are included within the attached Schedule A (see Note 1).

CARNIVAL PLC
INTERIM CONDENSED GROUP BALANCE SHEETS
(UNAUDITED)
(in millions)

| | May 31, 2015 | November 30, 2014 |
|---|-------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 154 | \$ 217 |
| Trade and other receivables, net | 191 | 145 |
| Insurance recoverables | 184 | 166 |
| Inventories, net | 113 | 127 |
| Prepaid expenses and other | 94 | 129 |
| Total current assets | 736 | 784 |
| Property and Equipment, Net | 12,905 | 13,659 |
| Intangibles | 607 | 669 |
| Other Assets | 139 | 216 |
| | \$ 14,387 | \$ 15,328 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings | \$ 44 | \$ 14 |
| Current portion of long-term debt | 284 | 518 |
| Amount owed to the Carnival Corporation group | 1,623 | 1,513 |
| Accounts payable | 269 | 328 |
| Dividends payable | 54 | 54 |
| Claims reserve | 198 | 178 |
| Accrued liabilities and other | 277 | 348 |
| Customer deposits | 1,262 | 1,208 |
| Total current liabilities | 4,011 | 4,161 |
| Long-Term Debt | 2,215 | 2,130 |
| Other Long-Term Liabilities | 236 | 283 |
| Shareholders' Equity | | |
| Share capital | 358 | 358 |
| Share premium | 142 | 137 |
| Retained earnings | 7,791 | 7,835 |
| Other reserves | (366) | 424 |
| Total shareholders' equity | 7,925 | 8,754 |
| | \$ 14,387 | \$ 15,328 |

The accompanying notes are an integral part of these interim financial statements. These interim financial statements only present the Carnival plc consolidated IFRS Interim 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, which are included within the attached Schedule A (see Note 1).

CARNIVAL PLC
INTERIM CONDENSED GROUP STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in millions)

| | <u>Six Months Ended May 31,</u> | |
|--|---------------------------------|---------------|
| | <u>2015</u> | <u>2014</u> |
| | | (restated) |
| OPERATING ACTIVITIES | | |
| Income before income taxes | \$ 72 | \$ 81 |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities | | |
| Depreciation and amortisation | 306 | 335 |
| Share-based compensation | 4 | 4 |
| Ship impairment..... | - | 22 |
| Gain on ship sale..... | - | (37) |
| Interest expense, net | 28 | 35 |
| Other, net | <u>10</u> | <u>3</u> |
| | 420 | 443 |
| Changes in operating assets and liabilities | | |
| Receivables | (54) | 29 |
| Inventories | 3 | 13 |
| Insurance recoverables, prepaid expenses and other | 73 | 237 |
| Accounts payable | (31) | (32) |
| Claims reserve and accrued and other liabilities | (106) | (202) |
| Customer deposits | <u>130</u> | <u>84</u> |
| Cash provided by operations before interest and taxes | 435 | 572 |
| Interest received | 1 | 2 |
| Interest paid | (34) | (40) |
| Income taxes paid, net | <u>(24)</u> | <u>(3)</u> |
| Net cash provided by operating activities | <u>378</u> | <u>531</u> |
| INVESTING ACTIVITIES | | |
| Additions to property and equipment | (744) | (244) |
| Proceeds from sale of ship | - | 42 |
| Other, net | <u>22</u> | <u>10</u> |
| Net cash used in investing activities | <u>(722)</u> | <u>(192)</u> |
| FINANCING ACTIVITIES | | |
| Changes in loans with the Carnival Corporation group | 259 | (771) |
| Proceeds from short-term borrowings, net | 33 | 448 |
| Principal repayments of long-term debt | (344) | (219) |
| Proceeds from issuance of long-term debt | 472 | 275 |
| Dividends paid | (108) | (107) |
| Other, net | <u>(2)</u> | <u>(2)</u> |
| Net cash provided by (used in) financing activities | 310 | (376) |
| Effect of exchange rate changes on cash and cash equivalents | <u>(29)</u> | <u>(7)</u> |
| Net decrease in cash and cash equivalents | (63) | (44) |
| Cash and cash equivalents at beginning of period | 217 | 263 |
| Cash and cash equivalents at end of period | <u>\$ 154</u> | <u>\$ 219</u> |

The accompanying notes are an integral part of these interim financial statements. These interim financial statements only present the Carnival plc consolidated IFRS Interim 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, which are included within the attached Schedule A (see Note 1).

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

| | <u>Share capital</u> | <u>Share premium</u> | <u>Retained earnings</u> | <u>Other reserves</u> | | | <u>Total</u> | <u>Total shareholders' equity</u> |
|--|----------------------|----------------------|--------------------------|----------------------------|-------------------------|-----------------------|-----------------|-----------------------------------|
| | | | | <u>Translation reserve</u> | <u>Cash flow hedges</u> | <u>Merger reserve</u> | | |
| 2015 | | | | | | | | |
| Balances at | | | | | | | | |
| November 30, 2014 | \$ 358 | \$ 137 | \$ 7,835 | \$ (1,046) | \$ (33) | \$ 1,503 | \$ 424 | \$ 8,754 |
| Comprehensive income | | | | | | | | |
| Net income | - | - | 68 | - | - | - | - | 68 |
| Changes in foreign currency translation adjustment | - | - | - | (806) | - | - | (806) | (806) |
| Net gains on hedges of net investments in foreign operations | - | - | - | 47 | - | - | 47 | 47 |
| Net losses on cash flow derivative hedges | - | - | - | - | (31) | - | (31) | (31) |
| Actuarial gains on post-employment benefit obligations | - | - | (9) | - | - | - | - | (9) |
| Total comprehensive income (loss) | - | - | 59 | (759) | (31) | - | (790) | (731) |
| Cash dividends declared | - | - | (108) | - | - | - | - | (108) |
| Other, net | - | 5 | 5 | - | - | - | - | 10 |
| Balances at | | | | | | | | |
| May 31, 2015 | <u>\$ 358</u> | <u>\$ 142</u> | <u>\$ 7,791</u> | <u>\$ (1,805)</u> | <u>\$ (64)</u> | <u>\$ 1,503</u> | <u>\$ (366)</u> | <u>\$ 7,925</u> |
| 2014 | | | | | | | | |
| Balances at | | | | | | | | |
| November 30, 2013 | \$ 358 | \$ 136 | \$ 7,291 | \$ (359) | \$ 4 | \$ 1,503 | \$ 1,148 | \$ 8,933 |
| Comprehensive income | | | | | | | | |
| Net income | - | - | 80 | - | - | - | - | 80 |
| Changes in foreign currency translation adjustment | - | - | - | 87 | - | - | 87 | 87 |
| Net losses on cash flow derivative hedges | - | - | - | - | (19) | - | (19) | (19) |
| Actuarial gains on post-employment benefit obligations | - | - | 4 | - | - | - | - | 4 |
| Total comprehensive income (loss) | - | - | 84 | 87 | (19) | - | 68 | 152 |
| Cash dividends declared | - | - | (108) | - | - | - | - | (108) |
| Other, net | - | (1) | 6 | - | - | - | - | 5 |
| Balances at | | | | | | | | |
| May 31, 2014 | <u>\$ 358</u> | <u>\$ 135</u> | <u>\$ 7,273</u> | <u>\$ (272)</u> | <u>\$ (15)</u> | <u>\$ 1,503</u> | <u>\$ 1,216</u> | <u>\$ 8,982</u> |

The accompanying notes are an integral part of these interim financial statements. These interim financial statements only present the Carnival plc consolidated IFRS Interim 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, which are included within the attached Schedule A (see Note 1).

CARNIVAL PLC
NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - Basis of Preparation

The interim condensed consolidated financial statements have been prepared on the basis of the accounting policies and methods of computation, including estimates and assumptions, adopted and disclosed in Carnival plc and its subsidiaries and associates (referred to collectively in these interim financial statements as the “Group,” “our,” “us” and “we”) consolidated statutory financial statements for the year ended November 30, 2014. Carnival plc was incorporated in England and Wales in 2000 and its headquarters is located at Carnival House, 100 Harbour Parade, Southampton, SO15 1ST, UK (registration number 4039524). These interim condensed consolidated financial statements were approved by the Board of Directors on June 30, 2015.

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority (“FCA”) and with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union (“IAS 34”). The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2014, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). Our interim financial statements are presented in U.S. dollars unless otherwise noted, as this is our presentation currency.

Carnival Corporation and Carnival plc operate a dual listed company (“DLC”), known as Carnival Corporation & plc, 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, 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 for Carnival plc. In addition, Carnival plc American Depository Shares are traded on the NYSE. The contracts governing the DLC arrangement provide that Carnival Corporation and Carnival plc each continue to have separate boards of directors, but the boards of directors and senior executive management of both companies are identical. Further details relating to the DLC arrangement are included in Note 3 of the 2014 DLC Financial Statements, which do not form part of these Carnival plc interim financial statements.

Our IFRS interim financial statements are required to satisfy reporting requirements of the UKLA and do not include the IFRS consolidated results and financial position of Carnival Corporation and its subsidiaries. Accordingly, the 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, on the basis that all significant financial and operating decisions affecting the DLC companies are made on the basis of U.S. GAAP information and consequences. Accordingly, Schedule A to this announcement, which consists of the DLC Financial Statements for the three and six months ended May 31, 2015, are provided to shareholders as other information, but do not form part of these Carnival plc interim financial statements. In addition, the related management commentary, which has been included in Schedule B to this announcement as other information, contains a review of the business and sets out the principal activities, risks and uncertainties, impact of seasonality on its business, operations, performance, key performance indicators, liquidity, financial condition and capital resources, debt covenants, and likely future developments of Carnival Corporation & plc.

The interim condensed financial statements have been prepared on a going concern basis. The Directors of the Group have a reasonable expectation that, on the basis of current financial projections and borrowing facilities available and based on reassessment of principal risks, we are well positioned to meet our commitments and obligations for the next 12 months from the date of this report and will remain in operational existence.

The preparation of our interim 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 the interim 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in preparing the interim financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

NOTE 2 – Changes in Accounting Policy and Disclosures

New and Amended Standards That Have Been Adopted By Us

- IFRS 10, “Consolidated Financial Statements,” effective for annual periods beginning on or after January 1, 2014;
- IFRS 11, “Joint Arrangements,” effective for annual periods beginning on or after January 1, 2014;
- IFRS 12, “Disclosure of Interest in Other Entities,” effective for annual periods beginning on or after January 1, 2014;

- Amendments to IFRS 10, 11, 12 – Transition Guidance effective for annual periods beginning on or after January 1, 2014 and
- IAS 39, “Financial Instruments: Recognition and Measurement on Novation of Derivatives and Hedge Accounting,” effective for annual periods beginning on or after January 1, 2014.

The adoption of these new standards and amendments did not have any impact on the Group results and financial position. The impact of adopting Amendments to IAS 19, “Employee Benefits,” in fiscal 2014 was a \$4 million increase to the May 31, 2014 previously reported Group net income.

NOTE 3 - Status of Financial Statements

Our interim condensed consolidated IFRS financial statements for the six months ended May 31, 2015 have not been audited or reviewed by the auditors.

Our interim condensed consolidated IFRS financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended November 30, 2014 were approved by the Board of Directors on February 20, 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was (i) unqualified, (ii) did not contain an emphasis of matter paragraph, and (iii) did not contain any statement under section 498 of the Companies Act 2006.

NOTE 4 - Property and Equipment

During the six months ended May 31, 2015, we took delivery of the 3,647-passenger capacity P&O Cruises (UK)’s *Britannia* and made stage payments for other ships under construction.

In December 2014, we entered into a bareboat charter/sale agreement under which the 1,492-passenger capacity *Costa Celebration* (formerly *Grand Celebration*) was chartered to an unrelated entity in December 2014 through August 2021, as amended. Under this agreement, ownership of *Costa Celebration* will be transferred to the buyer at the end of the lease term. This transaction did not meet the criteria to qualify as a finance lease and, accordingly, it will be accounted for as an operating lease whereby we will recognise the charter revenue over the term of the agreement.

Our property and equipment decreased \$1.2 billion as a result of the change in currency exchange rates of the U.S. dollar to the euro, sterling and Australian dollar at May 31, 2015 compared to November 30, 2014.

NOTE 5 – Intangibles

At May 31, 2015, all of our cruise brands carried goodwill, except for P&O Cruises (UK) and P&O Cruises (Australia), and the carrying value of our cash generating units’ or cruise brands’ goodwill balance was \$607 million (\$669 million at November 30, 2014). As of July 31, 2015, we will be performing our annual goodwill impairment reviews to assess the recoverable amount of each cruise brands’ goodwill.

The determination of our cruise brands’ goodwill recoverable amounts includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments in determining whether our goodwill has been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognize an impairment charge.

Our brands’ estimated recoverable amount significantly exceeded their carrying amount and there have not been any events or circumstances subsequent to July 31, 2014, which we believe require us to perform interim goodwill impairment tests.

NOTE 6 – Unsecured Debt

At May 31, 2015, our short-term borrowings consisted of euro-denominated bank loans of \$44 million with an aggregate weighted-average floating interest rate of 1.4%.

In February 2015, we borrowed \$472 million under a euro-denominated export credit facility, the proceeds of which were used to pay for a portion of P&O Cruises (UK)’s *Britannia* purchase price. The floating rate facility is due in semi-annual installments through February 2027.

In April 2015, Carnival Corporation, Carnival plc and certain Carnival plc subsidiaries exercised their option to extend the termination date of their five-year multi-currency revolving credit facility from June 2019 to June 2020, which was approved by each bank.

NOTE 7 - Ship Commitments

Ship capital commitments include contract prices with the shipyard, design and engineering fees, capitalised interest, construction

oversight costs and various owner supplied items.

At May 31, 2015, we had two ships under contract for construction for AIDA Cruises (“AIDA”). Our future cruise ship commitments for these two ships, aggregated based on each ship’s delivery date, are expected to be \$0.4 billion in 2015 and \$0.5 billion in 2016.

Strategic Memorandums of Agreement

On March 26, 2015, Carnival Corporation & plc signed two long-term strategic Memorandums of Agreement (“MOAs”) with Italian shipbuilder, Fincantieri S.p.A., and German shipbuilder, Meyer Werft, that will add a total of nine new cruise ships to the Carnival Corporation & plc fleet over a four-year period from 2019 through 2022. These MOAs are consistent with Carnival Corporation & plc’s long-term strategy of measured capacity growth over time and are subject to several conditions, including obtaining satisfactory financing.

Pursuant to one of Carnival Corporation & plc’s MOAs discussed above, on June 15, 2015, Carnival Corporation & plc signed a multi-billion dollar contract with Meyer Werft to build four next-generation cruise ships to be delivered between 2019 and 2020, each with more than 5,000 lower berths and at a cost per lower berth in line with Carnival Corporation & plc’s existing order book of newbuilds.

NOTE 8 - Contingencies Litigation

As a result of the January 2012 ship incident, litigation claims and investigations, including, but not limited to, those arising from personal injury loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims. At May 31, 2015, the Group’s insurance recoverables of \$216 million and claims reserve of \$267 million substantially all relate to this 2012 ship incident.

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

NOTE 9 - Dividends

The board of directors declared regular quarterly dividends for the first and second quarters at \$0.25 per share in 2015 and 2014. During each of the six months ended May 31, 2015 and 2014, our quarterly dividend declarations amounted to \$108 million.

NOTE 10 - Segment Information

IFRS 8 “Operating Segments” requires that an entity’s operating segments are reported on the same basis as the internally reported information that is provided to the chief operating decision maker (“CODM”), who for us is the President and Chief Executive Officer of Carnival Corporation and Carnival plc.

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 Section A, but do not form part of these Carnival plc interim financial statements. Accordingly, decisions to allocate resources and assess performance for Carnival plc are made by the CODM upon review of the U.S. GAAP segment results across all of Carnival Corporation & plc’s cruise brands and other segments. Carnival Corporation & plc has three reportable cruise segments that are comprised of its (1) North America cruise brands, (2) Europe, Australia & Asia (“EAA”) cruise brands and (3) Cruise Support. In addition, Carnival Corporation & plc has a Tour and Other segment.

The Carnival Corporation & plc North America cruise segment includes Carnival Cruise Line, Holland America Line, Princess Cruises (“Princess”) and Seabourn. The Carnival Corporation & plc EAA cruise segment includes AIDA, Costa Cruises, Cunard, P&O Cruises (Australia) and P&O Cruises (UK) and prior to November 2014, the former Ibero Cruises. These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, maintenance requirements, supporting systems and processes and products and services they provide. The Carnival Corporation & plc Cruise Support segment represents certain of its port and related facilities and other services that are provided for the benefit of the cruise brands.

The Carnival Corporation & plc Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours. In 2014, our Tour and Other segment also included one ship that we chartered to an unaffiliated entity. In November 2014, we entered into a bareboat charter/sale agreement under which *Grand Holiday* was chartered to an unrelated entity in January 2015 through March 2025. Additionally, in December 2014 we entered into a bareboat charter/sale agreement under which *Costa Celebration* was chartered to an unrelated entity in December 2014 through August 2021, as amended. Under these agreements, ownership of *Grand Holiday* and *Costa Celebration* will be transferred to the buyer at the end of their lease term. Neither of these transactions met the criteria to qualify as a finance-type lease and, accordingly, they are being accounted for as operating leases whereby we recognize the charter

revenue over the term of the agreements. Subsequent to entering into these agreements, our Tour and Other segment includes these three ships.

Selected information for the Carnival Corporation & plc segments and the reconciliation to the corresponding Carnival plc amounts for the six months ended May 31, 2015 and 2014 was as follows (in millions):

| | <u>Revenues</u> | <u>Operating expenses</u> | <u>Selling and administrative</u> | <u>Depreciation and amortisation</u> | <u>Operating income (loss)</u> |
|---|-----------------|---------------------------|-----------------------------------|--------------------------------------|--------------------------------|
| <u>2015</u> | | | | | |
| North America Cruise Brands (a) | \$ 4,459 | \$ 2,911 | \$ 558 | \$ 497 | \$ 493 |
| EAA Cruise Brands (b) | 2,582 | 1,792 | 349 | 276 | 165 |
| Cruise Support | 52 | 6 | 108 | 12 | (74) |
| Tour and Other (a) | 44 | 47 | 5 | 22 | (30) |
| Intersegment elimination (a) | (17) | (17) | - | - | - |
| Carnival Corporation & plc – U.S. GAAP.. | 7,120 | 4,739 | 1,020 | 807 | 554 |
| Carnival Corporation, U.S. GAAP vs. IFRS differences and eliminations (c) | (4,006) | (2,416) | (637) | (501) | (452) |
| Carnival plc – IFRS | <u>\$ 3,114</u> | <u>\$ 2,323</u> | <u>\$ 383</u> | <u>\$ 306</u> | <u>\$ 102</u> |
| <u>2014</u> | | | | | |
| North America Cruise Brands (a) | \$ 4,286 | \$ 3,119 | \$ 577 | \$ 475 | \$ 115 |
| EAA Cruise Brands (b) | 2,870 | 2,012 | 365 | 309 | 184 (d) |
| Cruise Support | 37 | - | 79 | 14 | (56) |
| Tour and Other (a) | 38 | 46 | 4 | 17 | (29) |
| Intersegment elimination (a) | (13) | (13) | - | - | - |
| Carnival Corporation & plc – U.S. GAAP.. | 7,218 | 5,164 | 1,025 | 815 | 214 |
| Carnival Corporation, U.S. GAAP vs. IFRS differences and eliminations (c) | (3,961) | (2,749) | (616) | (480) | (101) (d) |
| Carnival plc – IFRS | <u>\$ 3,257</u> | <u>\$ 2,415</u> | <u>\$ 409</u> | <u>\$ 335</u> | <u>\$ 113 (d)</u> |

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

(b) Carnival plc consists principally of the EAA cruise brands.

(c) 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. These North American Carnival Corporation cruise brands are Carnival Cruise Line, Princess, Holland America Line and Seabourn. The U.S. GAAP vs. IFRS accounting differences principally relate to differences in the carrying value of ships and related depreciation expenses.

(d) Includes a \$37 million gain on the sale of *Costa Voyager*, partially offset by an impairment charge of \$22 million related to *Grand Celebration*.

During the six months ended May 31, 2015, the Group recognised \$7 million of restructuring expenses related to certain AIDA and Costa operations.

NOTE 11 - Related Party Transactions

There have been no changes in the six months ended May 31, 2015 to the related party transactions described in the Group IFRS financial statements for the year ended November 30, 2014 that have a material effect on the financial position or results of operations of the Group.

During the six months ended May 31, 2015, Holland America Line and Princess purchased land tours from us totaling \$17 million (\$13 million in 2014) and packaged these land tours for sale with their cruises. In addition, during each of the six months ended May 31, 2015 and 2014 we sold \$0.4 million of pre- and post-cruise vacations, shore excursions and transportation services to the Carnival Corporation group.

At May 31, 2015, we owed \$1.6 billion (\$1.5 billion at November 30, 2014) to the Carnival Corporation group, which was unsecured, repayable on demand and non-interest bearing.

Within the DLC arrangement, there are instances where we provide services to Carnival Corporation group companies, and also where Carnival Corporation group companies provide services to us. For example, we participate in Carnival Corporation & plc's group risk-

sharing programs related to hull and machinery for ships and crew and guest claims. Additional disclosures of related party transactions are discussed in Note 3 of the 2014 DLC Financial Statements, which do not form part of these Carnival plc interim financial statements.

At May 31, 2015 and November 30, 2014, Carnival Corporation owned 1,115,450, or 0.5%, of Carnival plc's ordinary shares, which are non-voting. At May 31, 2015 and November 30, 2014, Carnival Investments Limited, a wholly-owned subsidiary of Carnival Corporation, owned 30,848,634, or 14.3%, of Carnival plc's ordinary shares, which are also non-voting. In the six months ended May 31, 2015, Carnival Corporation and Carnival Investment Limited received dividends on their Carnival plc ordinary shares in the aggregate amount of \$16 million.

During the six months ended May 31, 2015, Carnival plc had multi-year ship charter agreements with Princess for five (2014 four ships), and Carnival Cruise Line for one ship operating year-round in Australia and/or Asia. In addition, during the six months ended May 31, 2014, Princess time chartered another ship seasonally in Australia or Asia to Carnival plc and since September 2014, Carnival Cruise Line began time chartering another ship to us that operated seasonally from Australia. Both the year-round and seasonal charters are accounted for as operating leases. Princess and Carnival Cruise Line are subsidiaries of Carnival Corporation. The total charter payments for the six months ended May 31, 2015 was \$294 million (\$178 million in 2014), which were included in other ship operating expenses.

During the six months ended May 31, 2015 and May 31, 2014, no Carnival plc ordinary shares or Carnival Corporation common stock were sold or repurchased under the Stock Swap programs.

During the six months ended May 31, 2015, Carnival plc continued to provide a guarantee to the Merchant Navy Officers Pension Fund for certain employees who have transferred from Carnival plc to a subsidiary of Carnival Corporation.

Key Management Personnel

During the six months ended May 31, 2015, there were no material transactions or balances between the Group and its key management personnel or members of their close family, other than in respect of remuneration, which is not material to the Group.

NOTE 12 - Principal Risks and Uncertainties

The principal risks and uncertainties affecting our business activities are included in Item 4. Principal Risks and Uncertainties of our 2014 Strategic Report and for the remaining six months of fiscal 2015 remain the same.

NOTE 13 - Seasonality

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

NOTE 14 – Financial Risk Management and Financial Instruments

The Group's activities expose it to a variety of financial risks such as foreign currency risk, fair value and cash flow interest rate risks, credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; as such they should be read in conjunction with the Group's annual financial statements at November 30, 2014 and the DLC Financial Statements for the three and six months ended May 31, 2015. There have been no significant changes in the risk management department or the risk management policies since November 30, 2014.

Liquidity Risk

Within the DLC arrangement, liquidity and liquidity risk is assessed on a consolidated Carnival Corporation & plc basis and there are cross guarantees between the two parent companies that result in there being little substantive difference in the availability of debt financing for either Carnival Corporation or Carnival plc. 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 parent as guarantor. For additional information see the "Liquidity, Financial Condition and Capital Resources" section within Schedule B.

As noted in the "Future Commitments and Funding Sources" section within Schedule B, at May 31, 2015 the consolidated Carnival Corporation & plc group had \$2.5 billion available for borrowing under its revolving credit facilities, net of its commercial paper borrowings, and \$2.4 billion under committed future financings, which are comprised of ship export credit facilities, in addition to \$60 million of cash and cash equivalents, which excludes \$238 million of cash on hand used for current operations.

Fair Value Measurements

IFRS establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable market participants at the measurement date. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that we believe market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at May 31, 2015 and November 30, 2014. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. 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 realised in a current or future market exchange.

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

Financial assets were as follows (in millions):

| | <u>May 31, 2015</u> | | | | <u>November 30, 2014</u> | | | |
|------------------------------------|-----------------------|-------------------|----------------|----------------|--------------------------|-------------------|----------------|----------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> | | | <u>Carrying Value</u> | <u>Fair Value</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Cash and cash equivalents (a)..... | \$ 115 | \$ 115 | \$ - | \$ - | \$ 129 | \$ 129 | \$ - | \$ - |
| Long-term other assets (b)..... | 4 | - | - | 4 | 14 | - | - | 13 |
| | <u>\$ 119</u> | <u>\$ 115</u> | <u>\$ -</u> | <u>\$ 4</u> | <u>\$ 143</u> | <u>\$ 129</u> | <u>\$ -</u> | <u>\$ 13</u> |

(a) Cash and cash equivalents are comprised of cash on hand. Due to their short term maturities the carrying values approximate their fair values.

(b) At May 31, 2015 and November 30, 2014, long term other assets were substantially all comprised of notes receivables. The fair values of our notes receivable were estimated using risk-adjusted discount rates.

The carrying and estimated fair values of debt were as follows (in millions) (a):

| | <u>May 31, 2015</u> | | | | <u>November 30, 2014</u> | | | |
|--|-----------------------|-------------------|-----------------|----------------|--------------------------|-------------------|-----------------|----------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> | | | <u>Carrying Value</u> | <u>Fair Value</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Floating rate | | | | | | | | |
| Euro export credit facilities | \$ 1,515 | \$ - | \$ 1,519 | \$ - | \$ 1,270 | \$ - | \$ 1,236 | \$ - |
| Bank loans | 150 | - | 149 | - | 150 | - | 149 | - |
| Euro bank loan | - | - | - | - | 249 | - | 248 | - |
| Short-term euro bank loans | 44 | - | 44 | - | 14 | - | 14 | - |
| | <u>\$ 1,709</u> | <u>\$ -</u> | <u>\$ 1,712</u> | <u>\$ -</u> | <u>\$ 1,683</u> | <u>\$ -</u> | <u>\$ 1,647</u> | <u>\$ -</u> |
| Fixed rate | | | | | | | | |
| Bearing interest at 3.0% to 3.9% | \$ 328 | \$ - | 361 | \$ - | \$ 396 | \$ - | \$ 428 | \$ - |
| Bearing interest at 4.0% to 4.9% | 371 | - | 405 | - | 430 | - | 466 | - |
| Bearing interest at 7.0% to 7.9% | 135 | - | 154 | - | 153 | - | 178 | - |
| | <u>\$ 834</u> | <u>\$ -</u> | <u>\$ 920</u> | <u>\$ -</u> | <u>\$ 979</u> | <u>\$ -</u> | <u>\$ 1,072</u> | <u>\$ -</u> |

- (a) Debt does not include the impact of interest rate swaps. The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at May 31, 2015 and November 30, 2014 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At May 31, 2015 and November 30, 2014, the net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at May 31, 2015 being slightly lower (slightly higher at November 31, 2014) than the floating interest rates on these debt obligations, including the impact of any changes in our credit ratings. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1 and, accordingly, are considered Level 2. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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

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

| | <u>May 31, 2015</u> | | <u>November 30, 2014</u> | |
|--|---------------------|----------------|--------------------------|----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 1</u> | <u>Level 2</u> |
| Assets | | | | |
| Cash equivalents (a) | \$ 38 | \$ - | \$ 88 | \$ - |
| Marketable securities held in trust (b)..... | \$ 1 | \$ - | \$ 1 | \$ - |
| Derivatives | | | | |
| Net investment hedges (c) | \$ - | \$ 15 | \$ - | \$ 12 |
| Liabilities | | | | |
| Derivatives | | | | |
| Net investment hedges (c) | \$ - | \$ 4 | \$ - | \$ - |
| Interest rate swaps (d) | \$ - | \$ 24 | \$ - | \$ (28) |
| Foreign currency zero cost collars (e) | \$ - | \$ - | \$ - | \$ (1) |

- (a) Cash equivalents are comprised of money market funds.
- (b) At May 31, 2015 and November 30, 2014, marketable securities held in trusts were comprised of Level 1 bonds, frequently-priced mutual funds invested in common stocks and money market funds.
- (c) At May 31, 2015, we had foreign currency forwards totalling \$451 million (\$403 million at November 30, 2014) that are designated as hedges of our net investments in foreign operations, which have a euro- and sterling-denominated functional currency. These foreign currency forwards settle through July 2017.
- (d) At May 31, 2015 and November 30, 2014, we had euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At May 31, 2015, these interest rate swap agreements effectively changed \$458 million (\$546 million at November 30, 2014) of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025.
- (e) At November 30, 2014, 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 ship building payments totalling \$550 million.

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 and yield 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. We also corroborate our fair value estimates using valuations provided by our counterparties.

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

| May 31, 2015 | | | | | | |
|---------------------|--------------------------|--|---|--|--------------------|--|
| | 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 | \$ - | \$ 15 | |
| Liabilities..... | \$ 28 | \$ - | \$ 28 | \$ - | \$ 28 | |

November 30, 2014

| | 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..... | \$ 14 | \$ (2) | \$ 12 | \$ - | \$ 12 | |
| Liabilities..... | \$ 31 | \$ (2) | \$ 29 | \$ - | \$ 29 | |

Capital Management

Within the DLC arrangement, the consolidated Carnival Corporation & plc's group's primary financial goals are to profitably grow its cruise business and increase its return on invested capital, reaching double digit returns in the next three to four years while maintaining a strong balance sheet. Their ability to generate significant operating cash flows allows Carnival Corporation & plc to internally fund its capital investments. Carnival Corporation & plc's goal is to return excess free cash flows to its shareholders in the form of additional dividends and/or share buybacks. In addition, Carnival Corporation & plc is committed to maintaining its strong investment grade credit ratings, which are among the highest in the leisure travel industry. 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 that is spread out over a number of years. The Group manages its capital on a consolidated Carnival Corporation & plc basis, applying U.S. GAAP. For additional information see the "Liquidity, Financial Condition and Capital Resources" section in the MD&A section of the DLC Financial Statements within the attached Schedule B of this Interim Financial Report, which do not form part of these Carnival plc interim financial statements.

Interest Rate Risk

Within the DLC arrangement, consolidated Carnival Corporation & plc manages its exposure to fluctuations in interest rates through its debt portfolio management and investment strategies. They evaluate their debt portfolio to determine whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. 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. Substantially all of Carnival Corporation & plc's fixed rate debt can only be called or prepaid by incurring costs, therefore, it is unlikely they will be able to take significant steps in the short-term to mitigate their fixed rate debt exposure in the event of a significant decrease in market interest rates. For additional information see Note 4 and the MD&A section of the DLC Financial Statements within the attached Schedule A and Schedule B of this Interim Financial Report, which do not form part of these Carnival plc interim financial statements.

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 nonderivative financial instruments such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances. Our primary focus is to manage the economic foreign currency exchange risks faced by our operations, which are the ultimate foreign currency exchange risks that would be realised by us if we exchanged one currency for another, and not accounting risks. While we will continue to monitor our exposure to these economic risks, we do not currently hedge our foreign currency exchange risks with derivative or nonderivative financial instruments, with the exception of 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 European and Australian cruise brands generate significant revenues and incur significant expenses in their euro, sterling or Australian dollar functional currency, which subjects us to "foreign currency translational" risk related to these currencies. Accordingly, exchange rate fluctuations of the euro, sterling and Australian dollar against the U.S. dollar will affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for these cruise brands' revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Substantially all of our brands also have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and principally includes the euro, sterling and Australian, Canadian and U.S. dollars. In addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, we also have "foreign currency transactional" risks related to changes in the exchange rates for our brands' revenues and expenses that are in a currency other than their functional currency. However, these brands' revenues and expenses in non-functional currencies create some degree of natural offset from these currency exchange movements. In addition, we monitor this foreign currency transactional risk in order to measure its impact on our results of operations.

Investment Currency Risks

At May 31, 2015, substantially all of the Group net operating assets were denominated in euros, sterling and Australian dollars. As a result of this currency composition, the Group's U.S. dollar consolidated balance sheet can be affected by currency movements. The Group partially mitigates the effect of such movements by entering into foreign currency forwards and having some borrowings in the same currencies as those in which the assets are denominated.

At May 31, 2015, the Group has \$451 million of foreign currency forwards that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency, thus partially offsetting this foreign currency exchange rate risk.

There are no amounts excluded from the assessment of hedge effectiveness, and 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. Ineffectiveness arising on cash flow hedges was not material during the six months ended May 31, 2015 and 2014 and, accordingly, all cash flow hedges were considered effective.

Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decisions regarding whether or not to hedge a non-functional currency ship commitment for our cruise brands are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts and have used nonderivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

In February 2015, we settled our foreign currency zero cost collars that were designated as cash flow hedges for the final euro-denominated shipyard payments of P&O Cruises (UK)'s *Britannia*, which resulted in \$33 million being recognised in other comprehensive loss during the six months ended May 31, 2015.

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

NOTE 15 – Employee Benefit Plans

Actuarial valuations for the Group's retirement benefit pension plans are formally updated triennially and valuations for these plans have been carried out at regular intervals, as required by the UK regulations. An interim valuation was carried out at May 31, 2015. As part of this update, the liabilities for the schemes are recalculated to reflect revised actuarial assumptions and the plan assets are revalued based on market data at May 31, 2015.

NOTE 16 - Responsibility Statement

The Directors confirm that to the best of their knowledge the interim condensed consolidated financial statements included as Schedule D to this release has been prepared in accordance with IAS 34 as adopted by the European Union, and that the half-yearly financial report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's FCA.

The Directors of Carnival plc are listed in the Carnival Corporation & plc Annual Report for the year ended November 30, 2014. No new directors have been appointed during the six months ended May 31, 2015. A list of current directors is maintained and is available for inspection on the Group's website at www.carnivalplc.com.

By order of the Board

Micky Arison
Chairman of the Board of Directors
July 1, 2015

Arnold W. Donald
President and Chief Executive Officer and Director
July 1, 2015