CARNIVAL
CORPORATION&PLC

Record Full Year Operating Results
Expects 20 Percent Earnings Growth in 2025

Expects to Hit 2026 SEA Change EBITDA Target One Year Early

Fourth Quarter 2024 Earnings Presentation

Disclaimers, Forward Looking Statements and Responsibility

This presentation includes certain financial measures not presented in accordance with generally accepted accounting principles ("GAAP") including, but not limited to, Adjusted EBITDA, Adjusted Net Income (loss), and certain ratios and metrics derived therefrom. These non-GAAP measures are supplemental measures that are not required by, and are not presented in accordance with, GAAP and we have presented these measures because we believe they are useful to investors in evaluating a company's performance and/or ability to service and/or incur indebtedness. The items excluded from these measures are significant in assessing Carnival Corporation & plc's operating results and liquidity and should not be construed as an inference that its future results will be unaffected by any such adjustments. Certain adjustments that are made in calculating these measures are based on assumptions and estimates that may prove to have been inaccurate. Therefore, these measures have limitations as analytical tools and should not be considered in isolation or as an alternative to net income, cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that Carnival's presentation of these measures may not be comparable to similarly-titled measures used by other companies.

Some of the statements, estimates or projections contained in this document are "forward-looking statements" that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, operations, outlooks, plans, goals, reputation, cash flows, liquidity 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, as amended. 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," "aspiration," "anticipate," "forecast," "project," "future," "intend," "plan," "estimate," "target," "indicate," "outlook," and similar expressions of future intent or the negative of such terms.

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

- Pricing
- Booking levels
- Occupancy
- Interest, tax and fuel expenses
- Currency exchange rates
- Goodwill, ship and trademark fair values
- Liquidity and credit ratings
- Investment grade leverage metrics
- Estimates of ship depreciable lives and residual values
- Adjusted net income (loss)
- Adjusted EBITDA
- Adjusted EBITDA per ALBD
- Adjusted earnings per share
- Adjusted free cash flow
- Net debt to adjusted EBITDA
- Net per diems
- Net yields
- Adjusted cruise costs per ALBD
- Adjusted cruise costs excluding fuel per ALBD
- Adjusted return on invested capital

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

- Events and conditions around the world, including geopolitical uncertainty, war and other military actions, pandemics, inflation, higher fuel prices, higher interest rates and other general concerns impacting the ability or desire of people to travel could lead to a decline in demand for cruises as well as have significant negative impacts on our financial condition and operations.
- Incidents concerning our ships, guests or the cruise industry may negatively impact the satisfaction of our guests and crew and lead to reputational damage.
- Changes in and non-compliance with laws and regulations under which we operate, such as those relating to health, environment, safety and security, data privacy and protection, anti-money laundering, anti-corruption, economic sanctions, trade protection, labor and employment, and tax may be costly and lead to litigation, enforcement actions, fines, penalties and reputational damage.
- Factors associated with climate change, including evolving and increasing regulations, increasing global concern about climate change and the shift in climate conscious consumerism and stakeholder scrutiny, and increasing frequency and/or severity of adverse weather conditions could have a material impact on our business.
- Inability to meet or achieve our targets, goals, aspirations, initiatives, and our public statements and disclosures regarding them, including those related to sustainability matters, may expose us to risks that may adversely impact our business.
- Cybersecurity incidents and data privacy breaches, as well as disruptions and other damages to our principal offices, information technology operations and system networks and failure to keep pace with developments in technology have adversely impacted and may in the future materially adversely impact our business operations, the satisfaction of our guests and crew and may lead to fines, penalties and reputational damage.
- The loss of key team members, our inability to recruit or retain qualified shoreside and shipboard team members and increased labor costs could have an adverse effect on our business and results of operations.
- Increases in fuel prices, changes in the types of fuel consumed and availability of fuel supply may adversely impact our scheduled itineraries and costs.
- We rely on suppliers who are integral to the operations of our businesses. These suppliers and service providers may be unable to deliver on their commitments, which could negatively impact our business.
- Fluctuations in foreign currency exchange rates may adversely impact our financial results.
- Overcapacity and competition in the cruise and land-based vacation industry may negatively impact our cruise sales, pricing and destination options.
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests.
- We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors, including those beyond our control, and we may not be able to generate cash required to service our debt and sustain our operations.
- Our substantial debt could adversely affect our financial health and operating flexibility.

The ordering of the risk factors set forth above is not intended to reflect our indication of priority or likelihood. Additionally, many of these risks and uncertainties are currently, and in the future may continue to be, amplified by our substantial debt balance incurred during the pause of our guest cruise operations. There may be additional risks that we consider immaterial or which are unknown.

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

Forward-looking and other statements in this document may also address our sustainability progress, plans, and goals (including climate change- and environmental-related matters). In addition, historical, current, and forward-looking sustainability- and climate-related statements may be based on standards and tools for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions and predictions that are subject to change in the future and may not be generally shared.

Strong Finish to a Record Year

FY 2024 Records

- ✓ Revenues
- ✓ Net Per Diems
- ✓ Net Yields
- ✓ Adj. EBITDA
- ✓ Operating Income
- ✓ Operating Cash Flow
- ✓ Customer Deposits

Outperformed Fourth Quarter September Guidance On Every Measure

4Q 2024	Guidance	Actual
Net yields vs 2023	Approx. 5.0%	**6.7%**
Adj. cruise costs excl. fuel per ALBD vs 2023	Approx. 8.0%	**7.4%**
Adj. EBITDA	Approx. $1.14B	**$1.22B**
Adj. net income	Approx. $60M	**$186M**
Adj. earnings per share - diluted	Approx. $0.05	**$0.14**

Record 4Q net per diems up 5% on top of last year's record 4Q levels which were up 10%

Net Yields and Adj. Cruise Costs excl. Fuel per ALBD in Constant Currency; Adj. EBITDA, Adj. Net Income, and Adj. Earnings Per Share - Diluted in Current Dollars

Robust Demand Drove Stellar Performance Throughout the Year

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FY 2024	Dec Guidance	Actual	Outperformance
Net yields vs 2023	Approx. 8.5%	11%	2.3% pts.
Adj. cruise costs excl. fuel per ALBD vs 2023	Approx. 4.5%	3.5%	1.0% pts.
Adj. EBITDA	Approx. $5.6B	$6.1B	$500M
Adj. net income	Approx. $1.2B	$1.9B	$700M
Adj. earnings per share - diluted	Approx. $0.93	$1.42	$0.49
Adj. ROIC[1]	Approx. 9%	11%	2.0% pts.

Improvement of ~$0.7B to the bottom line despite ~$0.1B impact from Red Sea

(1) Adj. ROIC for 2024 December Guidance previously disclosed
Net Yields and Adj. Cruise Costs excl. Fuel per ALBD in Constant Currency; Adj. EBITDA, Adj. Net Income, and Adj. Earnings Per Share - Diluted in Current Dollars

Poised for Another Step Change in Operating Improvement in 2025

FY 2025	Dec Guidance
Net yields vs 2024	Approx. 4.2%
Adj. cruise costs excl. fuel per ALBD vs 2024	Approx. 3.7%
Adj. EBITDA	Approx. $6.6B
Adj. net income	Approx. $2.3B
Adj. earnings per share - diluted	Approx. $1.70

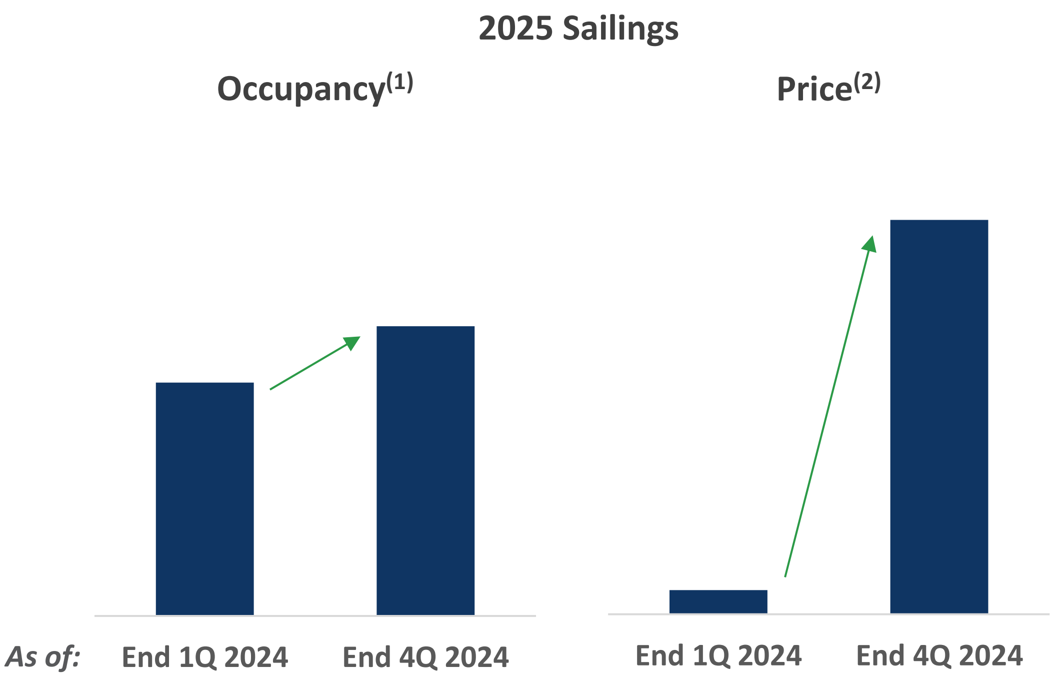
Expect 20% earnings growth in 2025 and 11.7% Adj. ROIC

Expect to hit 2026 SEA Change EBITDA target one year early

Net Yields and Adj. Cruise Costs excl. Fuel per ALBD in Constant Currency; Adj. EBITDA, Adj. Net Income, and Adj. Earnings Per Share - Diluted in Current Dollars

2025 Bookings Hitting New Historical Highs

Improvement in Booked Position vs. Prior Year



Full Year 2025 Booked Position
✓ Historical high on price
✓ Historical high on occupancy
✓ Nearly 2/3 of 2025 already on the books
✓ All trades at higher prices than prior year
✓ All brands at higher prices than prior year
✓ All four quarters ahead at higher prices than prior year

Increased both price and occupancy advantage for our 2025 booked position

(1) Refers to cabin occupancy
(2) Mix adjusted

Delivered Three Fantastic New Ships in 2024

Sun Princess

Voted best mega ship in the US by Condé Nast Traveler’s 2024 Readers’ Choice Awards

Carnival Jubilee

Third of five Excel Class ships for Carnival Cruise Line

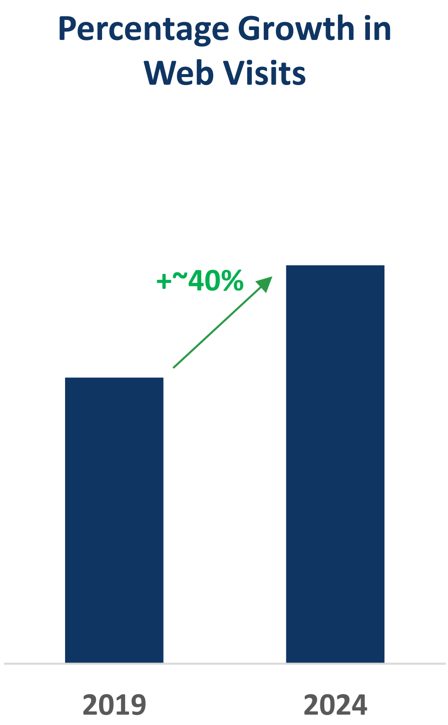
Queen Anne

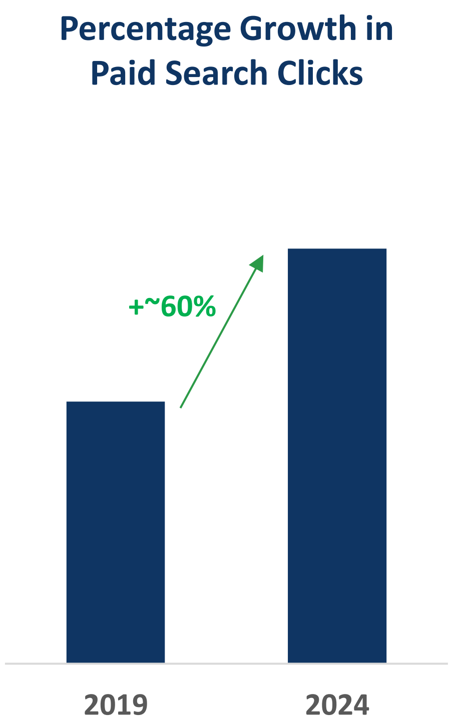
Cunard’s First New Ship in 14 Years

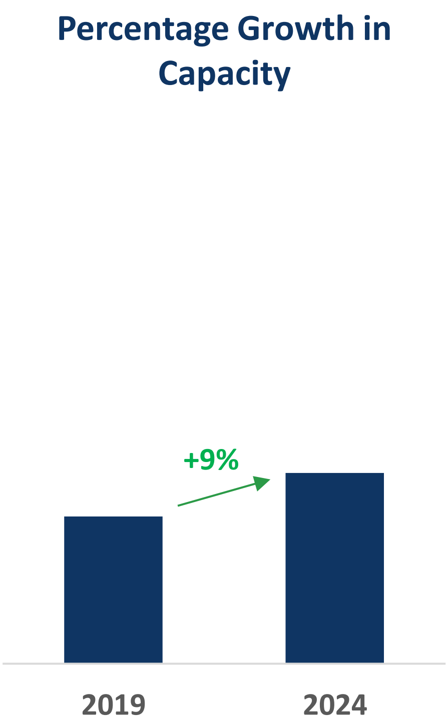
Our Focus on Improved Commercial Execution Continues to Drive Cruise Consideration and Demand

New-to-Cruise outpaced Repeaters - both up double digits vs. 2023

Driving Demand Through Advertising and Digital Performance Marketing



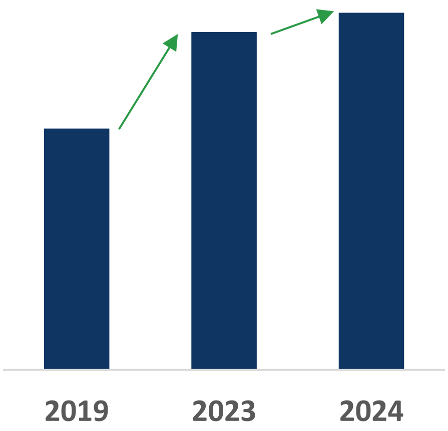




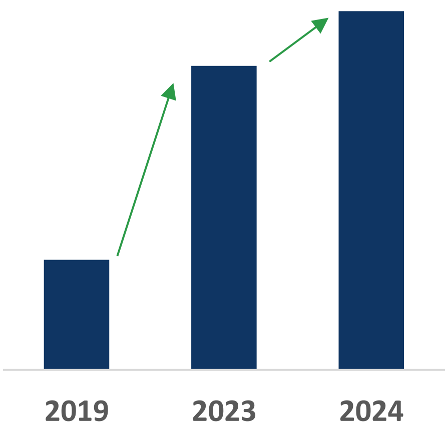
Digital marketing KPIs are significantly outpacing capacity growth

Pre-Cruise Onboard Revenue Continued to Accelerate in 2024…

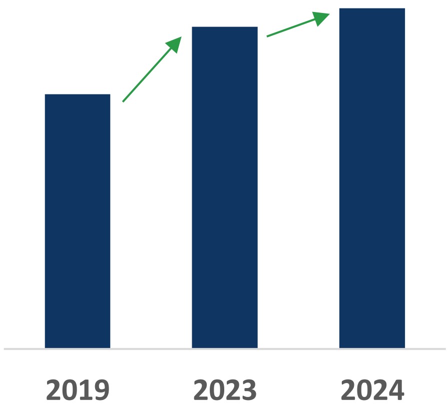
% of Onboard Revenue Sold Pre-Cruise



Pre-Cruise Onboard Revenue Per Diem[(1)]



Onboard Revenue Per Diem[(1)]



…with a runway for further improvement in 2025 and beyond

(1) *In Constant Dollar to 2019*

Celebration Key™ – Our Game Changing Asset

The Ultimate Beach Day

The Idyllic Beach Day

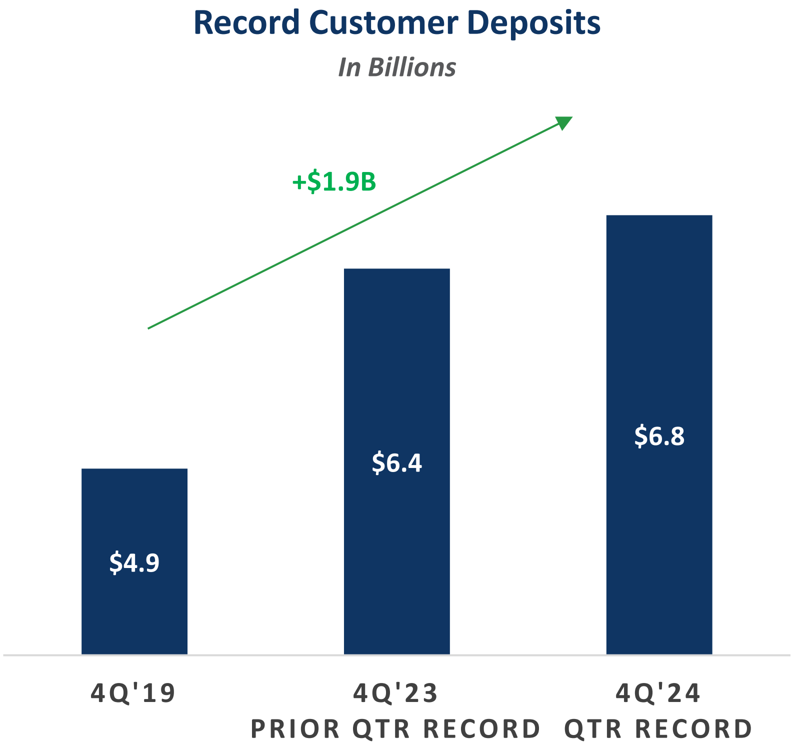
Unrivaled Footprint of Exclusive Destinations in the Caribbean

Many CCL itineraries to feature both – the idyllic and the ultimate beach days

6.5M guests visited our exclusive destinations in 2024, equal to all peers[(1)] combined

(1) Includes Royal Caribbean International, Norwegian Cruise Line, MSC Cruises, Disney, and Virgin

Strong Bookings Activity Continuing to Drive Growth in Customer Deposits

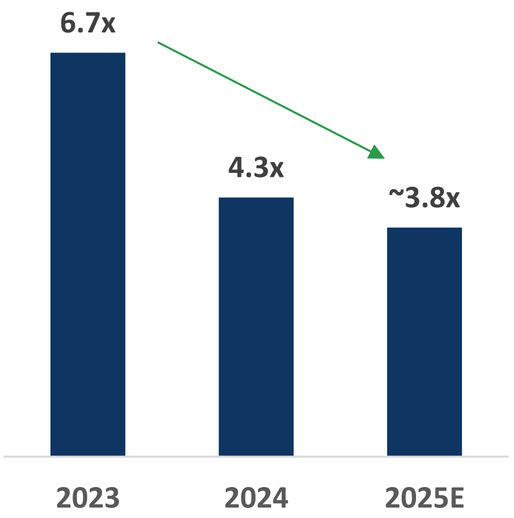


Structural growth in customer deposits driven by:

- Strong demand at higher prices
- Lengthening the booking curve
- Increasing bundled fares with onboard amenities
- Increasing pre-cruise onboard sales

Proactively Managing Our Debt Profile

Improved Net Debt to Adj. EBITDA



2024 Financing Activity Highlights

- Made debt prepayments of >$3B
- Repriced ~$2.75B of our secured term loan facilities
- Refinanced $535M unsecured notes due 2026
- Upsized the borrowing capacity of revolving credit facility by ~$900M; total undrawn commitment at $2.9B (back to 2019 level)
- Reduced debt balance by >$8B from January 2023 peak

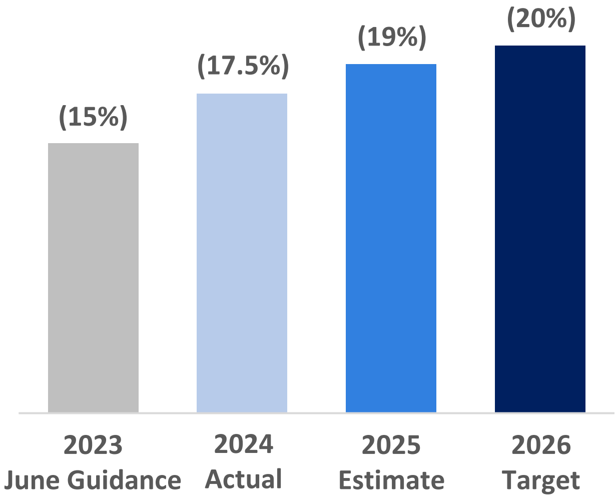
Achieved ~2.5 turn net debt to Adj. EBITDA improvement in 2024

In 2025, interest expense is expected to be >$200M lower than 2024 and >$500M lower than 2023

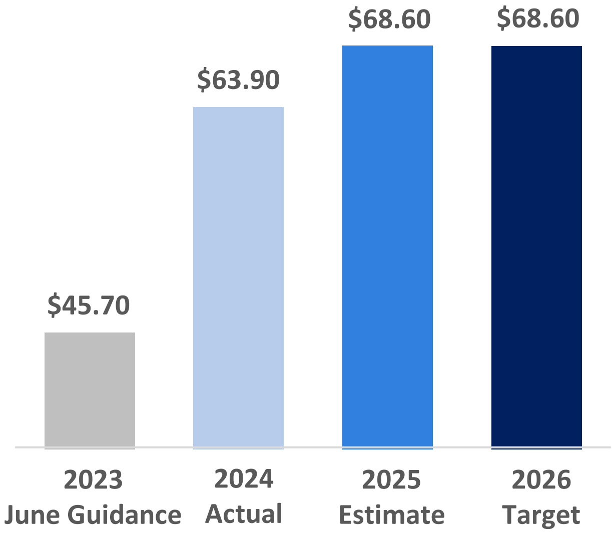
Expect to Hit 2026 SEA Change EBITDA Target One Year Early
Closing in Quickly on Our Remaining 2026 Targets

Sustainability: >20% Carbon Intensity Reduction

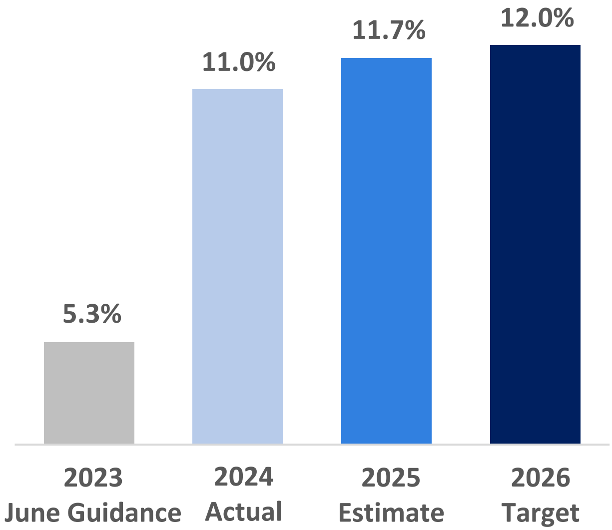
In Tons Per Berth Day vs. 2019



50% Increase in Adj. EBITDA per ALBD vs. 2023



12% Adj. ROIC



Averaging over 80% of the way there across EBITDA and ROIC after just one year

Creating Value for Our Stakeholders and Delivering Unforgettable Vacations to Our Guests

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2024
Ended 2024 with nearly 2/3 of 2025 on the books at higher occupancy and higher prices vs. 2024

2025
Refinancing higher coupon debt and reducing interest expense

2025
Taking delivery of one new ship: Star Princess, sister to the highly successful Sun Princess

2025
Opening of Celebration Key, our game changing exclusive destination in the Caribbean

2025
Set to achieve 2026 SEA Change EBITDA target one year early

2025+
Increasing net yields through revenue optimization initiatives

Continued opportunity in the commercial space

Improving margins, cash flows, profits, and ROIC

2026
Achieving our remaining SEA Change Targets

Expansion of Celebration Key and RelaxAway, Half Moon Cay

Appendix

Capacity by Market – 2025

	1Q	2Q	3Q	4Q	Full Year
Caribbean	48%	33%	24%	29%	34%
Northern Europe	9%	16%	24%	16%	16%
Mediterranean	3%	13%	21%	19%	14%
Australia/New Zealand	10%	6%	3%	4%	6%
Alaska	0%	4%	16%	4%	6%
Other Programs	30%	28%	12%	28%	24%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Note: The above doesn't incorporate the P&O (Australia) transfer into CCL

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SUSTAINABILITY FOCUS AREAS

Climate Action

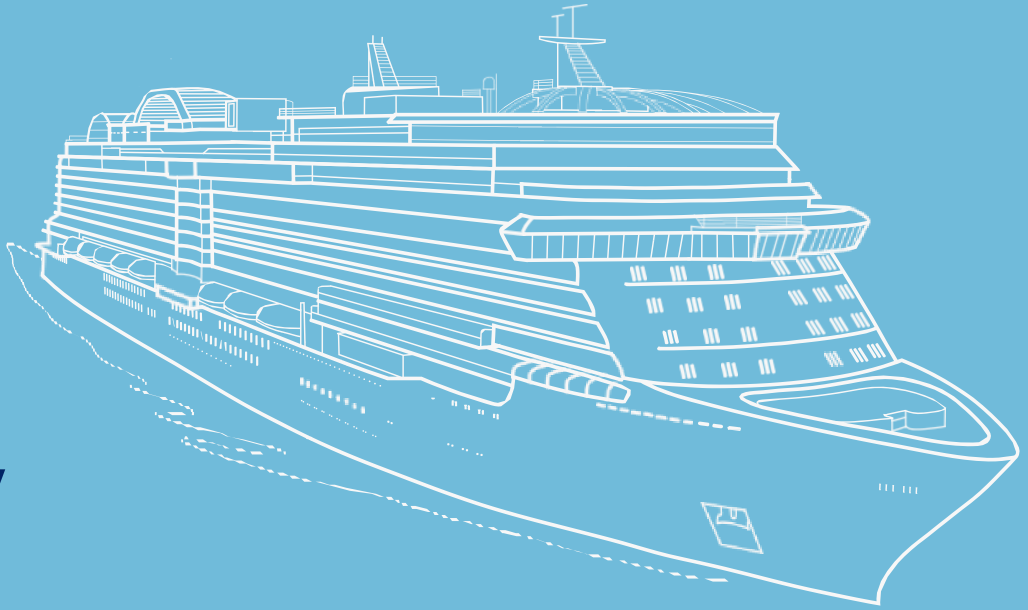
Investing in low- and zero-carbon emission technologies, and advanced air quality solutions; partnering with others to advance efforts to lower GHG emissions

Good Health & Well-Being

Expanding well-being programs to support employees' physical & mental health, encourage social connectivity and promoting a balanced lifestyle

Sustainable Tourism

Partnering with destinations to create shared value while respecting and helping them maintain their culture, history and natural resources



Circular Economy

Diverting a substantial portion of waste from landfills by recycling, composting, reusing, or eliminating items from supply chain, ships and ports

Diversity Equity & Inclusion

Striving to provide a welcoming and inclusive environment where people from different backgrounds, experiences and walks of life can thrive

Biodiversity & Conservation

Investing in programs supporting biodiversity & conservation; partnering with the communities we visit to help maintain and improve their ecosystems

Guidance

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Guidance

(See "Reconciliation of Forecasted Data")

Year over year change	1Q 2025 Current Dollars	1Q 2025 Constant Currency	Full Year 2025 Current Dollars	Full Year 2025 Constant Currency
Net yields	Approx. 3.5%	Approx. 4.6%	Approx. 3.2%	Approx. 4.2%
Adjusted cruise costs excluding fuel per ALBD	Approx. 2.4%	Approx. 3.4%	Approx. 2.7%	Approx. 3.7%

	2025				
	1Q	2Q	3Q	4Q	Full Year
ALBDs *(in millions)* (a)	23.6	24.3	24.6	23.9	96.3
Capacity growth compared to prior year	2.5 %	3.4 %	(2.5)%	(0.0)%	0.8 %

Capital Expenditures

For full year 2025, newbuild capital expenditures are $1.1 billion and non-newbuild capital expenditures are $2.5 billion. These future capital expenditures will fluctuate with foreign currency movements relative to the U.S. Dollar. In addition, these figures do not include potential stage payments for ship orders that the company may place in the future.

	1Q 2025	Full Year 2025
Fuel consumption in metric tons *(in millions)*	0.7	2.9
Fuel cost per metric ton consumed (excluding European Union Allowance ("EUA"))	$ 616	$ 617
Fuel expense (including EUA expense) *(in billions)*	$ 0.45	$ 1.89
Depreciation and amortization *(in billions)*	$ 0.66	$ 2.77
Interest expense, net of capitalized interest and interest income *(in billions)*	$ 0.38	$ 1.50
Adjusted EBITDA *(in billions)*	Approx. $1.04	Approx. $6.6
Adjusted net income *(in millions)*	Approx. $1	Approx. $2,305
Adjusted earnings per share - diluted (a)	Approx. $0.00	Approx. $1.70
Weighted-average shares outstanding - basic	1,309	1,312
Adjusted weighted-average shares outstanding - diluted (a)	1,316	1,402

(a) Diluted adjusted earnings per share includes the add-back of dilutive interest expense related to the company's convertible notes of $71 million for full year 2025. The add-back expense is antidilutive to the first quarter of 2025 calculation and accordingly has been excluded.

Currencies (USD to 1)	1Q 2025	Full Year 2025
AUD	$ 0.64	$ 0.64
CAD	$ 0.70	$ 0.70
EUR	$ 1.05	$ 1.05
GBP	$ 1.26	$ 1.26

Sensitivities *(impact to adjusted net income (loss) in millions)*	1Q 2025	Full Year 2025
1% change in net yields	$ 39	$ 190
1% change in adjusted cruise costs excluding fuel per ALBD	$ 26	$ 109
10% change in fuel cost per metric ton (excluding EUA)	$ 45	$ 178
100 basis point change in variable rate debt (including derivatives)	—	$ 48
1% change in currency exchange rates	$ 4	$ 25

Reconciliation of Net Yields and Net Per Diems

(in millions, except per diems and yields data)	Three Months Ended November 30, 2024	2024 Constant Currency	2023	Twelve Months Ended November 30, 2024	2024 Constant Currency	2023
Total revenues	$ 5,938		$ 5,397	$ 25,021		$ 21,593
Less: Cruise and tour operating expenses	(3,833)		(3,629)	(15,638)		(14,317)
Depreciation and amortization	(659)		(596)	(2,557)		(2,370)
Gross margin	1,447		1,172	6,826		4,906
Less: Tour and other revenues	(33)		(50)	(255)		(265)
Add: Payroll and related	653		605	2,464		2,373
Fuel	461		555	2,007		2,047
Food	358		335	1,457		1,335
Ship and other impairments	—		—	—		—
Other operating	1,005		879	3,801		3,426
Depreciation and amortization	659		596	2,557		2,370
Adjusted gross margin	$ 4,550	$ 4,489	$ 4,093	$ 18,857	$ 18,782	$ 16,192
PCDs	24.6	24.6	23.6	100.5	100.5	91.4
Gross margin per diems (per PCD)	$ 58.92		$ 49.72	$ 67.90		$ 53.67
% increase (decrease)	19 %			27 %		
Net per diems (per PCD)	$ 185.33	$ 182.86	$ 173.60	$ 187.57	$ 186.82	$ 177.13
% increase (decrease)	6.8 %	5.3 %		5.9 %	5.5 %	
ALBDs	23.9	23.9	23.2	95.6	95.6	91.3
Gross margin yields (per ALBD)	$ 60.57		$ 50.47	$ 71.43		$ 53.73
% increase (decrease)	20 %			33 %		
Net yields (per ALBD)	$ 190.53	$ 187.98	$ 176.20	$ 197.33	$ 196.54	$ 177.34
% increase (decrease)	8.1 %	6.7 %		11 %	11 %	

(See Non-GAAP Financial Measures)

Reconciliation of Non-GAAP Financial Measures

(in millions, except per share data)	Three Months Ended November 30, 2024	Three Months Ended November 30, 2023	Twelve Months Ended November 30, 2024	Twelve Months Ended November 30, 2023
Net income (loss)	$ 303	$ (48)	$ 1,916	$ (74)
(Gains) losses on ship sales and impairments	(33)	(34)	(39)	(88)
Debt extinguishment and modification costs	1	(1)	79	111
Restructuring expenses	1	3	21	19
Other	(86)	(10)	(86)	33
Adjusted net income (loss)	$ 186	$ (90)	$ 1,891	$ 1
Interest expense, net of capitalized interest	403	466	1,755	2,066
Interest income	(16)	(50)	(93)	(233)
Income tax benefit (expense), net	(13)	24	(1)	28
Depreciation and amortization	659	596	2,557	2,370
Adjusted EBITDA	$ 1,220	$ 946	$ 6,110	$ 4,231
Earnings per share - diluted (a)	$ 0.23	$ (0.04)	$ 1.44	$ (0.06)
Adjusted earnings per share - diluted (a)	$ 0.14	$ (0.07)	$ 1.42	$ 0.00
Adjusted weighted-average shares outstanding - diluted (a)	1,305	1,263	1,398	1,262

(a) Diluted earnings per share for full year 2024 includes the add-back of dilutive interest expense related to the company's convertible notes of $94 million. The company's convertible notes are antidilutive for the fourth quarter of 2024 adjusted earnings per share and therefore are not included in the calculation of diluted adjusted earnings per share.

(in millions)	Three Months Ended November 30, 2024	Three Months Ended November 30, 2023	Twelve Months Ended November 30, 2024	Twelve Months Ended November 30, 2023
Cash from (used in) operations	$ 911	$ 915	$ 5,923	$ 4,273
Capital expenditures (Purchases of Property and Equipment)	(592)	(675)	(4,626)	(3,284)
Proceeds from export credits	47	—	2,360	1,157
Adjusted free cash flow	$ 366	$ 240	$ 3,657	$ 2,146

(See Non-GAAP Financial Measures)

(in millions, except costs per ALBD data)	Three Months Ended November 30, 2024	Three Months Ended November 30, 2024 Constant Currency	Three Months Ended November 30, 2023	Twelve Months Ended November 30, 2024	Twelve Months Ended November 30, 2024 Constant Currency	Twelve Months Ended November 30, 2023
Cruise and tour operating expenses	$ 3,833		$ 3,629	$ 15,638		$ 14,317
Selling and administrative expenses	886		788	3,252		2,950
Less: Tour and other expenses	(39)		(42)	(212)		(231)
Cruise costs	4,680		4,375	18,678		17,035
Less: Commissions, transportation and other	(721)		(664)	(3,232)		(2,761)
Onboard and other costs	(634)		(590)	(2,678)		(2,375)
Gains (losses) on ship sales and impairments	33		34	39		88
Restructuring expenses	(1)		(3)	(21)		(19)
Other	—		—	—		—
Adjusted cruise costs	3,356	3,329	3,153	12,786	12,750	11,969
Less: Fuel	(461)	(461)	(555)	(2,007)	(2,007)	(2,047)
Adjusted cruise costs excluding fuel	$ 2,895	$ 2,868	$ 2,597	$ 10,780	$ 10,743	$ 9,922
ALBDs	23.9	23.9	23.2	95.6	95.6	91.3
Cruise costs per ALBD	$ 195.95		$ 188.31	$ 195.45		$ 186.57
% increase (decrease)	4.1 %			4.8 %		
Adjusted cruise costs per ALBD	$ 140.53	$ 139.38	$ 135.70	$ 133.80	$ 133.42	$ 131.08
% increase (decrease)	3.6 %	2.7 %		2.1 %	1.8 %	
Adjusted cruise costs excluding fuel per ALBD	$ 121.22	$ 120.08	$ 111.80	$ 112.81	$ 112.42	$ 108.67
% increase (decrease)	8.4 %	7.4 %		3.8 %	3.5 %	

(See Non-GAAP Financial Measures)

Non-GAAP Financial Measures

We use non-GAAP financial measures and they are provided along with their most comparative U.S. GAAP financial measure:

Non-GAAP Measure	U.S. GAAP Measure	Use Non-GAAP Measure to Assess
• Adjusted net income (loss), adjusted EBITDA and adjusted EBITDA per ALBD	• Net income (loss)	• Company Performance
• Adjusted earnings per share	• Earnings per share	• Company Performance
• Adjusted free cash flow	• Cash from (used in) operations	• Impact on Liquidity Level
• Net debt to adjusted EBITDA	—	• Company Leverage
• Net per diems	• Gross margin per diems	• Cruise Segments Performance
• Net yields	• Gross margin yields	• Cruise Segments Performance
• Adjusted cruise costs per ALBD and adjusted cruise costs excluding fuel per ALBD	• Gross cruise costs per ALBD	• Cruise Segments Performance
• Adjusted ROIC	—	• Company Performance

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

<u>Adjusted net income (loss)</u> and <u>adjusted earnings per share</u> provide additional information to us and investors about our future earnings performance by excluding certain gains, losses and expenses that we believe are not part of our core operating business and are not an indication of our future earnings performance. We believe that gains and losses on ship sales, impairment charges, debt extinguishment and modification costs, restructuring costs and certain other gains and losses are not part of our core operating business and are not an indication of our future earnings performance.

<u>Adjusted EBITDA</u> and <u>adjusted EBITDA per ALBD</u> provide additional information to us and investors about our core operating profitability, including on a per ALBD basis, by excluding certain gains, losses and expenses that we believe are not part of our core operating business and are not an indication of our future earnings performance as well as excluding interest, taxes and depreciation and amortization. In addition, we believe that the presentation of adjusted EBITDA provides additional information to us and investors about our ability to operate our business in compliance with the covenants set forth in our debt agreements. We define adjusted EBITDA as adjusted net income (loss) adjusted for (i) interest, (ii) taxes and (iii) depreciation and amortization. There are material limitations to using adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items that directly affect our net income (loss). These limitations are best addressed by considering the economic effects of the excluded items independently and by considering adjusted EBITDA in conjunction with net income (loss) as calculated in accordance with U.S. GAAP.

<u>Adjusted free cash flow</u> provides additional information to us and investors to assess our ability to repay our debt after making the capital investments required to support ongoing business operations and value creation as well as the impact on the company’s liquidity level. Adjusted free cash flow represents net cash provided by operating activities adjusted for capital expenditures (purchases of property and equipment) and proceeds from export credits that are provided for related capital expenditures. Adjusted free cash flow does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt.

<u>Net debt to adjusted EBITDA</u> provides additional information to us and investors about our overall leverage. We define net debt to adjusted EBITDA as total debt less cash and cash equivalents excluding a minimum cash balance divided by twelve-month adjusted EBITDA.

<u>Net per diems</u> and <u>net yields</u> enable us and investors to measure the performance of our cruise segments on a per PCD and per ALBD basis. We use adjusted gross margin rather than gross margin to calculate net per diems and net yields. We believe that adjusted gross margin is a more meaningful measure in determining net per diems and net yields than gross margin because it reflects the cruise revenues earned net of only 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.

Non-GAAP Financial Measures (cont'd)

Adjusted cruise costs per ALBD and adjusted cruise costs excluding fuel per ALBD enable us and investors to separate the impact of predictable capacity or ALBD changes from price and other changes that affect our business. We believe these non-GAAP measures provide useful information to us and investors and expanded insight to measure our cost performance. Adjusted cruise costs per ALBD and adjusted cruise costs excluding fuel per ALBD are the measures we use to monitor our ability to control our cruise segments' costs rather than cruise costs per ALBD. We exclude gains and losses on ship sales, impairment charges, restructuring costs and certain other gains and losses that we believe are not part of our core operating business as well as excluding 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. We exclude fuel expense to calculate adjusted cruise costs excluding fuel. The price of fuel, over which we have no control, impacts the comparability of period-to-period cost performance. The adjustment to exclude fuel provides us and investors with supplemental information to understand and assess the company's non-fuel adjusted cruise cost performance. Substantially all of our adjusted cruise costs excluding fuel are largely fixed, except for the impact of changing prices once the number of ALBDs has been determined.

Adjusted ROIC provides additional information to us and investors about our operating performance relative to the capital we have invested in the company. We define adjusted ROIC as the twelve-month adjusted net income (loss) before interest expense and interest income divided by the monthly average of debt plus equity minus construction-in-progress, excess cash, goodwill and intangibles.

Reconciliation of Forecasted Data

We have not provided a reconciliation of forecasted non-GAAP financial measures to the most comparable U.S. GAAP financial measures because preparation of meaningful U.S. GAAP forecasts would require unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates and fuel prices. We are unable to determine the future impact of gains and losses on ship sales, impairment charges, debt extinguishment and modification costs, restructuring costs and certain other non-core gains and losses.

Constant Currency

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

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

We report adjusted gross margin, net yields, net per diems, adjusted cruise costs excluding fuel and adjusted cruise costs excluding fuel per ALBD on a "constant currency" basis assuming the current periods' currency exchange rates have remained constant with the prior periods' rates. These metrics facilitate a comparative view for the changes in our business in an environment with fluctuating exchange rates.

Examples:

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

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