

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

For the quarterly period ended February 29, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-9610

Carnival Corporation

(Exact name of registrant as specified in its charter)

Republic of Panama

(State or other jurisdiction of incorporation or organization)

59-1562976

(I.R.S. Employer Identification No.)

3655 N.W. 87th Avenue  
Miami, Florida 33178-2428

(Address of principal executive offices)  
(Zip Code)

(305) 599-2600

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)



Commission file number: 001-15136

Carnival plc

(Exact name of registrant as specified in its charter)

England and Wales

(State or other jurisdiction of incorporation or organization)

98-0357772

(I.R.S. Employer Identification No.)

Carnival House, 100 Harbour Parade,  
Southampton SO15 1ST, United Kingdom

(Address of principal executive offices)  
(Zip Code)

011 44 23 8065 5000

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filers

Accelerated filers

Non-accelerated filers

Smaller reporting companies

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

At March 25, 2016, Carnival Corporation had outstanding 562,136,939 shares of Common Stock, \$0.01 par value.

At March 25, 2016, Carnival plc had outstanding 216,456,140 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 562,136,939, Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

**CARNIVAL CORPORATION & PLC**

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## PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended February 29/28,	
	2016	2015
<b>Revenues</b>		
Cruise		
Passenger tickets	\$ 2,718	\$ 2,632
Onboard and other	923	889
Tour and other	10	10
	<u>3,651</u>	<u>3,531</u>
<b>Operating Costs and Expenses</b>		
Cruise		
Commissions, transportation and other	582	586
Onboard and other	117	111
Payroll and related	492	467
Fuel	187	318
Food	247	239
Other ship operating	604	598
Tour and other	14	16
	<u>2,243</u>	<u>2,335</u>
Selling and administrative	551	529
Depreciation and amortization	423	401
	<u>3,217</u>	<u>3,265</u>
<b>Operating Income</b>	<u>434</u>	<u>266</u>
<b>Nonoperating (Expense) Income</b>		
Interest income	2	2
Interest expense, net of capitalized interest	(52)	(57)
Losses on fuel derivatives	(236)	(169)
Other (expense) income, net	(5)	10
	<u>(291)</u>	<u>(214)</u>
<b>Income Before Income Taxes</b>	<u>143</u>	<u>52</u>
<b>Income Tax Expense, Net</b>	<u>(1)</u>	<u>(3)</u>
<b>Net Income</b>	<u>\$ 142</u>	<u>\$ 49</u>
<b>Earnings Per Share</b>		
Basic	<u>\$ 0.18</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.06</u>
<b>Dividends Declared Per Share</b>	<u>\$ 0.30</u>	<u>\$ 0.25</u>

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

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

	Three Months Ended February 29/28,	
	2016	2015
<b>Net Income</b>	\$ 142	\$ 49
<b>Items Included in Other Comprehensive Loss</b>		
Change in foreign currency translation adjustment	(208)	(683)
Other	6	(40)
<b>Other Comprehensive Loss</b>	(202)	(723)
<b>Total Comprehensive Loss</b>	\$ (60)	\$ (674)

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

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

	February 29, 2016	November 30, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 778	\$ 1,395
Trade and other receivables, net	311	303
Insurance recoverables	112	109
Inventories	333	330
Prepaid expenses and other	326	314
Total current assets	1,860	2,451
<b>Property and Equipment, Net</b>	31,677	31,818
<b>Goodwill</b>	2,980	3,010
<b>Other Intangibles</b>	1,294	1,308
<b>Other Assets</b>	635	650
	<u>\$ 38,446</u>	<u>\$ 39,237</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 265	\$ 30
Current portion of long-term debt	813	1,344
Accounts payable	619	627
Accrued liabilities and other	1,632	1,683
Customer deposits	3,335	3,272
Total current liabilities	6,664	6,956
<b>Long-Term Debt</b>	7,990	7,413
<b>Other Long-Term Liabilities</b>	1,167	1,097
<b>Contingencies</b>		
<b>Shareholders' Equity</b>		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 654 shares at 2016 and 653 shares at 2015 issued	7	7
Ordinary shares of Carnival plc, \$1.66 par value; 216 shares at 2016 and 2015 issued	358	358
Additional paid-in capital	8,592	8,562
Retained earnings	19,976	20,060
Accumulated other comprehensive loss	(1,943)	(1,741)
Treasury stock, 89 shares at 2016 and 70 shares at 2015 of Carnival Corporation and 26 shares at 2016 and 27 shares at 2015 of Carnival plc, at cost	(4,365)	(3,475)
Total shareholders' equity	22,625	23,771
	<u>\$ 38,446</u>	<u>\$ 39,237</u>

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

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

	Three Months Ended February 29/28,	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 142	\$ 49
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	423	401
Losses on fuel derivatives	236	169
Share-based compensation	16	11
Other, net	9	4
Changes in operating assets and liabilities		
Receivables	(18)	(21)
Inventories	(4)	7
Insurance recoverables, prepaid expenses and other	(12)	20
Accounts payable	(7)	6
Accrued and other liabilities	(75)	(35)
Customer deposits	88	160
Net cash provided by operating activities	<u>798</u>	<u>771</u>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(330)	(942)
Payments of fuel derivative settlements	(88)	(42)
Collateral payments for fuel derivatives	(57)	(15)
Other, net	16	25
Net cash used in investing activities	<u>(459)</u>	<u>(974)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings, net	235	210
Principal repayments of long-term debt	(628)	(336)
Proceeds from issuance of long-term debt	555	472
Dividends paid	(232)	(194)
Purchases of treasury stock	(916)	—
Sales of treasury stock	40	—
Other, net	(1)	(1)
Net cash (used in) provided by financing activities	<u>(947)</u>	<u>151</u>
Effect of exchange rate changes on cash and cash equivalents	(9)	1
Net decrease in cash and cash equivalents	(617)	(51)
Cash and cash equivalents at beginning of period	1,395	331
Cash and cash equivalents at end of period	<u>\$ 778</u>	<u>\$ 280</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 February 29, 2016 and the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Cash Flows for the three months ended February 29/28, 2016 and 2015 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 2015 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 29, 2016. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

***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 \$136 million and \$135 million for the three months ended February 29/28, 2016 and 2015, respectively.

During the three months ended February 29/28, 2016 and 2015, repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were \$242 million and \$250 million, respectively, and are substantially all included in other ship operating expenses.

***Accounting Pronouncements***

In 2014, amended guidance was issued by the Financial Accounting Standards Board (“FASB”) regarding the accounting for *Service Concession Arrangements*. The new guidance defines a service concession as an arrangement between a public-sector grantor, such as a port authority, and a company that will operate and maintain the grantor's infrastructure for a specified period of time. In exchange, the company may be given a right to charge the public, such as our cruise guests, for the use of the infrastructure. This guidance required us to record certain of the infrastructure we had constructed to be used by us pursuant to a service concession arrangement outside of property and equipment. On December 1, 2015, we adopted this guidance and, accordingly, reclassified \$70 million from *Property and Equipment, Net* to *Other Intangibles* on our November 30, 2015 Consolidated Balance Sheet (see “Note 4 - Nonfinancial Instruments that are Measured at Fair Value on a Nonrecurring Basis”).

In 2014, the FASB issued amended guidance regarding accounting for *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. When effective, this standard will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles (“U.S. GAAP”). The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in U.S. GAAP. This guidance is required to be adopted by us in the first quarter of fiscal 2019 by either recasting all years presented in our financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. We are currently evaluating the impact that this guidance will have on our consolidated financial statements.

In 2015, the FASB issued amended guidance regarding accounting for *Interest - Imputation of Interest*, which simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability. This guidance is required to be adopted by us in the first quarter of fiscal 2017, and should be applied on a retrospective basis. The adoption of this guidance is not expected to have a significant impact on our Consolidated Balance Sheets.

In 2016, the FASB issued guidance regarding accounting for *Leases*, which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. This guidance is required to be adopted by us in the first quarter of fiscal 2020. We are currently evaluating the impact that this guidance will have on our consolidated financial statements.

## **NOTE 2 – Unsecured Debt**

At February 29, 2016, our short-term borrowings consisted of commercial paper of \$240 million and euro-denominated bank loans of \$25 million with an aggregate weighted-average floating interest rate of 0.8%.

In February 2016, we issued \$555 million of euro-denominated, publicly-traded notes, which bear interest at 1.625% and are due in February 2021. We are using the net proceeds for general corporate purposes.

## **NOTE 3 – Contingencies**

### **Litigation**

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

As a result of a 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 and 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.

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 impact on our consolidated financial statements.

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

At February 29, 2016, Carnival Corporation had estimated contingent obligations totaling \$359 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 February 29, 2016, be responsible for a termination payment of \$13 million. In January 2016, Carnival Corporation elected to exercise its options to terminate each of these LILO transactions on January 1, 2017 for one ship and January 1, 2018 for the other, 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 \$26 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 February 29, 2016 and November 30, 2015. 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):

	February 29, 2016				November 30, 2015			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets</b>								
Cash and cash equivalents (a)	\$ 579	\$ 579	\$ —	\$ —	\$ 647	\$ 647	\$ —	\$ —
Restricted cash (b)	3	3	—	—	7	7	—	—
Long-term other assets (c)	117	1	86	31	119	1	87	31
<b>Total</b>	<b>\$ 699</b>	<b>\$ 583</b>	<b>\$ 86</b>	<b>\$ 31</b>	<b>\$ 773</b>	<b>\$ 655</b>	<b>\$ 87</b>	<b>\$ 31</b>
<b>Liabilities</b>								
Fixed rate debt (d)	\$ 5,203	\$ —	\$ 5,463	\$ —	\$ 5,193	\$ —	\$ 5,450	\$ —
Floating rate debt (d)	3,865	—	3,796	—	3,594	—	3,589	—
<b>Total</b>	<b>\$ 9,068</b>	<b>\$ —</b>	<b>\$ 9,259</b>	<b>\$ —</b>	<b>\$ 8,787</b>	<b>\$ —</b>	<b>\$ 9,039</b>	<b>\$ —</b>

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

- (c) At February 29, 2016 and November 30, 2015, 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 February 29, 2016 and November 30, 2015 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At February 29, 2016 and November 30, 2015, 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 February 29, 2016 and November 30, 2015 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):

	February 29, 2016			November 30, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Cash equivalents (a)	\$ 199	\$ —	\$ —	\$ 748	\$ —	\$ —
Restricted cash (b)	23	—	—	22	—	—
Marketable securities held in rabbi trusts (c)	97	6	—	105	8	—
Derivative financial instruments (d)	—	14	—	—	29	—
Long-term other asset (e)	—	—	21	—	—	21
<b>Total</b>	<b>\$ 319</b>	<b>\$ 20</b>	<b>\$ 21</b>	<b>\$ 875</b>	<b>\$ 37</b>	<b>\$ 21</b>
<b>Liabilities</b>						
Derivative financial instruments (d)	\$ —	\$ 718	\$ —	\$ —	\$ 625	\$ —
<b>Total</b>	<b>\$ —</b>	<b>\$ 718</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 625</b>	<b>\$ —</b>

- (a) Cash equivalents are comprised of money market funds.
- (b) The majority of restricted cash is comprised of money market funds.
- (c) At February 29, 2016 and November 30, 2015, 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 three months ended February 29, 2016, 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

### Sale of Ship

In March 2016, we entered into a bareboat charter/sale agreement under which the 1,546-passenger capacity *Pacific Pearl* will be chartered to an unrelated entity from April 2017 through April 2027. Under this agreement, ownership of *Pacific Pearl* will be transferred to the buyer in April 2027. This transaction did not meet the criteria to qualify as a sales-type lease and, accordingly, it will be accounted for as an operating lease whereby we recognize the charter revenue over the term of the agreement.

### Valuation of Goodwill and Other Intangibles

The reconciliation of the changes in the carrying amounts of our goodwill, which 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, 2015	\$ 1,898	\$ 1,112	\$ 3,010
Foreign currency translation adjustment	—	(30)	(30)
Balance at February 29, 2016	\$ 1,898	\$ 1,082	\$ 2,980

At July 31, 2015, all of our cruise brands carried goodwill, except for Seabourn and Fathom. As of that date, we performed our annual goodwill impairment reviews and no goodwill was impaired.

The reconciliation of the changes in the carrying amounts of our other 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, 2015	\$ 927	\$ 307	\$ 1,234
Foreign currency translation adjustment	—	(10)	(10)
Balance at February 29, 2016	\$ 927	\$ 297	\$ 1,224

At July 31, 2015, 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 this 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.

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

	Cruise Support	EAA Cruise Brands	Total
Balance at November 30, 2015 (See "Note 1 - General")	\$ 62	\$ 12	\$ 74
Amortization	(1)	—	(1)
Foreign currency translation adjustment	(3)	—	(3)
Balance at February 29, 2016	\$ 58	\$ 12	\$ 70

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

## **Derivative Instruments and Hedging Activities**

We utilize derivative and non-derivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates, 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 non-derivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or substantially liquidated. We formally document hedging relationships for all derivative and non-derivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all our derivative contracts as either current or long-term, depending on 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	February 29, 2016	November 30, 2015
<b>Derivative assets</b>			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Prepaid expenses and other	\$ 11	\$ 14
	Other assets – long-term	3	13
Interest rate swaps (b)	Prepaid expenses and other	—	2
Total derivative assets		<u>\$ 14</u>	<u>\$ 29</u>
<b>Derivative liabilities</b>			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Accrued liabilities and other	\$ 2	\$ —
	Other long-term liabilities	4	—
Interest rate swaps (b)	Accrued liabilities and other	12	11
	Other long-term liabilities	32	27
Foreign currency zero cost collars (c)	Accrued liabilities and other	3	—
	Other long-term liabilities	13	26
		<u>66</u>	<u>64</u>
Derivatives not designated as hedging instruments			
Fuel (d)	Accrued liabilities and other	240	227
	Other long-term liabilities	412	334
		<u>652</u>	<u>561</u>
Total derivative liabilities		<u>\$ 718</u>	<u>\$ 625</u>

- (a) We had foreign currency forwards totaling \$186 million at February 29, 2016 and \$43 million at November 30, 2015 that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At February 29, 2016, these foreign currency forwards settle through July 2017. We also had foreign currency swaps totaling \$399 million at February 29, 2016 and \$387 million at November 30, 2015 that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At February 29, 2016 and November 30, 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 \$575 million at February 29, 2016 and \$568 million at November 30, 2015 of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025. In addition, at November 30, 2015, we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. At November 30, 2015, these interest rate swap agreements effectively changed \$500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settled in February 2016.
- (c) At February 29, 2016 and November 30, 2015, 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 February 29, 2016 and November 30, 2015, 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 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):

	February 29, 2016				
	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	\$ 20	\$ (6)	\$ 14	\$ (14)	\$ —
Liabilities	\$ 724	\$ (6)	\$ 718	\$ (14)	\$ 704

  

	November 30, 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	\$ 73	\$ (44)	\$ 29	\$ (29)	\$ —
Liabilities	\$ 669	\$ (44)	\$ 625	\$ (29)	\$ 596

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

	Three Months Ended February 29/28,	
	2016	2015
Net investment hedges	\$ (13)	\$ 39
Foreign currency zero cost collars – cash flow hedges	\$ 10	\$ (37)
Interest rate swaps – cash flow hedges	\$ (3)	\$ (2)

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 February 29, 2016 and November 30, 2015, we had \$82 million and \$25 million, respectively, of collateral posted to one of our fuel derivative counterparties. At February 29, 2016 and November 30, 2015, no collateral was required to be received from our fuel derivative counterparties.

The amount of estimated cash flow hedges' unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of February 29, 2016 and November 30, 2015 and for the three months ended February 29/28, 2016 and 2015 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 losses on fuel derivatives were as follows (in millions):

	Three Months Ended February 29/28,	
	2016	2015
Unrealized losses on fuel derivatives	\$ 145	\$ 112
Realized losses on fuel derivatives	91	57
Losses on fuel derivatives	<u>\$ 236</u>	<u>\$ 169</u>

At February 29, 2016, our outstanding fuel derivatives consisted of zero cost collars on Brent as follows:

Maturities (a)	Transaction Dates	Barrels (in thousands)	Weighted-Average Floor Prices	Weighted-Average Ceiling Prices
Fiscal 2016 (Q2 - Q4)				
	June 2012	2,673	\$ 75	\$ 108
	February 2013	1,620	\$ 80	\$ 120
	April 2013	2,250	\$ 75	\$ 115
		<u>6,543</u>		
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>		
Fiscal 2018				
	January 2014	2,700	\$ 75	\$ 110
	October 2014	3,000	\$ 80	\$ 114
		<u>5,700</u>		

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

## Foreign Currency Exchange Rate Risks

### Overall Strategy

We manage our exposure to fluctuations in foreign currency exchange rates through our normal operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative and non-derivative financial instruments. Our primary focus is to 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 non-derivative 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.

### **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, substantially all sterling. We have designated \$2.4 billion as of February 29, 2016 and \$2.6 billion as of November 30, 2015 of our foreign currency intercompany payables as non-derivative hedges of our net investments in foreign operations. Accordingly, we have included \$691 million at February 29, 2016 and \$509 million at November 30, 2015 of cumulative foreign currency transaction non-derivative 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 months ended February 29/28, 2016 and 2015, we recognized foreign currency non-derivative transaction gains of \$182 million and \$72 million, 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 non-derivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

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

At February 29, 2016, our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of \$1.9 billion and substantially relates to Carnival Cruise Line, Holland America Line, P&O Cruises (Australia) and Seabourn newbuilds scheduled to be delivered through 2019.

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 February 29, 2016, 64% and 36% (60% and 40% at November 30, 2015) 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 February 29, 2016, 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, Cunard, P&O Cruises (Australia) and P&O Cruises (UK). 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 and Fathom's pre-launch selling, general and administrative expenses.

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

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

	Three Months Ended February 29/28,				
	Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
<b>2016</b>					
North America Cruise Brands	\$ 2,218	\$ 1,315	\$ 311	\$ 255	\$ 337
EAA Cruise Brands	1,389	910	175	147	157
Cruise Support	34	5	63	11	(45)
Tour and Other	10	13	2	10	(15)
	<u>\$ 3,651</u>	<u>\$ 2,243</u>	<u>\$ 551</u>	<u>\$ 423</u>	<u>\$ 434</u>
<b>2015</b>					
North America Cruise Brands	\$ 2,193	\$ 1,377	\$ 287	\$ 246	\$ 283
EAA Cruise Brands	1,303	943	179	138	43
Cruise Support	26	(1)	61	6	(40)
Tour and Other	9	16	2	11	(20)
	<u>\$ 3,531</u>	<u>\$ 2,335</u>	<u>\$ 529</u>	<u>\$ 401</u>	<u>\$ 266</u>

#### 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 February 29/28,	
	2016	2015
Net income for basic and diluted earnings per share	\$ 142	\$ 49
Weighted-average common and ordinary shares outstanding	766	777
Dilutive effect of equity plans	3	2
Diluted weighted-average shares outstanding	769	779
Basic and diluted earnings per share	<u>\$ 0.18</u>	<u>\$ 0.06</u>

#### NOTE 7 – Shareholders' Equity

During the three months ended February 29, 2016, we repurchased 18.4 million shares of Carnival Corporation common stock for \$877 million under our general repurchase authorization program (“Repurchase Program”). From March 1, 2016 through March 25, 2016, we repurchased 2.6 million shares of Carnival Corporation common stock for \$124 million under the Repurchase Program. At March 25, 2016, the remaining availability under the Repurchase Program was \$698 million.

During the three months ended February 29, 2016, Carnival Investments Limited (“CIL”), a subsidiary of Carnival Corporation, sold 891 thousand of Carnival plc ordinary shares for net proceeds of \$40 million. Substantially all of the net proceeds from these sales were used to purchase 891 thousand shares of Carnival Corporation common stock. Pursuant to our Stock Swap (“Stock Swap”) program, Carnival Corporation sold these Carnival plc ordinary shares owned by CIL only to the extent it was able to repurchase shares of Carnival Corporation common stock in the U.S. on at least an equivalent basis.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Cautionary Note Concerning Factors That May Affect Future Results**

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

- Incidents, such as ship incidents, security incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and the related adverse publicity affecting our reputation and the health, safety, security and satisfaction of guests and crew;
- Economic conditions and adverse world events affecting the safety and security of travel, such as civil unrest, armed conflicts and terrorist attacks;
- Changes in and compliance with laws and regulations relating to environment, health, safety, security, tax and anti-corruption under which we operate;
- Disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- Ability to recruit, develop and retain qualified personnel;
- Increases in fuel prices;
- Fluctuations in foreign currency exchange rates;
- Misallocation of capital among our ship, joint venture and other strategic investments;
- Future operating cash flow may not be sufficient to fund future obligations and we may be unable to obtain financing;
- Deterioration of our cruise brands' strengths and our inability to implement our strategies;
- Continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the prices for, the services and products provided by these vendors;
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations and increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- Failure to keep pace with developments in technology;
- Geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect and our international operations are subject to additional risks not generally applicable to our U.S. operations;
- Competition from and overcapacity in the cruise ship and land-based vacation industry;
- Economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- Litigation, enforcement actions, fines or penalties;
- Lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;
- Union disputes and other employee relationship issues;
- Decisions to self-insure against various risks or the inability to obtain insurance for certain risks at reasonable rates;
- Reliance on third-party providers of various services integral to the operations of our business;
- Business activities that involve our co-investment with third parties;
- Disruptions in the global financial markets or other events that may negatively affect the ability of our counterparties and others to perform their obligations to us;
- Our shareholders may be subject to the uncertainties of a foreign legal system since Carnival Corporation and Carnival plc are not U.S. corporations;
- Small group of shareholders may be able to effectively control the outcome of shareholder voting;

- Provisions in Carnival Corporation's and Carnival plc's constitutional documents may prevent or discourage takeovers and business combinations that our shareholders might consider to be in their best interests and
- The DLC arrangement involves risks not associated with the more common ways of combining the operations of two companies.

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

## Outlook

On March 30, 2016, we said that we expected our adjusted diluted earnings per share for the 2016 second quarter to be in the range of \$0.34 to \$0.38 and 2016 full year to be in the range of \$3.20 to \$3.40 (see "Key Performance Non-GAAP Financial Indicators"). Our guidance was based on the following assumptions:

	<u>2016 Second Quarter</u>	<u>2016 Full Year</u>
Fuel cost per metric ton consumed	\$239	\$244
Currencies		
U.S. dollar to euro	\$1.11	\$1.11
U.S. dollar to sterling	\$1.43	\$1.44
U.S. dollar to Australian dollar	\$0.75	\$0.74
U.S. dollar to Canadian dollar	\$0.75	\$0.74

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, incidents, such as ship incidents, security incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and the related adverse publicity, economic conditions and adverse world events, changes in and compliance with various laws and regulations under which we operate 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 2015 Form 10-K.

## Seasonality

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

**Statistical Information**

	Three Months Ended February 29/28,	
	2016	2015
Available lower berth days ("ALBDs") (in thousands) (a) (b)	19,290	18,584
Occupancy percentage (c)	104.0%	103.1%
Passengers carried (in thousands)	2,559	2,463
Fuel consumption in metric tons (in thousands)	816	783
Fuel consumption in metric tons per ALBD	0.042	0.042
Fuel cost per metric ton consumed	\$ 229	\$ 406
<b>Currencies</b>		
U.S. dollar to euro	\$ 1.10	\$ 1.17
U.S. dollar to sterling	\$ 1.45	\$ 1.53
U.S. dollar to Australian dollar	\$ 0.71	\$ 0.81
U.S. dollar to Canadian dollar	\$ 0.73	\$ 0.82

(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 February 29, 2016 compared to the three months ended February 28, 2015, we had a 3.8% capacity increase in ALBDs comprised of a 12.6% capacity increase in our EAA brands, while our North America brands' capacity decreased by 1.4%.

Our EAA brands' capacity increase was caused by:

- full quarter impact from one P&O Cruises (UK) 3,647-passenger capacity ship delivered in 2015;
- transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015;
- fewer ship dry-dock days in 2016 compared to 2015 and
- more ship operating days in 2016 compared to 2015 due to the 2016 leap year and pro rated voyages.

Our North America brands' capacity decrease was caused by:

- transfer of two Holland America Line 1,260-passenger capacity ships to P&O Cruises (Australia) in 2015 and
- more ship dry-dock days in 2016 compared to 2015.

These decreases were partially offset by more ship operating days in 2016 compared to 2015 due to the 2016 leap year and pro rated voyages.

(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 February 29, 2016 (“2016”) Compared to Three Months Ended February 28, 2015 (“2015”)

### Revenues

#### Consolidated

Cruise passenger ticket revenues made up 74% of our 2016 total revenues. Cruise passenger ticket revenues increased by \$86 million, or 3.3%, to \$2.7 billion in 2016 from \$2.6 billion in 2015.

This increase was caused by:

- \$100 million - 3.8% capacity increase in ALBDs;
- \$31 million - an accounting reclassification in our EAA segment, which has no impact on our operating income as the increase in passenger ticket revenues is fully offset by an increase in operating expenses (“accounting reclassification”);
- \$24 million - slight increase in occupancy and
- \$21 million - increase in cruise ticket pricing, driven primarily by improvements in the Caribbean for both our North America and EAA brands and year round European programs for our EAA brands, partially offset by unfavorable foreign currency transactional impacts.

These increases were partially offset by:

- \$79 million - foreign currency translational impact from a stronger U.S. dollar against the euro, sterling and the Australian dollar (“foreign currency translational impact”) and
- \$14 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 26% of 2016 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$34 million, or 3.9% to \$923 million in 2016 from \$889 million in 2015.

This increase was caused by:

- \$34 million - 3.8% capacity increase in ALBDs and
- \$11 million - higher onboard spending by our guests.

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

Onboard and other revenues included concession revenues that decreased by \$9 million, or 3.8% to \$227 million in 2016 compared to \$236 million in 2015.

#### North America Brands

Cruise passenger ticket revenues made up 72% of our North America brands' 2016 total revenues. Cruise passenger ticket revenues slightly increased by \$15 million and remained at \$1.6 billion in both 2016 and 2015.

The majority of the slight increase was due to a 2.0 percentage point increase in occupancy, which accounted for \$30 million, partially offset by a 1.4% capacity decrease in ALBDs, which accounted for \$22 million. Cruise ticket pricing increases for North America were affected by significant unfavorable foreign currency transactional impacts.

The remaining 28% of our North America brands' 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$11 million, or 1.7%, to \$630 million in 2016 from \$619 million in 2015. This increase was caused by a 2.0 percentage point increase in occupancy, which accounted for \$12 million.

Onboard and other revenues included concession revenues that decreased by \$11 million, or 6.8%, to \$151 million in 2016 from \$162 million in 2015.

#### EAA Brands

Cruise passenger ticket revenues made up 82% of our EAA brands' 2016 total revenues. Cruise passenger ticket revenues increased by \$74 million, or 6.9%, and remained at \$1.1 billion in both 2016 and 2015.

This increase was caused by:

- \$134 million - 12.6% capacity increase in ALBDs;
- \$31 million - an accounting reclassification and

- \$20 million - increase in cruise ticket pricing, driven primarily by improvements in the Caribbean and year round European programs.

These increases were partially offset by:

- \$79 million - foreign currency translational impact and
- \$27 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 18% of our EAA brands' 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$12 million, or 5.1%, to \$254 million in 2016 from \$242 million in 2015.

This increase was caused by a 12.6% capacity increase in ALBDs, which accounted for \$30 million, partially offset by the foreign currency translational impact, which accounted for \$19 million.

Onboard and other revenues included concession revenues that increased by \$2 million, or 2.7%, to \$76 million in 2016 from \$74 million in 2015.

## **Costs and Expenses**

### **Consolidated**

Operating costs and expenses decreased by \$92 million, or 3.9%, to \$2.2 billion in 2016 from \$2.3 billion in 2015.

This decrease was caused by:

- \$144 million - lower fuel prices;
- \$60 million - foreign currency translational impact and
- \$21 million - decrease in air transportation costs related to guests who purchased their tickets from us.

These decreases were partially offset by:

- \$88 million - 3.8% capacity increase in ALBDs;
- \$31 million - an accounting reclassification and
- \$20 million - nonrecurrence of a gain on a litigation settlement in 2015.

Selling and administrative expenses increased by \$22 million, or 4.1% to \$551 million in 2016 from \$529 million in 2015.

This increase was caused by:

- \$20 million - 3.8% capacity increase in ALBDs and
- \$15 million - higher selling and administrative expenses.

These increases were partially offset by the foreign currency translational impact, which accounted for \$13 million.

Depreciation and amortization expenses increased by \$22 million, or 5.5%, to \$423 million in 2016 from \$401 million in 2015.

This increase was caused by:

- \$20 million - increase due to improvements to existing ships and shoreside assets and
- \$15 million - 3.8% capacity increase in ALBDs.

These increases were partially offset by the foreign currency translational impact, which accounted for \$11 million.

Our total costs and expenses as a percentage of revenues decreased to 88% in 2016 from 92% in 2015. Lower fuel prices in 2016 compared to 2015 caused the four percentage point decrease in our total costs and expenses as a percentage of revenues.

### **North America Brands**

Operating costs and expenses decreased by \$62 million, or 4.5%, to \$1.3 billion in 2016 from \$1.4 billion in 2015.

This decrease was caused by:

- \$92 million - lower fuel prices;
- \$20 million - 1.4% capacity decrease in ALBDs and
- \$16 million - various other operating expenses, net, which included favorable foreign currency transactional impacts.

These decreases were partially offset by:

- \$37 million - higher dry-dock expenses;
- \$19 million - nonrecurrence of a gain on a litigation settlement in 2015 and
- \$10 million - 2.0 percentage point increase in occupancy.

Selling and administrative expenses increased by \$24 million, or 8.4% to \$311 million in 2016 from \$287 million in 2015. This was caused by higher selling and administrative expenses, which accounted for \$28 million.

Depreciation and amortization expenses increased by \$9 million, or 3.7%, to \$255 million in 2016 from \$246 million in 2015. This increase was caused by improvements to existing ships and shoreside assets, which accounted for \$13 million.

Our total costs and expenses as a percentage of revenues decreased to 85% in 2016 from 87% in 2015. Assuming 2016 fuel prices remained constant with 2015, our total costs and expenses as a percentage of revenues would have increased to 89% in 2016 from 87% in 2015.

### **EAA Brands**

Operating costs and expenses decreased by \$33 million, or 3.5%, to \$910 million in 2016 from \$943 million in 2015.

This decrease was caused by:

- \$60 million - foreign currency translational impact;
- \$51 million - lower fuel prices;
- \$47 million - lower dry-dock expenses and
- \$32 million - decrease in air transportation costs related to guests who purchased their tickets from us.

These decreases were partially offset by:

- \$119 million - 12.6% capacity increase in ALBDs and
- \$31 million - an accounting reclassification.

Selling and administrative expenses decreased by \$4 million, or 2.2% to \$175 million in 2016 from \$179 million in 2015.

This decrease was caused by:

- \$14 million - lower selling and administrative expenses and
- \$13 million - foreign currency translational impact.

These decreases were partially offset by a 12.6% capacity increase in ALBDs, which accounted for \$22 million.

Depreciation and amortization expenses increased by \$9 million, or 6.5%, to \$147 million in 2016 from \$138 million in 2015. This increase was primarily due to a 12.6% capacity increase in ALBDs, which accounted for \$17 million, partially offset by the foreign currency translational impact, which accounted for \$11 million.

Our total costs and expenses as a percentage of revenues decreased to 89% in 2016 from 97% in 2015. Lower fuel prices in 2016 compared to 2015 caused almost half of the eight percentage point decrease in our total costs and expenses as a percentage of revenues.

### **Operating Income**

Our consolidated operating income increased by \$168 million, or 63%, to \$434 million in 2016 from \$266 million in 2015. Our North America brands' operating income increased by \$54 million, or 19%, to \$337 million in 2016 from \$283 million in 2015, and our EAA brands' operating income increased by \$114 million, or 265% to \$157 million in 2016 from \$43 million in 2015. These changes were primarily due to the reasons discussed above.

**Nonoperating Expense**

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

	Three Months Ended February 29/28,	
	2016	2015
Unrealized losses on fuel derivatives	\$ 145	\$ 112
Realized losses on fuel derivatives	91	57
Losses on fuel derivatives	<u>\$ 236</u>	<u>\$ 169</u>

Other (expense) income, net changed to \$(5) million in 2016 from \$10 million in 2015 principally due to losses from nonoperating foreign currency transactions.

**Key Performance Non-GAAP Financial Indicators**

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

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 and other 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 and other expenses to be excluded from our net income and earnings per share and, accordingly, we present adjusted net income and adjusted earnings per share excluding these items.

In addition, our EAA cruise brands utilize the euro, sterling and Australian dollar as their functional currency, the monetary unit of the primary economic environment in which they operate, to measure their results and financial condition. This subjects us to foreign currency translational risk. All of our North America and EAA cruise brands also have revenues and expenses that are in a currency other than their functional currency. This subjects us to foreign currency transactional risk.

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

Constant dollar reporting is a Non-GAAP financial measure that removes only the impact of changes in exchange rates on the translation of our EAA brands.

*Constant currency* reporting is a Non-GAAP financial measure that removes the impact of changes in exchange rates on the translation of our EAA brands (as in constant dollar) plus the transactional impact of changes in exchange rates from revenues and expenses that are denominated in a currency other than the functional currency for both our North America and EAA brands.

*Examples:*

- The translation of our EAA brand operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies.
- Our North America brands have a U.S. dollar functional currency but also have revenue and expense transactions in currencies other than the U.S. dollar. If the U.S. dollar strengthens against these other currencies, it reduces the U.S. dollar revenues and expenses. If the U.S. dollar weakens against these other currencies, it increases the U.S. dollar revenues and expenses.
- Our EAA brands have a euro, sterling and Australian dollar functional currency but also have revenue and expense transactions in currencies other than their functional currency. If their functional currency strengthens against these other currencies, it reduces the functional currency revenues and expenses. If the functional currency weakens against these other currencies, it increases the functional currency revenues and expenses.

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

We have excluded from our earnings guidance the impact of unrealized gains and losses on fuel derivatives because we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on an adjusted basis only. As a result, management has not provided a reconciliation between forecasted adjusted earnings per share guidance and forecasted U.S. GAAP earnings per share guidance because it would be too difficult to prepare a reliable U.S. GAAP quantitative reconciliation without unreasonable effort. 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 as reported, constant dollar and constant currency 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 February 29/28,		
	2016	2016 Constant Dollar	2015
Passenger ticket revenues	\$ 2,718	\$ 2,797	\$ 2,632
Onboard and other revenues	923	942	889
<b>Gross cruise revenues</b>	<b>3,641</b>	<b>3,739</b>	<b>3,521</b>
Less cruise costs			
Commissions, transportation and other	(582)	(604)	(586)
Onboard and other	(117)	(120)	(111)
	(699)	(724)	(697)
Net passenger ticket revenues	2,136	2,193	2,046
Net onboard and other revenues	806	822	778
<b>Net cruise revenues</b>	<b>\$ 2,942</b>	<b>\$ 3,015</b>	<b>\$ 2,824</b>
<b>ALBDs</b>	<b>19,289,910</b>	<b>19,289,910</b>	<b>18,583,880</b>
<b>Gross revenue yields</b>	<b>\$ 188.77</b>	<b>\$ 193.84</b>	<b>\$ 189.46</b>
% (decrease) increase vs. 2015	(0.4)%	2.3%	
<b>Net revenue yields</b>	<b>\$ 152.50</b>	<b>\$ 156.30</b>	<b>\$ 151.98</b>
% increase vs. 2015	0.3 %	2.8%	
<b>Net passenger ticket revenue yields</b>	<b>\$ 110.71</b>	<b>\$ 113.68</b>	<b>\$ 110.09</b>
% increase vs. 2015	0.6 %	3.3%	
<b>Net onboard and other revenue yields</b>	<b>\$ 41.78</b>	<b>\$ 42.62</b>	<b>\$ 41.88</b>
% (decrease) increase vs. 2015	(0.2)%	1.8%	

	Three Months Ended February 29/28,		
	2016	2016 Constant Currency	2015
Net passenger ticket revenues	\$ 2,136	\$ 2,267	\$ 2,046
Net onboard and other revenues	806	831	778
<b>Net cruise revenues</b>	<b>2,942</b>	<b>3,098</b>	<b>2,824</b>
<b>ALBDs</b>	<b>19,289,910</b>	<b>19,289,910</b>	<b>18,583,880</b>
<b>Net revenue yields</b>	<b>\$ 152.50</b>	<b>\$ 160.60</b>	<b>\$ 151.98</b>
% increase vs. 2015	0.3 %	5.7%	
<b>Net passenger ticket revenue yields</b>	<b>\$ 110.71</b>	<b>\$ 117.54</b>	<b>\$ 110.09</b>
% increase vs. 2015	0.6 %	6.8%	
<b>Net onboard and other revenue yields</b>	<b>\$ 41.78</b>	<b>\$ 43.05</b>	<b>\$ 41.88</b>
% (decrease) increase vs. 2015	(0.2)%	2.8%	

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 February 29/28,		
	2016	2016 Constant Dollar	2015
Cruise operating expenses	\$ 2,229	\$ 2,289	\$ 2,319
Cruise selling and administrative expenses	549	562	527
<b>Gross cruise costs</b>	<b>2,778</b>	<b>2,851</b>	<b>2,846</b>
Less cruise costs included above			
Commissions, transportation and other	(582)	(604)	(586)
Onboard and other	(117)	(120)	(111)
Gain on ship sale	2	2	2
Other	(16)	(16)	—
<b>Net cruise costs</b>	<b>2,065</b>	<b>2,113</b>	<b>2,151</b>
Less fuel	(187)	(187)	(318)
<b>Net cruise costs excluding fuel</b>	<b>\$ 1,878</b>	<b>\$ 1,926</b>	<b>\$ 1,833</b>
<b>ALBDs</b>	<b>19,289,910</b>	<b>19,289,910</b>	<b>18,583,880</b>
<b>Gross cruise costs per ALBD</b>	<b>\$ 144.02</b>	<b>\$ 147.81</b>	<b>\$ 153.15</b>
% decrease vs. 2015	(6.0)%	(3.5)%	
<b>Net cruise costs per ALBD</b>	<b>\$ 107.03</b>	<b>\$ 109.57</b>	<b>\$ 115.76</b>
% decrease vs. 2015	(7.5)%	(5.3)%	
<b>Net cruise costs excluding fuel per ALBD</b>	<b>\$ 97.35</b>	<b>\$ 99.89</b>	<b>\$ 98.66</b>
% (decrease) increase vs. 2015	(1.3)%	1.3 %	

	Three Months Ended February 29/28,		
	2016	2016 Constant Currency	2015
<b>Net cruise costs excluding fuel</b>	<b>\$ 1,878</b>	<b>\$ 1,934</b>	<b>\$ 1,833</b>
<b>ALBDs</b>	<b>19,289,910</b>	<b>19,289,910</b>	<b>18,583,880</b>
<b>Net cruise costs excluding fuel per ALBD</b>	<b>\$ 97.35</b>	<b>\$ 100.28</b>	<b>\$ 98.66</b>
% (decrease) increase vs. 2015	(1.3)%	1.6%	

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

	Three Months Ended	
	February 29/28,	
	2016	2015
<b>Net income</b>		
<b>U.S. GAAP net income</b>	\$ 142	\$ 49
Unrealized losses on fuel derivatives	145	112
Gain on ship sale	(2)	(2)
Other	16	—
<b>Adjusted net income</b>	<b>\$ 301</b>	<b>\$ 159</b>
<b>Weighted-average shares outstanding</b>	<b>769</b>	<b>779</b>
<b>Earnings per share</b>		
<b>U.S. GAAP earnings per share</b>	\$ 0.18	\$ 0.06
Unrealized losses on fuel derivatives	0.19	0.14
Gain on ship sale	—	—
Other	0.02	—
<b>Adjusted earnings per share</b>	<b>\$ 0.39</b>	<b>\$ 0.20</b>

Net cruise revenues increased by \$117 million, or 4.2% to \$2.9 billion in 2016 from \$2.8 billion in 2015.

The increase in net cruise revenues was caused by:

- \$163 million - 5.7% increase in constant currency net revenue yields and
- \$107 million - 3.8% capacity increase in ALBDs.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$153 million.

The 5.7% increase in net revenue yields on a constant currency basis was due to a 6.8% increase in net passenger ticket revenue yields and a 2.8% increase in net onboard and other revenue yields.

The 6.8% increase in net passenger ticket revenue yields was driven primarily by improvements in the Caribbean for both our North America and EAA brands and year round European programs for our EAA brands and 1.2 percentage points of this yield increase resulted from an accounting reclassification. This 6.8% increase in net passenger ticket revenue yields was comprised of a 7.1% increase from our North America brands and a 6.7% increase from our EAA brands.

The 2.8% increase in net onboard and other revenue yields was caused by a 4.6% increase from our North America brands and a slight increase from our EAA brands.

Gross cruise revenues increased by \$120 million, or 3.4%, to \$3.6 billion in 2016 from \$3.5 billion in 2015 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$45 million, or 2.4%, to \$1.9 billion in 2016 from \$1.8 billion in 2015.

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

- \$70 million - 3.8% capacity increase in ALBDs and
- \$32 million - 1.6% increase in constant currency net cruise costs excluding fuel.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$57 million.

The 1.6% increase in constant currency net cruise costs excluding fuel per ALBD was principally due to a 1.3 percentage point increase that resulted from an accounting reclassification.

Fuel costs decreased by \$131 million, or 41%, to \$187 million in 2016 from \$318 million in 2015. This was caused by lower fuel prices, which accounted for \$144 million, partially offset by a 3.8% capacity increase in ALBDs, which accounted for \$12 million.

Gross cruise costs decreased by \$68 million, or 2.4%, and remained at \$2.8 billion in both 2016 and 2015 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 two to three years, while maintaining a strong balance sheet. (We define ROIC as the twelve month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress). Our ability to generate significant operating cash flows allows us to internally fund our capital investments. We are committed to returning free cash flows to our shareholders in the form of dividends and/or share buybacks. In addition, we are committed to maintaining our strong investment grade credit ratings. 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, some of those noted under "Cautionary Note Concerning Factors That May Affect Future Results." If our long-term senior unsecured credit ratings were to be downgraded or assigned a negative outlook, our access to and cost of debt financing may be negatively impacted.

At February 29, 2016, we had a working capital deficit of \$4.8 billion. This deficit included \$3.3 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 February 29, 2016 working capital deficit also included \$1.1 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 February 29, 2016 working capital deficit balance, our adjusted working capital deficit was \$391 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, 2015, the U.S. dollar was \$1.50 to sterling, \$1.06 to the euro and \$0.72 to the Australian dollar. Had these November 30, 2015 currency exchange rates been used to translate our February 29, 2016 non-U.S. dollar functional currency operations' assets and liabilities instead of the February 29, 2016 U.S. dollar exchange rates of \$1.39 to sterling, \$1.09 to the euro and \$0.71 to the Australian dollar, our total assets would have been higher by \$100 million and our total liabilities would have been lower by \$115 million.

### Sources and Uses of Cash

#### *Operating Activities*

Our business provided \$798 million of net cash from operations during the three months ended February 29, 2016, an increase of \$27 million, or 3.5%, compared to \$771 million for the same period in 2015. This increase was caused by more cash being provided from our operating results, partially offset by a smaller increase in customer deposits and more cash being used for our other working capital needs.

#### *Investing Activities*

During the three months ended February 29, 2016, net cash used in investing activities was \$459 million. This was primarily due to our expenditures for capital projects, of which \$54 million was spent on our ongoing new shipbuilding program. In addition to our new shipbuilding program, we had capital expenditures of \$207 million for ship improvements and replacements and \$69 million for information technology, buildings and improvements and other assets. Finally, we paid \$88 million of fuel derivative settlements and posted \$57 million of collateral to one of our fuel derivative counterparties.

During the three months ended February 28, 2015, net cash used in investing activities was \$974 million. This was substantially all from our expenditures for capital projects of \$942 million, of which \$584 million was spent on our ongoing new shipbuilding program, substantially all for P&O Cruises (UK)'s *Britannia*. In addition to our new shipbuilding program, we had capital expenditures of \$307 million for ship improvements and replacements and \$51 million for information technology, buildings and improvements and other assets. Finally, we paid \$42 million of fuel derivative settlements and posted \$15 million of collateral to one of our fuel derivative counterparties.

### **Financing Activities**

During the three months ended February 29, 2016, net cash used in financing activities of \$947 million was substantially due to the following:

- borrowed a net \$235 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$628 million of long-term debt;
- issued \$555 million of publicly-traded notes, which net proceeds are being used for general corporate purposes;
- paid cash dividends of \$232 million;
- purchased \$916 million of shares of Carnival Corporation common stock in open market transactions of which \$877 million were purchased under our Repurchase Program and \$39 million were purchased under our Stock Swap Program and
- sold \$40 million of treasury stock under our Stock Swap program.

During the three months ended February 28, 2015, net cash provided by financing activities of \$151 million was caused by the following:

- borrowed a net \$210 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$336 million of long-term debt;
- borrowed \$472 million of long-term debt under an export credit facility and
- paid cash dividends of \$194 million.

### **Future Commitments and Funding Sources**

Our contractual cash obligations as of February 29, 2016 have changed compared to November 30, 2015 primarily as a result of our debt borrowings and repayments and new ship payments as noted above under “Sources and Uses of Cash.”

The year-over-year percentage increase in our capacity is currently expected to be 1.9% for the 2016 second quarter, 4.0% for the 2016 third quarter and 4.5% for the 2016 fourth quarter. The year-over-year percentage increase in our annual capacity is currently expected to be 3.5% in 2016, 2.4% in 2017, 3.1% in 2018, 5.3% in 2019 and 7.2% in 2020. These percentage increases are expected to result primarily from contracted new ships entering service and exclude any unannounced future ship orders, acquisitions, retirements, charters or sales.

At February 29, 2016, we had liquidity of \$8.4 billion. Our liquidity consisted of \$505 million of cash and cash equivalents, which excludes \$273 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 \$5.4 billion under our committed future financings, which are comprised of ship export credit facilities. Of this \$5.4 billion, \$0.6 billion is available for funding in 2016, \$0.5 billion in 2017, \$1.9 billion in 2018, \$0.8 billion in 2019 and \$1.6 billion in 2020. At February 29, 2016, 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 6 - “Unsecured Debt” in the annual consolidated financial statements, which is included within our 2015 Form 10-K. At February 29, 2016, we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

## **Off-Balance Sheet Arrangements**

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

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

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

### **Foreign Currency Exchange Rate Risks**

At February 29, 2016 44% and 56% (50% and 50% at November 30, 2015) of our debt was U.S. dollar and euro-denominated, respectively, including the effect of foreign currency swaps.

We have foreign operations that have functional currencies other than the U.S. dollar, which result in foreign currency translational impacts. We execute transactions in a number of currencies other than their functional currencies, principally the euro, sterling and Australian, Canadian and U.S. dollars, which result in foreign currency transactional impacts. Based on a 10% hypothetical change in all currency exchange rates that were used in our March 30, 2016 guidance, we estimate (including both the foreign currency translational and transactional impacts) that our adjusted diluted earnings per share March 30, 2016 guidance would change by the following:

- \$0.27 per share on an annualized basis for 2016;
- \$0.18 per share for the remaining three quarters of 2016 and
- \$0.02 per share for the second quarter of 2016.

### **Fuel Price Risks**

At February 29, 2016, the estimated fair value of our outstanding fuel derivative contracts was a \$652 million liability.

## **Item 4. Controls and Procedures.**

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

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

Our President and Chief Executive Officer and our Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of February 29, 2016, that they are effective at a reasonable level of assurance, as described above.

### **B. Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the quarter ended February 29, 2016 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**PART II - OTHER INFORMATION****Item 1A. Risk Factors.**

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

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****A. Repurchase Authorizations**

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

During the three months ended February 29, 2016, purchases of Carnival Corporation common stock pursuant to the Repurchase Program were as follows:

Period	Total Number of shares of Carnival Corporation Common Stock Purchased (a)	Average Price Paid per Share of Carnival Corporation Common Stock	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Repurchase Program (b)
			(in millions)
December 1, 2015 through December 31, 2015	3,494,810	\$ 50.97	\$ 521
January 1, 2016 through January 31, 2016	5,320,868	\$ 50.61	\$ 1,251
February 1, 2016 through February 29, 2016	9,541,960	\$ 45.03	\$ 822
<b>Total</b>	<b>18,357,638</b>	<b>\$ 47.78</b>	

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

(b) During the three months ended February 29, 2016, there were no repurchases of Carnival plc ordinary shares under the Repurchase Program.

From March 1, 2016 through March 25, 2016, we repurchased an additional 2.6 million shares of Carnival Corporation common stock for \$124 million under the Repurchase Program. At March 25, 2016, the remaining availability under the Repurchase Program was \$698 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 March 25, 2016, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 26.0 million shares of Carnival Corporation common stock.

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 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 March 25, 2016. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act of 1933.

In the event that Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Corporation or CIL through its sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in January 2013, Carnival Corporation or CIL was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and has 26.0 million shares remaining at March 25, 2016. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

During the three months ended February 29, 2016, under the Stock Swap Programs, CIL sold 891 thousand Carnival plc ordinary shares through its sales agent, Merrill Lynch International ("MLI"), for total gross proceeds of \$40 million and paid commission fees to MLI of \$260 thousand and other governmental and regulatory transaction fees of \$46 thousand. Substantially all of the net proceeds from these sales were used to purchase 891 thousand shares of Carnival Corporation common stock as further described below.

During the three months ended February 29, 2016, purchases of Carnival Corporation common stock pursuant to the Stock Swap program were as follows:

Period	Total Number of shares of Carnival Corporation Common Stock Purchased (a)	Average Price Paid per Share of Carnival Corporation Common Stock	Maximum Number of Carnival Corporation Common Stock That May Yet Be Purchased Under the Carnival Corporation Stock Swap Programs  (in millions)
December 1, 2015 through December 31, 2015	—	\$ —	26.9
January 1, 2016 through January 31, 2016	—	\$ —	26.9
February 1, 2016 through February 29, 2016	891,000	\$ 43.42	26.0
<b>Total</b>	<b>891,000</b>	<b>\$ 43.42</b>	

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

During the three months ended February 29, 2016, no Carnival Corporation common stock was sold and no Carnival plc ordinary shares were repurchased under the Stock Swap programs.

**Item 6. Exhibits.**

**INDEX TO EXHIBITS**

<b><u>Exhibit Number</u></b>	<b><u>Exhibit Description</u></b>	<b><u>Incorporated by Reference</u></b>			<b><u>Filed/ Furnished Herewith</u></b>
		<b><u>Form</u></b>	<b><u>Exhibit</u></b>	<b><u>Filing Date</u></b>	
<b>Articles of incorporation and by-laws</b>					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation.	8-K	3.1	4/17/2003	
3.2	Third Amended and Restated By-Laws of Carnival Corporation.	8-K	3.1	4/20/2009	
3.3	Articles of Association of Carnival plc.	8-K	3.3	4/20/2009	
<b>Instruments defining the rights of security holders, including indenture</b>					
4.1	Agreement of Carnival Corporation and Carnival plc, dated January 22, 2016 to furnish certain debt instruments to the Securities and Exchange Commission.				X
<b>Statements regarding computations of ratios</b>					
12	Ratio of Earnings to Fixed Charges.				X
<b>Rule 13a-14(a)/15d-14(a) certifications</b>					
31.1	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.3	Certification of President and Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.4	Certification of Chief Financial Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<b>Section 1350 certifications</b>					
32.1*	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification of Chief Financial Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.3*	Certification of President and Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.4*	Certification of Chief Financial Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

**Interactive Data File**

101	The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended February 29, 2016, as filed with the Securities and Exchange Commission on March 31, 2016 formatted in XBRL, are as follows:	
	(i) the Consolidated Statements of Income for the three months ended February 29/28, 2016 and 2015;	X
	(ii) the Consolidated Statements of Comprehensive Loss for the three months ended February 29/28, 2016 and 2015;	X
	(iii) the Consolidated Balance Sheets at February 29, 2016 and November 30, 2015;	X
	(iv) the Consolidated Statements of Cash Flows for the three months ended February 29/28, 2016 and 2015 and	X
	(v) the notes to the consolidated financial statements, tagged in summary and detail.	X

\* These items are furnished and not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CARNIVAL CORPORATION**

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

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

Date: March 31, 2016

**CARNIVAL PLC**

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

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

Date: March 31, 2016

January 22, 2016

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

RE: Carnival Corporation, Commission File No. 001-9610, and  
Carnival plc, Commission File No. 001-15136

Ladies and Gentlemen:

Pursuant to Item 601(b) (4) (iii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, Carnival Corporation and Carnival plc (the "Companies") hereby agree to furnish copies of certain long-term debt instruments to the Securities and Exchange Commission upon the request of the Commission and, in accordance with such regulation, such instruments are not being filed as part of the joint Annual Report on Form 10-K of the Companies for their year ended November 30, 2015.

Very truly yours,

CARNIVAL CORPORATION AND CARNIVAL PLC

By: /s/ Arnaldo Perez  
Arnaldo Perez  
General Counsel and Secretary

**CARNIVAL CORPORATION & PLC**  
**Ratio of Earnings to Fixed Charges**  
(in millions, except ratios)

	Three Months Ended		Years Ended				
	February 29/28		November 30,				
	2016	2015	2015	2014	2013	2012	2011
Net income	\$ 142	\$ 49	\$ 1,757	\$ 1,216	\$ 1,055	\$ 1,285	\$ 1,912
Income tax expense (benefit), net	1	3	42	9	(6)	4	—
Income before income taxes	143	52	1,799	1,225	1,049	1,289	1,912
Fixed charges							
Interest expense, net	52	57	217	288	319	336	365
Interest portion of rent expense (a)	6	6	23	21	20	19	20
Capitalized interest	8	5	22	21	15	17	21
Total fixed charges	66	68	262	330	354	372	406
Fixed charges not affecting earnings							
Capitalized interest	(8)	(5)	(22)	(21)	(15)	(17)	(21)
Earnings before fixed charges	\$ 201	\$ 115	\$ 2,039	\$ 1,534	\$ 1,388	\$ 1,644	\$ 2,297
Ratio of earnings to fixed charges	3.0	1.7	7.8	4.6	3.9	4.4	5.7

(a) Represents one-third of rent expense, which we believe to be representative of the interest portion of rent expense.

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2016

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2016

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2016

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2016

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 29, 2016 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: March 31, 2016

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 29, 2016 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: March 31, 2016

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 29, 2016 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: March 31, 2016

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q for the quarter ended February 29, 2016 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: March 31, 2016

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer