

**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 May 31, 2022

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)



Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (\$0.01 par value)	CCL	New York Stock Exchange, Inc.
Ordinary Shares each represented by American Depository Shares (\$1.66 par value), Special Voting Share, GBP 1.00 par value and Trust Shares of beneficial interest in the P&O Princess Special Voting Trust	CUK	New York Stock Exchange, Inc.
1.875% Senior Notes due 2022	CUK22	New York Stock Exchange LLC
1.000% Senior Notes due 2029	CUK29	New York Stock Exchange LLC

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filers  Accelerated filers  Non-accelerated filers  Smaller reporting companies  Emerging growth companies

If emerging growth companies, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At June 21, 2022, Carnival Corporation had outstanding 994,616,187 shares of Common Stock, \$0.01 par value.

At June 21, 2022, Carnival plc had outstanding 185,887,656 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 994,616,187 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 (LOSS)**  
**(UNAUDITED)**

(in millions, except per share data)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2022	2021	2022	2021
<b>Revenues</b>				
Passenger ticket	\$ 1,285	\$ 20	\$ 2,158	\$ 23
Onboard and other	1,116	29	1,866	52
	<u>2,401</u>	<u>50</u>	<u>4,024</u>	<u>75</u>
<b>Operating Costs and Expenses</b>				
Commissions, transportation and other	325	22	576	37
Onboard and other	314	15	523	22
Payroll and related	533	241	1,038	460
Fuel	545	113	910	216
Food	191	17	327	28
Ship and other impairments	—	49	8	49
Other operating	774	224	1,331	404
	<u>2,683</u>	<u>681</u>	<u>4,713</u>	<u>1,216</u>
Selling and administrative	619	417	1,149	879
Depreciation and amortization	572	567	1,126	1,119
	<u>3,874</u>	<u>1,665</u>	<u>6,988</u>	<u>3,214</u>
<b>Operating Income (Loss)</b>	<u>(1,473)</u>	<u>(1,616)</u>	<u>(2,964)</u>	<u>(3,139)</u>
<b>Nonoperating Income (Expense)</b>				
Interest income	6	4	9	7
Interest expense, net of capitalized interest	(370)	(437)	(738)	(835)
Gain (loss) on debt extinguishment, net	—	2	—	4
Other income (expense), net	6	(13)	(26)	(75)
	<u>(358)</u>	<u>(444)</u>	<u>(755)</u>	<u>(900)</u>
<b>Income (Loss) Before Income Taxes</b>	<u>(1,831)</u>	<u>(2,060)</u>	<u>(3,719)</u>	<u>(4,039)</u>
<b>Income Tax Benefit (Expense), Net</b>	<u>(3)</u>	<u>(12)</u>	<u>(6)</u>	<u>(6)</u>
<b>Net Income (Loss)</b>	<u>\$ (1,834)</u>	<u>\$ (2,072)</u>	<u>\$ (3,726)</u>	<u>\$ (4,045)</u>
<b>Earnings Per Share</b>				
Basic	<u>\$ (1.61)</u>	<u>\$ (1.83)</u>	<u>\$ (3.27)</u>	<u>\$ (3.63)</u>
Diluted	<u>\$ (1.61)</u>	<u>\$ (1.83)</u>	<u>\$ (3.27)</u>	<u>\$ (3.63)</u>

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

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>May 31,</b>		<b>May 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Net Income (Loss)</b>	<u>\$ (1,834)</u>	<u>\$ (2,072)</u>	<u>\$ (3,726)</u>	<u>\$ (4,045)</u>
<b>Items Included in Other Comprehensive Income (Loss)</b>				
Change in foreign currency translation adjustment	(260)	104	(246)	303
Other	3	3	5	7
<b>Other Comprehensive Income (Loss)</b>	<u>(257)</u>	<u>107</u>	<u>(241)</u>	<u>310</u>
<b>Total Comprehensive Income (Loss)</b>	<u>\$ (2,091)</u>	<u>\$ (1,965)</u>	<u>\$ (3,967)</u>	<u>\$ (3,735)</u>

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

**CARNIVAL CORPORATION & PLC**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

(in millions, except par values)

	<b>May 31, 2022</b>	<b>November 30, 2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,054	\$ 8,939
Short-term investments	151	200
Trade and other receivables, net	359	246
Inventories	425	356
Prepaid expenses and other	566	392
Total current assets	8,554	10,133
<b>Property and Equipment, Net</b>	39,262	38,107
<b>Operating Lease Right-of-Use Assets</b>	1,205	1,333
<b>Goodwill</b>	579	579
<b>Other Intangibles</b>	1,167	1,181
<b>Other Assets</b>	2,221	2,011
	\$ 52,988	\$ 53,344
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 2,675	\$ 2,790
Current portion of long-term debt	3,196	1,927
Current portion of operating lease liabilities	140	142
Accounts payable	912	797
Accrued liabilities and other	1,690	1,641
Customer deposits	4,767	3,112
Total current liabilities	13,380	10,408
<b>Long-Term Debt</b>	29,263	28,509
<b>Long-Term Operating Lease Liabilities</b>	1,120	1,239
<b>Other Long-Term Liabilities</b>	965	1,043
<b>Contingencies and Commitments</b>		
<b>Shareholders' Equity</b>		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 1,125 shares at 2022 and 1,116 shares at 2021 issued	11	11
Ordinary shares of Carnival plc, \$1.66 par value; 217 shares at 2022 and 2021 issued	361	361
Additional paid-in capital	15,457	15,292
Retained earnings	2,649	6,448
Accumulated other comprehensive income (loss) ("AOCI")	(1,742)	(1,501)
Treasury stock, 130 shares at 2022 and 2021 of Carnival Corporation and 71 shares at 2022 and 67 shares at 2021 of Carnival plc, at cost	(8,476)	(8,466)
Total shareholders' equity	8,260	12,144
	\$ 52,988	\$ 53,344

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

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

	<b>Six Months Ended</b>	
	<b>May 31, 2022</b>	
	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (3,726)	\$ (4,045)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,126	1,119
Impairments	8	66
(Gain) loss on debt extinguishment	—	(4)
(Income) loss from equity-method investments	(4)	14
Share-based compensation	54	66
Amortization of discounts and debt issue costs	87	83
Noncash lease expense	68	71
Other, net	12	70
	<u>(2,376)</u>	<u>(2,559)</u>
Changes in operating assets and liabilities		
Receivables	(120)	31
Inventories	(79)	—
Prepaid expenses and other	(395)	(696)
Accounts payable	139	(119)
Accrued liabilities and other	12	236
Customer deposits	1,611	245
Net cash provided by (used in) operating activities	<u>(1,209)</u>	<u>(2,862)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(3,221)	(2,157)
Proceeds from sales of ships and other	55	324
Purchase of minority interest	—	(90)
Purchase of short-term investments	(315)	(2,671)
Proceeds from maturity of short-term investments	364	467
Derivative settlements and other, net	10	(27)
Net cash provided by (used in) investing activities	<u>(3,107)</u>	<u>(4,155)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings, net	(114)	17
Principal repayments of long-term debt	(684)	(1,365)
Proceeds from issuance of long-term debt	3,334	4,980
Issuance of common stock, net	30	996
Issuance of common stock under the Stock Swap Program	89	—
Purchase of treasury stock under the Stock Swap Program	(82)	—
Debt issue costs and other, net	(111)	(104)
Net cash provided by (used in) financing activities	<u>2,463</u>	<u>4,523</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(35)	19
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(1,888)</u>	<u>(2,474)</u>
Cash, cash equivalents and restricted cash at beginning of period	8,976	9,692
Cash, cash equivalents and restricted cash at end of period	<u>\$ 7,089</u>	<u>\$ 7,218</u>

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

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

	<b>Three Months Ended</b>						
	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	AOCI	Treasury stock	Total shareholders' equity
<b>At February 28, 2021</b>	\$ 11	\$ 361	\$ 14,977	\$ 14,102	\$ (1,233)	\$ (8,404)	\$ 19,813
Net income (loss)	—	—	—	(2,072)	—	—	(2,072)
Other comprehensive income (loss)	—	—	—	—	107	—	107
Other	—	—	28	—	—	—	28
<b>At May 31, 2021</b>	<u>\$ 11</u>	<u>\$ 361</u>	<u>\$ 15,005</u>	<u>\$ 12,030</u>	<u>\$ (1,126)</u>	<u>\$ (8,404)</u>	<u>\$ 17,876</u>
<b>At February 28, 2022</b>	\$ 11	\$ 361	\$ 15,360	\$ 4,493	\$ (1,486)	\$ (8,428)	\$ 10,311
Net income (loss)	—	—	—	(1,834)	—	—	(1,834)
Other comprehensive income (loss)	—	—	—	—	(257)	—	(257)
Issuances of common stock, net	—	—	15	—	—	—	15
Purchases and issuances under the Stock Swap program, net	—	—	62	—	—	(57)	6
Issuance of treasury shares for vested share-based awards	—	—	—	(9)	—	9	—
Share-based compensation and other	—	—	19	(1)	—	—	19
<b>At May 31, 2022</b>	<u>\$ 11</u>	<u>\$ 361</u>	<u>\$ 15,457</u>	<u>\$ 2,649</u>	<u>\$ (1,742)</u>	<u>\$ (8,476)</u>	<u>\$ 8,260</u>
	<b>Six Months Ended</b>						
	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	AOCI	Treasury stock	Total shareholders' equity
<b>At November 30, 2020</b>	\$ 11	\$ 361	\$ 13,948	\$ 16,075	\$ (1,436)	\$ (8,404)	\$ 20,555
Net income (loss)	—	—	—	(4,045)	—	—	(4,045)
Other comprehensive income (loss)	—	—	—	—	310	—	310
Issuance of common stock, net	—	—	996	—	—	—	997
Other	—	—	60	—	—	—	60
<b>At May 31, 2021</b>	<u>\$ 11</u>	<u>\$ 361</u>	<u>\$ 15,005</u>	<u>\$ 12,030</u>	<u>\$ (1,126)</u>	<u>\$ (8,404)</u>	<u>\$ 17,876</u>
<b>At November 30, 2021</b>	\$ 11	\$ 361	\$ 15,292	\$ 6,448	\$ (1,501)	\$ (8,466)	\$ 12,144
Net income (loss)	—	—	—	(3,726)	—	—	(3,726)
Other comprehensive income (loss)	—	—	—	—	(241)	—	(241)
Issuances of common stock, net	—	—	30	—	—	—	30
Purchases and issuances under the Stock Swap program, net	—	—	89	—	—	(82)	8
Issuance of treasury shares for vested share-based awards	—	—	—	(72)	—	72	—
Share-based compensation and other	—	—	45	(1)	—	—	45
<b>At May 31, 2022</b>	<u>\$ 11</u>	<u>\$ 361</u>	<u>\$ 15,457</u>	<u>\$ 2,649</u>	<u>\$ (1,742)</u>	<u>\$ (8,476)</u>	<u>\$ 8,260</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.”

***Liquidity and Management’s Plans***

In the face of the global impact of COVID-19, we paused our guest cruise operations in mid-March 2020. As of May 31, 2022, 86% of our capacity was in guest cruise operation as part of our ongoing return to service. The extent of the effects of COVID-19 on our business are uncertain and will depend on future developments, including, but not limited to, the duration and continued severity of COVID-19 and the length of time it takes to return the company to profitability. COVID-19 and its ongoing effects, inflation and higher fuel prices are collectively having a material impact on our business, including our results of operations, liquidity and financial position.

The estimation of our future liquidity requirements includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used to estimate our future liquidity requirements consist of:

- Continued ongoing resumption of guest cruise operations, with 86% of the fleet back in guest cruise operations as of May 31, 2022
- Expected increases in revenue in 2023 on a per passenger basis compared to 2019, particularly as the friction from restrictive protocols wanes
- Expected improvement in occupancy throughout 2022 and 2023
- Expected continued spend to maintain enhanced health and safety protocols and to support the ongoing resumption of guest cruise operations, including completing the return of crew members to our ships
- Expected moderation of fuel prices beginning in the second half of 2022 and continuing into 2023
- Expected inflation and supply chain challenges to continue to weigh on costs, though moderated by a larger, more efficient fleet as compared to 2019
- Maintaining collateral and reserves at reasonable levels

In addition, we make certain assumptions about new ship deliveries, improvements and removals, and consider the future export credit financings that are associated with the new ship deliveries.

We cannot make assurances that our assumptions used to estimate our liquidity requirements may not change because we have never previously experienced a complete cessation and subsequent ongoing resumption of our guest cruise operations, and as a consequence, our ability to be predictive is uncertain. In addition, the magnitude and duration of the COVID-19 global pandemic and its ongoing effects, inflation and higher fuel prices are uncertain. We have made reasonable estimates and judgments of the impact of these events within our consolidated financial statements and there may be changes to those estimates in future periods. We took actions to improve our liquidity, including completing various capital market transactions, capital expenditure and operating expense reductions and accelerating the removal of certain ships from our fleet. In addition, we expect to continue to pursue various capital market opportunities to extend maturities and if appropriate, obtain relevant financial covenant amendments.

Based on these actions and our assumptions regarding the impact of COVID-19, considering our \$7.5 billion of liquidity including cash, short-term investments and borrowings available under our revolving facility at May 31, 2022, as well as our continued ongoing return to service, we have concluded that we have sufficient liquidity to satisfy our obligations for at least the next twelve months.

***Basis of Presentation***

The Consolidated Statements of Income (Loss), the Consolidated Statements of Comprehensive Income (Loss) and the Consolidated Statements of Shareholders’ Equity for the three and six months ended May 31, 2022 and 2021, the Consolidated Statements of Cash Flows for the six months ended May 31, 2022 and 2021 and the Consolidated Balance Sheet at May 31, 2022 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement. 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 2021 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 27, 2022.

### ***COVID-19 and the Use of Estimates and Risks and Uncertainty***

The preparation of our interim consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported and disclosed. The full extent to which the effects of COVID-19 will directly or indirectly impact our business, operations, results of operations and financial condition, including our valuation of goodwill and trademarks, impairment of ships, collectability of trade and notes receivables as well as provisions for pending litigation, will depend on future developments that are highly uncertain. We have made reasonable estimates and judgments of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods.

### ***Accounting Pronouncements***

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU No. 2020-04”), which provides temporary optional expedients and exceptions to accounting guidance on contract modifications and hedge accounting to ease entities’ financial reporting burdens as the market transitions from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates. ASU 2020-04 is effective upon issuance and can be applied through December 31, 2022. The use of LIBOR was phased out at the end of 2021, although the phase-out of U.S. dollar LIBOR for existing agreements has been delayed until June 2023. We continue to monitor developments related to the LIBOR transition and identification of an alternative, market-accepted rate.

In December 2021, we amended our £350 million long-term debt agreement which referenced the British Pound sterling (“GBP”) LIBOR to the Sterling Overnight Index Average (“SONIA”) and applied the practical expedient. This amendment did not have a material impact on our consolidated financial statements. As of May 31, 2022, approximately \$8.5 billion of our outstanding indebtedness bears interest at floating rates referenced to U.S. dollar LIBOR with maturity dates extending beyond June 30, 2023. We are currently evaluating our contracts referenced to U.S. dollar LIBOR and working with our creditors on updating credit agreements as necessary to include language regarding the successor or alternate rate to LIBOR. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements during the LIBOR transition period.

The FASB issued guidance, *Debt - Debt with Conversion and Other Options* and *Derivative and Hedging - Contracts in Entity’s Own Equity*, which simplifies the accounting for convertible instruments. This guidance eliminates certain models that require separate accounting for embedded conversion features, in certain cases. Additionally, among other changes, the guidance eliminates certain of the conditions for equity classification for contracts in an entity’s own equity. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. This guidance is required to be adopted by us in the first quarter of 2023 and must be applied using either a modified or full retrospective approach. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

### **NOTE 2 – Revenue and Expense Recognition**

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

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

Passenger ticket revenues include fees, taxes and charges collected by us from our guests. The fees, taxes and charges that vary with guest head counts and are directly imposed on a revenue-producing arrangement are expensed in commissions, transportation and other costs when the corresponding revenues are recognized. For the three and six months ended May 31, fees, taxes, and charges included in commissions, transportation and other costs were \$96 million and \$164 million in 2022 and were \$5 million and \$12 million in 2021. The remaining portion of fees, taxes and charges are expensed in other operating expenses when the corresponding revenues are recognized.

Revenues and expenses from our hotel and transportation operations, which are included in our Tour and Other segment, are recognized at the time the services are performed.

### ***Customer Deposits***

Our payment terms generally require an initial deposit to confirm a reservation, with the balance due prior to the voyage. Cash received from guests in advance of the cruise is recorded in customer deposits and in other long-term liabilities on our Consolidated Balance Sheets. These amounts include refundable deposits. In certain situations, we have provided flexibility to guests by allowing guests to rebook at a future date, receive future cruise credits (“FCCs”) or elect to receive refunds in cash. We have at times issued enhanced FCCs. Enhanced FCCs provide the guest with an additional credit value above the original cash deposit received, and the enhanced value is recognized as a discount applied to the future cruise in the period used. We have paid refunds of customer deposits with respect to a portion of cancelled cruises. The amount of any future cash refunds may depend on future cruise cancellations and guest rebookings. We record a liability for unexpired FCCs to the extent we have received and not refunded cash from guests for cancelled bookings. We had total customer deposits of \$5.1 billion as of May 31, 2022 and \$3.5 billion as of November 30, 2021. Refunds payable to guests who have elected cash refunds are recorded in accounts payable. During the six months ended May 31, 2022 and 2021, we recognized revenues of \$1.4 billion and an immaterial amount related to our customer deposits as of November 30, 2021 and 2020. Historically, our customer deposits balance changes due to the seasonal nature of cash collections, the recognition of revenue, refunds of customer deposits and foreign currency translation.

### ***Contract Receivables***

Although we generally require full payment from our customers prior to or concurrently with their cruise, we grant credit terms to a relatively small portion of our revenue source. We also have receivables from credit card merchants for cruise ticket purchases and onboard revenue. These receivables are included within trade and other receivables, net. We have agreements with a number of credit card processors that transact customer deposits related to our cruise vacations. Certain of these agreements allow the credit card processors to request, under certain circumstances, that we provide a reserve fund in cash. These reserve funds are included in other assets.

### ***Contract Assets***

Contract assets are amounts paid prior to the start of a voyage as a result of obtaining the ticket contract and include prepaid travel agent commissions and prepaid credit and debit card fees. We record these amounts within prepaid expenses and other and subsequently recognize these amounts as commissions, transportation and other at the time of revenue recognition or at the time of voyage cancellation. We had contract assets of \$208 million as of May 31, 2022 and \$55 million as of November 30, 2021.

## **NOTE 3 – Debt**

### ***Short-Term Borrowings***

As of May 31, 2022 and November 30, 2021, our short-term borrowings consisted of \$2.7 billion and \$2.8 billion under our \$1.7 billion, €1.0 billion and £0.2 billion revolving credit facility (the “Revolving Facility”).

### ***Export Credit Facility Borrowings***

During the six months ended May 31, 2022, we borrowed \$2.3 billion under export credit facilities due in semi-annual installments through 2034.

### ***2030 Senior Unsecured Notes***

In May 2022, we issued an aggregate principal amount of \$1.0 billion senior unsecured notes that mature on June 1, 2030 (the “2030 Senior Unsecured Notes”). The 2030 Senior Unsecured Notes bear interest at a rate of 10.5% per year.

***Covenant Compliance***

As of May 31, 2022, our Revolving Facility and substantially all of our unsecured loans and export credit facilities contain certain covenants, the most restrictive of which require us to:

- Maintain minimum interest coverage (adjusted EBITDA to consolidated net interest charges) at the end of each fiscal quarter from August 31, 2023, at a ratio of not less than 2.0 to 1.0 for the August 31, 2023 testing date, 2.5 to 1.0 for the November 30, 2023 testing date, and 3.0 to 1.0 for the February 29, 2024 testing date onwards, or through their respective maturity dates
- Maintain minimum shareholders’ equity of \$5.0 billion
- Limit our debt to capital (as defined) percentage from the November 30, 2021 testing date until the May 31, 2023 testing date, to a percentage not to exceed 75%, following which it will be tested at levels which decline ratably to 65% from the May 31, 2024 testing date onwards
- Maintain minimum liquidity of \$1.5 billion through November 30, 2026
- Adhere to certain restrictive covenants through November 30, 2024
- Limit the amounts of our secured assets as well as secured and other indebtedness

At May 31, 2022, we were in compliance with the applicable covenants under our debt agreements. 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. Any financial covenant amendment may lead to increased costs, increased interest rates, additional restrictive covenants and other available lender protections that would be applicable.

Carnival Corporation or Carnival plc and certain of our subsidiaries have guaranteed substantially all of our indebtedness.

As of May 31, 2022, the scheduled maturities of our debt are as follows:

*(in millions)*

<b>Year</b>	<b>Principal Payments</b>
3Q 2022	\$ 397
4Q 2022	943
2023	2,837
2024 (a)	4,705
2025	4,415
2026	4,512
Thereafter	18,116
<b>Total</b>	<b>\$ 35,925</b>

- (a) Includes borrowings of \$2.7 billion under our Revolving Facility. Amounts outstanding under our Revolving Facility were drawn in 2020 for an initial six-month term. We may continue to re-borrow or otherwise utilize available amounts under the Revolving Facility through August 2024, subject to satisfaction of the conditions in the facility. We had \$0.3 billion available for borrowing under our Revolving Facility as of May 31, 2022. The Revolving Facility also includes an emissions linked margin adjustment whereby, after the initial applicable margin is set per the margin pricing grid, the margin may be adjusted based on performance in achieving certain agreed annual carbon emissions goals. We are required to pay a commitment fee on any unutilized portion.

## **NOTE 4 – Contingencies and Commitments**

### **Litigation**

We are routinely involved in legal proceedings, claims, disputes, regulatory matters and governmental inspections or investigations arising in the ordinary course of or incidental to our business, including those noted below. Additionally, as a result of the impact of COVID-19, litigation claims, enforcement actions, regulatory actions and investigations, including, but not limited to, those arising from personal injury and loss of life, have been and may, in the future, be asserted against us. We expect many of these claims and actions, or any settlement of these claims and actions, to be covered by insurance and historically the maximum amount of our liability, net of any insurance recoverables, has been limited to our self-insurance retention levels.

We record provisions in the consolidated financial statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.

Legal proceedings and government investigations are subject to inherent uncertainties, and unfavorable rulings or other events could occur. Unfavorable resolutions could involve substantial monetary damages. In addition, in matters for which conduct remedies are sought, unfavorable resolutions could include an injunction or other order prohibiting us from selling one or more products at all or in particular ways, precluding particular business practices or requiring other remedies. An unfavorable outcome might result in a material adverse impact on our business, results of operations, financial position or liquidity.

As previously disclosed, on May 2, 2019, two lawsuits were filed against Carnival Corporation in the U.S. District Court for the Southern District of Florida under Title III of the Cuban Liberty and Democratic Solidarity Act, also known as the Helms-Burton Act, alleging that Carnival Corporation “trafficked” in confiscated Cuban property when certain ships docked at certain ports in Cuba, and that this alleged “trafficking” entitles the plaintiffs to treble damages. In the matter filed by Havana Docks Corporation, the hearings on motions for summary judgment were concluded on January 18, 2022. On March 21, 2022, the court granted summary judgment in favor of Havana Docks Corporation as to liability. The amount of damages will be determined at trial. On March 30, 2022, we filed a motion seeking clarification on a portion of the court’s order granting summary judgment as to liability. On May 9, 2022, the court granted the motion for clarification, vacating the portion of the March 21, 2022 order that had granted summary judgment in favor of plaintiff upon our Fifth Amendment affirmative defense. On March 30, 2022, we also filed a motion for interlocutory appeal and to stay. On May 13, 2022, the court denied this motion. The court has moved the trial date to September 19, 2022. In the matter filed by Javier Bengochea on December 20, 2021, the court issued an order inviting an amicus brief from the U.S. government on several issues involved in the appeal. The U.S. government filed its brief and the court ordered the parties to respond. On May 6, 2022 we filed our response brief. We continue to believe we have a meritorious defense to these actions and we believe that any final liability which may arise as a result of these actions is unlikely to have a material impact on our consolidated financial statements.

As previously disclosed, on April 8, 2020, DeCurtis LLC (“DeCurtis”), a former vendor, filed an action against Carnival Corporation in the U.S. District Court for the Middle District of Florida seeking declaratory relief that DeCurtis is not infringing on several of Carnival Corporation’s patents in relation to its OCEAN Medallion systems and technology. The action also raises certain monopolization claims under The Sherman Antitrust Act of 1890, unfair competition and tortious interference, and seeks declaratory judgment that certain Carnival Corporation patents are unenforceable. DeCurtis seeks damages, including its fees and costs, and seeks declarations that it is not infringing and/or that Carnival Corporation’s patents are unenforceable. On April 10, 2020, Carnival Corporation filed an action against DeCurtis in the U.S. District Court for the Southern District of Florida for breach of contract, trade secrets violations and patent infringement. Carnival Corporation seeks damages, including its fees and costs, as well as an order permanently enjoining DeCurtis from engaging in such activities. These two cases have now been consolidated in the Southern District of Florida. On April 25, 2022, we moved for summary judgment on our breach of contract claims and on all of DeCurtis’s claims. DeCurtis also filed a motion for summary judgment on certain portions of our claims. Both motions for summary judgment are fully briefed. We believe the ultimate outcome will not have a material impact on our consolidated financial statements.

## COVID-19 Actions

### *Private Actions*

We have been named in a number of individual actions related to COVID-19. Private parties have brought approximately 73 individual lawsuits as of May 31, 2022 in several U.S. federal and state courts as well as in France, Italy and Brazil. These actions include tort claims based on a variety of theories, including negligence and failure to warn. The plaintiffs in these actions allege a variety of injuries: some plaintiffs confined their claim to emotional distress, while others allege injuries arising from testing positive for COVID-19. A smaller number of actions include wrongful death claims. As of May 31, 2022, 63 of these individual actions have now been dismissed or settled for immaterial amounts and 10 remain.

Additionally, as of May 31, 2022, 10 purported class actions have been brought by former guests from *Ruby Princess*, *Diamond Princess*, *Grand Princess*, *Coral Princess* and *Zaandam* in several U.S. federal courts and in the Federal Court of Australia. These actions include tort claims based on a variety of theories, including negligence, gross negligence and failure to warn, physical injuries and severe emotional distress associated with being exposed to and/or contracting COVID-19 onboard. As of May 31, 2022, eight of these class actions have either been settled individually for immaterial amounts or had their class allegations dismissed by the courts and two remain.

All COVID-19 matters seek monetary damages and most seek additional punitive damages in unspecified amounts.

As previously disclosed, on December 15, 2020, a consolidated class action with lead plaintiffs, the New England Carpenters Pension and Guaranteed Annuity Fund and the Massachusetts Laborers' Pension and Annuity Fund was filed in the U.S. District Court for the Southern District of Florida, alleging violations of Sections 10(b) and 20(a) of the U.S. Securities and Exchange Act of 1934 by making misrepresentations and omissions related to Carnival Corporation's COVID-19 knowledge and response. Plaintiffs seek to recover unspecified damages and equitable relief for the alleged misstatements and omissions. On March 30, 2022, the court granted our motion to dismiss with prejudice and no appeal was filed prior to the deadline.

We continue to take actions to defend against the above claims.

### *Governmental Inquiries and Investigations*

Federal and non-U.S. governmental agencies and officials are investigating or otherwise seeking information, testimony and/or documents, regarding COVID-19 incidents and related matters. We are investigating these matters internally and are cooperating with all requests. The investigations could result in the imposition of civil and criminal penalties in the future.

### **Other Regulatory or Governmental Inquiries and Investigations**

We have been, and may continue to be, impacted by breaches in data security and lapses in data privacy, which occur from time to time. These can vary in scope and intent from inadvertent events to malicious motivated attacks.

We responded to a cybersecurity event in May 2019 related to our email accounts, and detected ransomware attacks in August 2020 and December 2020, each of which resulted in unauthorized access to our information technology systems. We engaged a major cybersecurity firm to investigate these matters and notified relevant law enforcement and regulators of these incidents.

- For the May 2019 event, the investigation, communication and reporting phases are complete. An unauthorized third-party gained access to certain email accounts, which contained personal information relating to some guests, employees and crew for some of our operations.
- For the August 2020 and December 2020 events, the investigation, communication and reporting phases are complete. An unauthorized third-party gained access to certain of our information security systems, deployed ransomware and obtained personal information related to guests, employees and crew for some of our operations.

We have been contacted by various regulatory agencies regarding these and other cyber incidents. The New York Department of Financial Services ("NY DFS") has notified us of their intent to commence proceedings seeking penalties if settlement cannot be reached in advance of litigation. On June 24, 2022, we finalized a settlement with NY DFS, pursuant to which we will pay an amount that will not have a material impact on our consolidated financial statements. In addition, State Attorneys General from 46 states have completed their investigation of the May 2019 event. On June 22, 2022, we finalized a settlement with the State Attorneys General from these 46 states, pursuant to which we will pay an amount that will not have a material impact on our consolidated financial statements.

We continue to work with regulators regarding cyber incidents we have experienced. We have incurred legal and other costs in connection with cyber incidents that have impacted us. While these incidents are not expected to have a material adverse effect on our business, results of operations, financial position or liquidity, no assurances can be given about the future and we may be subject to future litigation, attacks or incidents that could have such a material adverse effect.

On March 14, 2022, the United States Department of Justice and the United States Environmental Protection Agency notified Carnival Corporation & plc of potential civil penalties and injunctive relief for alleged Clean Water Act violations by owned and operated vessels covered by the 2013 Vessel General Permit. Carnival Corporation & plc is working with these agencies to reach a resolution of this matter. We do not expect this matter to have a material impact on our consolidated financial statements.

### Other Contingent Obligations

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

We have agreements with a number of credit card processors that transact customer deposits related to our cruise vacations. Certain of these agreements allow the credit card processors to request, under certain circumstances, that we provide a reserve fund in cash. Although the agreements vary, these requirements may generally be satisfied either through a withheld percentage of customer payments or providing cash funds directly to the credit card processor. As of May 31, 2022 and November 30, 2021, we had \$1.4 billion and \$1.1 billion in reserve funds related to our customer deposits provided to satisfy these requirements which are included within other assets. We continue to expect to provide reserve funds under these agreements. Additionally, as of May 31, 2022 and November 30, 2021, we had \$30 million of cash collateral in escrow which is included within other assets.

### Ship Commitments

As of May 31, 2022, we expect the timing of our new ship growth capital commitments to be as follows:

*(in millions)*

#### Year

Remainder of 2022	\$	1,535
2023		2,422
2024		1,608 (a)
2025		927 (a)
2026		—
Thereafter		—
	<u>\$</u>	<u>6,492</u>

(a) Includes a ship subject to financing

## NOTE 5 – Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risks

### Fair Value Measurements

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

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

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

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

<i>(in millions)</i>	May 31, 2022				November 30, 2021			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Liabilities</b>								
Fixed rate debt (a)	\$ 21,510	\$ —	\$18,515	\$ —	\$ 19,555	\$ —	\$19,013	\$ —
Floating rate debt (a)	14,415	—	12,703	—	14,415	—	13,451	—
Total	\$ 35,925	\$ —	\$31,219	\$ —	\$ 33,970	\$ —	\$32,463	\$ —

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

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

<i>(in millions)</i>	May 31, 2022			November 30, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Cash and cash equivalents	\$ 7,054	\$ —	\$ —	\$ 8,939	\$ —	\$ —
Short-term investments (a)	151	—	—	200	—	—
Derivative financial instruments	—	10	—	—	1	—
Total	\$ 7,205	\$ 10	\$ —	\$ 9,139	\$ 1	\$ —
<b>Liabilities</b>						
Derivative financial instruments	\$ —	\$ 18	\$ —	\$ —	\$ 13	\$ —
Total	\$ —	\$ 18	\$ —	\$ —	\$ 13	\$ —

- (a) Short term investments consist of marketable securities with original maturities of between three and twelve months.

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

**Valuation of Goodwill and Trademarks**

The determination of the fair value of our reporting units' goodwill and trademarks includes numerous estimates and underlying assumptions that are subject to various risks and uncertainties. At May 31, 2022 and November 30, 2021, goodwill for our North America and Australia ("NAA") segment was \$579 million. We had no goodwill for our Europe and Asia ("EA") segment at May 31, 2022 and November 30, 2021.

<i>(in millions)</i>	Trademarks		
	NAA Segment	EA Segment	Total
November 30, 2021	\$ 927	\$ 248	\$ 1,175
Exchange movements	—	(13)	(13)
May 31, 2022	\$ 927	\$ 234	\$ 1,161



## Impairment of Ships

We review our long-lived assets for impairment whenever events or circumstances indicate potential impairment. As a result of the continued effect of COVID-19 on our business, and our updated expectations of the estimated selling values for certain of our ships, we determined that a ship had a net carrying value that exceeded its estimated discounted future cash flows as of February 28, 2022. We compared the estimated selling value to the net carrying value and, as a result, recognized ship impairment charges as summarized in the table below during the first quarter of 2022. The principal assumption used in our cash flow analyses was the timing of the sale and its proceeds, which is considered a Level 3 input. We believe that we have made reasonable estimates and judgments as part of our assessment. A change in the principal assumptions, which influences the determination of fair value, may result in a need to perform additional impairment reviews.

The impairment charges summarized in the table below are included in ship and other impairments in our Consolidated Statements of Income (Loss).

<i>(in millions)</i>	Three Months Ended May 31,		Six Months Ended May 31,	
	2022	2021	2022	2021
NAA Segment	\$ —	\$ —	\$ 8	\$ —
EA Segment	—	49	—	49
Total ship impairments	\$ —	\$ 49	\$ 8	\$ 49

Refer to Note 1 - “General, COVID-19 and the Use of Estimates and Risks and Uncertainty” for additional discussion.

## Derivative Instruments and Hedging Activities

<i>(in millions)</i>	Balance Sheet Location	May 31, 2022	November 30, 2021
<b>Derivative assets</b>			
Derivatives designated as hedging instruments			
Cross currency swaps (a)	Prepaid expenses and other	\$ 10	\$ 1
Total derivative assets		\$ 10	\$ 1
<b>Derivative liabilities</b>			
Derivatives designated as hedging instruments			
Cross currency swaps (a)	Other long-term liabilities	\$ 17	\$ 8
Interest rate swaps (b)	Accrued liabilities and other	1	3
	Other long-term liabilities	—	2
Total derivative liabilities		\$ 18	\$ 13

- (a) At May 31, 2022, we had cross currency swaps totaling \$665 million that are designated as hedges of our net investment in foreign operations with euro-denominated functional currencies. At May 31, 2022, these cross currency swaps settle through 2027.
- (b) We have interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed \$116 million at May 31, 2022 and \$160 million at November 30, 2021 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At May 31, 2022, these interest rate swaps settle through 2025.

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

May 31, 2022						
<i>(in millions)</i>	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts	
Assets	\$ 10	\$ —	\$ 10	\$ —	\$ 10	
Liabilities	\$ 18	\$ —	\$ 18	\$ —	\$ 18	

  

November 30, 2021						
<i>(in millions)</i>	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts	
Assets	\$ 1	\$ —	\$ 1	\$ —	\$ 1	
Liabilities	\$ 13	\$ —	\$ 13	\$ —	\$ 13	

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

<i>(in millions)</i>	Three Months Ended May 31,		Six Months Ended May 31,	
	2022	2021	2022	2021
<b>Gains (losses) recognized in AOCI:</b>				
Cross currency swaps - net investment hedges - included component	\$ 27	\$ —	\$ 33	\$ —
Cross currency swaps - net investment hedges - excluded component	\$ (11)	\$ —	\$ (20)	\$ —
Interest rate swaps - cash flow hedges	\$ 6	\$ 1	\$ 9	\$ 2
<b>Gains (losses) reclassified from AOCI - cash flow hedges:</b>				
Interest rate swaps - Interest expense, net of capitalized interest	\$ (1)	\$ (1)	\$ (1)	\$ (3)
Foreign currency zero cost collars - Depreciation and amortization	\$ 1	\$ —	\$ 1	\$ 1
<b>Gains (losses) recognized on derivative instruments (amount excluded from effectiveness testing – net investment hedges)</b>				
Cross currency swaps - Interest expense, net of capitalized interest	\$ 3	\$ —	\$ 4	\$ —

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 material.

## Financial Risks

### *Fuel Price Risks*

We manage our exposure to fuel price risk by managing our consumption of fuel. Substantially all of our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We manage fuel consumption through ship maintenance practices, modifying our itineraries and implementing innovative technologies.

### *Foreign Currency Exchange Rate Risks*

#### **Overall Strategy**

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

#### **Operational Currency Risks**

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

### ***Investment Currency Risks***

We consider our investments in foreign operations to be denominated in stable currencies and of a long-term nature. We partially mitigate the currency exposure of our investments in foreign operations by designating a portion of our foreign currency debt and derivatives as hedges of these investments. As of May 31, 2022, we have designated \$442 million of our sterling-denominated debt as non-derivative hedges of our net investments in foreign operations. For the three and six months ended May 31, 2022, we recognized \$28 million and \$25 million of gains on these non-derivative net investment hedges in the cumulative translation adjustment section of other comprehensive income (loss). We also have euro-denominated debt, including the effect of cross currency swaps, which provides an economic offset for our operations with euro functional currency.

### ***Newbuild Currency Risks***

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

At May 31, 2022, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments to non-euro functional currency brands, which represent a total unhedged commitment of \$5.6 billion for newbuilds scheduled to be delivered through 2025.

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

### ***Interest Rate Risks***

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

### ***Concentrations of Credit Risk***

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. We seek to manage these credit risk exposures, including counterparty nonperformance primarily associated with our cash equivalents, investments, notes receivables, reserve funds related to customer deposits, future financing facilities, contingent obligations, derivative instruments, insurance contracts, long-term ship charters and new ship progress payment guarantees, by:

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

At May 31, 2022, our exposures under derivative instruments were not material. We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe, which includes charter-hire agreements in Asia and credit and debit card providers to which we extend credit in the normal course of our business. Concentrations of credit risk associated with trade receivables and other receivables, charter-hire agreements and contingent obligations are not considered to be material, principally due to the large number of unrelated accounts, the nature of these contingent obligations and their short maturities. Normally, we have not required collateral or other security to support normal credit sales. Historically, we have not experienced significant credit losses, including counterparty nonperformance; however, because of the impact COVID-19 is having on economies, we have experienced, and may continue to experience, an increase in credit losses.

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.

**NOTE 6 – Segment Information**

Our operating segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker (“CODM”), who is the President, Chief Executive Officer and Chief Climate Officer of Carnival Corporation and Carnival plc. The CODM assesses performance and makes decisions to allocate resources for Carnival Corporation & plc based upon review of the results across all of our segments. Our four reportable segments are comprised of (1) NAA cruise operations, (2) EA cruise operations, (3) Cruise Support and (4) Tour and Other.

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

<i>(in millions)</i>	<b>Three Months Ended May 31,</b>				
	<b>Revenues</b>	<b>Operating costs and expenses</b>	<b>Selling and administrative</b>	<b>Depreciation and amortization</b>	<b>Operating income (loss)</b>
<b><u>2022</u></b>					
NAA	\$ 1,666	\$ 1,768	\$ 366	\$ 353	\$ (821)
EA	666	848	175	179	(536)
Cruise Support	40	26	71	35	(92)
Tour and Other	29	41	6	6	(24)
	<u>\$ 2,401</u>	<u>\$ 2,683</u>	<u>\$ 619</u>	<u>\$ 572</u>	<u>\$ (1,473)</u>
<b><u>2021</u></b>					
NAA	\$ 9	\$ 365	\$ 233	\$ 341	\$ (930)
EA	33	298	131	186	(582)
Cruise Support	—	7	43	33	(82)
Tour and Other	7	12	11	6	(21)
	<u>\$ 50</u>	<u>\$ 681</u>	<u>\$ 417</u>	<u>\$ 567</u>	<u>\$ (1,616)</u>

<i>(in millions)</i>	<b>Six Months Ended May 31,</b>				
	<b>Revenues</b>	<b>Operating costs and expenses</b>	<b>Selling and administrative</b>	<b>Depreciation and amortization</b>	<b>Operating income (loss)</b>
<b><u>2022</u></b>					
NAA	\$ 2,792	\$ 3,055	\$ 710	\$ 687	\$ (1,661)
EA	1,123	1,546	352	359	(1,134)
Cruise Support	73	54	75	68	(126)
Tour and Other	37	57	12	11	(44)
	<u>\$ 4,024</u>	<u>\$ 4,713</u>	<u>\$ 1,149</u>	<u>\$ 1,126</u>	<u>\$ (2,964)</u>
<b><u>2021</u></b>					
NAA	\$ 19	\$ 680	\$ 453	\$ 676	\$ (1,790)
EA	41	496	239	370	(1,064)
Cruise Support	—	15	171	61	(247)
Tour and Other	14	25	17	12	(39)
	<u>\$ 75</u>	<u>\$ 1,216</u>	<u>\$ 879</u>	<u>\$ 1,119</u>	<u>\$ (3,139)</u>

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

<i>(in millions)</i>	<b>Three Months Ended May 31, 2022</b>	<b>Six Months Ended May 31, 2022</b>
North America	\$ 1,620	\$ 2,738
Europe	741	1,220
Australia and Asia	15	23
Other	24	42
	<u>\$ 2,401</u>	<u>\$ 4,024</u>

As a result of the pause in our guest cruise operations, revenue data for the three and six months ended May 31, 2021 is not included in the table.

**NOTE 7 – Earnings Per Share**

<i>(in millions, except per share data)</i>	<b>Three Months Ended May 31,</b>		<b>Six Months Ended May 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income (loss) for basic and diluted earnings per share	\$ (1,834)	\$ (2,072)	\$ (3,726)	\$ (4,045)
Weighted-average shares outstanding	1,140	1,132	1,139	1,113
Dilutive effect of equity plans	—	—	—	—
Diluted weighted-average shares outstanding	1,140	1,132	1,139	1,113
Basic earnings per share	\$ (1.61)	\$ (1.83)	\$ (3.27)	\$ (3.63)
Diluted earnings per share	\$ (1.61)	\$ (1.83)	\$ (3.27)	\$ (3.63)

Antidilutive shares excluded from diluted earnings per share computations were as follows:

<i>(in millions)</i>	<b>Three Months Ended May 31,</b>		<b>Six Months Ended May 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Equity awards	1	3	2	3
Convertible Notes	52	54	52	54
Total antidilutive securities	<u>53</u>	<u>57</u>	<u>54</u>	<u>57</u>

**NOTE 8 – Supplemental Cash Flow Information**

<i>(in millions)</i>	<b>May 31, 2022</b>	<b>November 30, 2021</b>
Cash and cash equivalents (Consolidated Balance Sheets)	\$ 7,054	\$ 8,939
Restricted cash included in prepaid expenses and other and other assets	35	38
Total cash, cash equivalents and restricted cash (Consolidated Statements of Cash Flows)	<u>\$ 7,089</u>	<u>\$ 8,976</u>

For the six months ended May 31, 2022 and 2021, we did not have borrowings or repayments of commercial paper with original maturities greater than three months.

**NOTE 9 – Property and Equipment**

**Ship Sales**

During 2022, we entered into an agreement to sell one NAA segment ship and completed the sales of one NAA segment ship and one EA segment ship, which collectively represent a passenger-capacity reduction of 4,110 for our NAA segment and 1,410 for our EA segment.

Refer to Note 5 - “Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risks, Nonfinancial Instruments that are Measured at Fair Value on a Nonrecurring Basis, Impairment of Ships” for additional discussion.

**NOTE 10 – Shareholders’ Equity**

We have a program that allows us to realize a net cash benefit when Carnival Corporation common stock is trading at a premium to the price of Carnival plc ordinary shares (the “Stock Swap Program”).

During the three and six months ended May 31, 2022, under the Stock Swap Program, we sold 3.9 million and 5.2 million of Carnival Corporation’s common stock and repurchased the same amount of Carnival plc ordinary shares, resulting in net proceeds of \$6 million and \$8 million, which were used for general corporate purposes. During the three and six months ended May 31, 2021, there were no sales or repurchases under the Stock Swap Program.

Additionally, during the three and six months ended May 31, 2022, we sold 0.8 million and 1.6 million shares of Carnival Corporation common stock at an average price per share of \$18.54 and \$19.27, resulting in net proceeds of \$15 million and \$30 million.

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

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

- Pricing
- Booking levels
- Occupancy
- Interest, tax and fuel expenses
- Currency exchange rates
- Estimates of ship depreciable lives and residual values
- Goodwill, ship and trademark fair values
- Liquidity and credit ratings
- Adjusted earnings per share
- Return to guest cruise operations
- Impact of the COVID-19 coronavirus global pandemic on our financial condition and results of operations

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by our forward-looking statements. This note contains important cautionary statements of the known factors that we consider could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position. Additionally, many of these risks and uncertainties are currently amplified by and will continue to be amplified by, or in the future may be amplified by, COVID-19. 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:

- COVID-19 has had, and is expected to continue to have, a significant impact on our financial condition and operations. The current, and uncertain future, impact of COVID-19, including its effect on the ability or desire of people to travel (including on cruises), is expected to continue to impact our results, operations, outlooks, plans, goals, reputation, litigation, cash flows, liquidity, and stock price.
- Events and conditions around the world, including war and other military actions, such as the current invasion of Ukraine, heightened inflation and other general concerns impacting the ability or desire of people to travel have and may lead to a decline in demand for cruises, impact our operating costs and profitability.
- Incidents concerning our ships, guests or the cruise vacation industry have in the past and may, in the future, impact the satisfaction of our guests and crew and lead to reputational damage.
- Changes in and non-compliance with laws and regulations under which we operate, such as those relating to health, environment, safety and security, data privacy and protection, anti-corruption, economic sanctions, trade protection and tax have in the past and may, in the future, lead to litigation, enforcement actions, fines, penalties and reputational damage.
- Factors associated with climate change, including evolving and increasing regulations, increasing global concern about climate change and the shift in climate conscious consumerism and stakeholder scrutiny, and increasing frequency and/or severity of adverse weather conditions could adversely affect our business.
- Inability to meet or achieve our sustainability related goals, aspirations, initiatives, and our public statements and disclosures regarding them, may expose us to risks that may adversely impact our business.
- Breaches in data security and lapses in data privacy as well as disruptions and other damages to our principal offices, information technology operations and system networks and failure to keep pace with developments in technology may adversely impact our business operations, the satisfaction of our guests and crew and may lead to reputational damage.
- The loss of key employees, our inability to recruit or retain qualified shoreside and shipboard employees and increased labor costs could have an adverse effect on our business and results of operations.
- Increases in fuel prices, changes in the types of fuel consumed and availability of fuel supply may adversely impact our scheduled itineraries and costs.

- We rely on supply chain vendors who are integral to the operations of our businesses. These vendors and service providers are also affected by COVID-19 and may be unable to deliver on their commitments which could impact our business.
- Fluctuations in foreign currency exchange rates may adversely impact our financial results.
- Overcapacity and competition in the cruise and land-based vacation industry may lead to a decline in our cruise sales, pricing and destination options.
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests.

The ordering of the risk factors set forth above is not intended to reflect our indication of priority or likelihood.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant stock exchange rules, we expressly disclaim any obligation to disseminate, after the date of this document, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based. Forward-looking and other statements in this document may also address our sustainability progress, plans and goals (including climate change and environmental-related matters). In addition, historical, current and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future.

### **New Accounting Pronouncements**

Refer to Note 1 - "General, Accounting Pronouncements" of the consolidated financial statements for additional discussion regarding accounting pronouncements.

### **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 Form 10-K.

### **Seasonality**

Our passenger ticket revenues are seasonal. Historically, demand for cruises has been greatest during our third quarter, which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher ticket prices and occupancy levels and, accordingly, the largest share of our operating income is typically earned during this period. This historical trend was disrupted in 2020 by the pause and in 2021 by the ongoing resumption of guest cruise operations. In addition, substantially all of Holland America Princess Alaska Tours' revenue and net income (loss) is generated from May through September in conjunction with Alaska's cruise season.

### **Known Trends and Uncertainties**

- We believe the increased cost of fuel, liquefied natural gas ("LNG") and other related costs are reasonably likely to continue to impact our profitability in both the short and long-term.
- We expect inflation and supply chain challenges to continue to weigh on our operating costs, and they are reasonably likely to continue to impact our profitability.
- We believe the increasing global focus on climate change, including the reduction of carbon emissions and new and evolving regulatory requirements, is reasonably likely to materially impact our future costs, capital expenditures and revenues and/or the relationship between them. The full impact of climate change to our business is not yet known.
- In addition, as is the case with the travel and leisure sector generally, we are experiencing some challenges with onboard staffing which have resulted in occupancy constraints on certain voyages and are reasonably likely to impact our profitability in the short-term.
- We expect a net loss for the third quarter of 2022. For the full year 2022, we continue to expect a net loss.



**Statistical Information**

	Three Months Ended May 31,		Six Months Ended May 31,	
	2022	2021	2022	2021
Passenger Cruise Days (“PCDs”) (in thousands) (a)	11,434	138	18,663	166
Available Lower Berth Days (“ALBDs”) (in thousands) (b)	16,666	444	29,989	617
Occupancy percentage (c)	69 %	31 %	62 %	27 %
Passengers carried (in thousands)	1,652	27	2,663	32
Fuel consumption in metric tons (in thousands)	632	246	1,198	508
Fuel consumption in metric tons per thousand ALBDs	37.9	(d)	40.0	(d)
Fuel cost per metric ton consumed	\$ 869	\$ 467	\$ 765	\$ 428
<b>Currencies (USD to 1)</b>				
AUD	\$ 0.73	\$ 0.77	\$ 0.72	\$ 0.77
CAD	\$ 0.79	\$ 0.81	\$ 0.79	\$ 0.80
EUR	\$ 1.08	\$ 1.20	\$ 1.11	\$ 1.21
GBP	\$ 1.29	\$ 1.39	\$ 1.32	\$ 1.38

The ongoing resumption of guest cruise operations is continuing to have a material impact on all aspects of our business, including the above statistical information.

**Notes to Statistical Information**

- (a) PCD represents the number of cruise passengers on a voyage multiplied by the number of revenue-producing ship operating days for that voyage.
- (b) 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.
- (c) Occupancy, in accordance with cruise industry practice, is calculated using a numerator of PCDs and 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.
- (d) Fuel consumption in metric tons per thousand ALBDs for 2021 is not meaningful.

**Results of Operations**
**Consolidated**

<i>(in millions)</i>	<b>Three Months Ended May 31,</b>			<b>Six Months Ended May 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Revenues</b>						
Passenger ticket	\$ 1,285	\$ 20	\$ 1,265	\$ 2,158	\$ 23	\$ 2,135
Onboard and other	1,116	29	1,086	1,866	52	1,814
	<u>2,401</u>	<u>50</u>	<u>2,351</u>	<u>4,024</u>	<u>75</u>	<u>3,949</u>
<b>Operating Costs and Expenses</b>						
Commissions, transportation and other	325	22	303	576	37	539
Onboard and other	314	15	300	523	22	501
Payroll and related	533	241	291	1,038	460	579
Fuel	545	113	432	910	216	694
Food	191	17	175	327	28	299
Ship and other impairments	—	49	(49)	8	49	(42)
Other operating	774	224	551	1,331	404	927
	<u>2,683</u>	<u>681</u>	<u>2,002</u>	<u>4,713</u>	<u>1,216</u>	<u>3,497</u>
Selling and administrative	619	417	201	1,149	879	269
Depreciation and amortization	572	567	5	1,126	1,119	7
	<u>3,874</u>	<u>1,665</u>	<u>2,209</u>	<u>6,988</u>	<u>3,214</u>	<u>3,774</u>
<b>Operating Income (Loss)</b>	<u>(1,473)</u>	<u>(1,616)</u>	<u>142</u>	<u>(2,964)</u>	<u>(3,139)</u>	<u>175</u>
<b>Nonoperating Income (Expense)</b>						
Interest income	6	4	2	9	7	2
Interest expense, net of capitalized interest	(370)	(437)	67	(738)	(835)	97
Gains (losses) on debt extinguishment, net	—	2	(2)	—	4	(4)
Other income (expense), net	6	(13)	19	(26)	(75)	49
	<u>(358)</u>	<u>(444)</u>	<u>86</u>	<u>(755)</u>	<u>(900)</u>	<u>144</u>
<b>Income (Loss) Before Income Taxes</b>	<u>\$ (1,831)</u>	<u>\$ (2,060)</u>	<u>\$ 228</u>	<u>\$ (3,719)</u>	<u>\$ (4,039)</u>	<u>\$ 319</u>

**NAA**

<i>(in millions)</i>	<b>Three Months Ended May 31,</b>			<b>Six Months Ended May 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Revenues</b>						
Passenger ticket	\$ 862	\$ 2	\$ 860	\$ 1,447	\$ 1	\$ 1,446
Onboard and other	804	7	798	1,345	18	1,327
	<u>1,666</u>	<u>9</u>	<u>1,657</u>	<u>2,792</u>	<u>19</u>	<u>2,773</u>
<b>Operating Costs and Expenses</b>						
Operating Costs and Expenses	1,768	365	1,403	3,055	680	2,375
Selling and administrative	366	233	133	710	453	257
Depreciation and amortization	353	341	12	687	676	12
	<u>2,487</u>	<u>939</u>	<u>1,548</u>	<u>4,453</u>	<u>1,809</u>	<u>2,644</u>
<b>Operating Income (Loss)</b>	<u>\$ (821)</u>	<u>\$ (930)</u>	<u>\$ 109</u>	<u>\$ (1,661)</u>	<u>\$ (1,790)</u>	<u>\$ 129</u>

**EA**

<i>(in millions)</i>	<b>Three Months Ended May 31,</b>			<b>Six Months Ended May 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>Revenues</b>						
Passenger ticket	\$ 490	\$ 19	\$ 472	\$ 832	\$ 22	\$ 810
Onboard and other	175	15	161	291	19	271
	666	33	633	1,123	41	1,082
<b>Operating Costs and Expenses</b>						
Operating Costs and Expenses	848	298	550	1,546	496	1,050
Selling and administrative	175	131	45	352	239	113
Depreciation and amortization	179	186	(8)	359	370	(11)
	1,202	615	587	2,257	1,105	1,152
<b>Operating Income (Loss)</b>	<b>\$ (536)</b>	<b>\$ (582)</b>	<b>\$ 46</b>	<b>\$ (1,134)</b>	<b>\$ (1,064)</b>	<b>\$ (70)</b>

We paused our guest cruise operations in March 2020. As of May 31, 2022, 86% of our capacity was in guest cruise operation, compared to 6% as of May 31, 2021. Our NAA segment had 90% of its capacity in guest cruise operations as of May 31, 2022 and no ships operating with guests onboard as of May 31, 2021. Our EA segment had 81% of its capacity in guest cruise operations as of May 31, 2022, compared to 16% as of May 31, 2021 when it had five ships operating with guests onboard.

The COVID-19 global pandemic and its ongoing effects, inflation and higher fuel prices are collectively having a material negative impact on all aspects of our business, including our results of operations, liquidity and financial position. The full extent of these impacts are uncertain.

**Three Months Ended May 31, 2022 Compared to Three Months Ended May 31, 2021**
**Revenues**
**Consolidated**

Cruise passenger ticket revenues made up 54% of our total revenues for the three months ended May 31, 2022 while onboard and other revenues made up 46%. Revenues for the three months ended May 31, 2022 increased by \$2.4 billion as compared to the three months ended May 31, 2021 due to the ongoing resumption of guest cruise operations and the significant increase of ships in service. ALBDs increased to 16.7 million for the three months ended May 31, 2022 as compared to 0.4 million for the three months ended May 31, 2021. Occupancy for the three months ended May 31, 2022 was 69% compared to 31% for the three months ended May 31, 2021.

**NAA Segment**

Cruise passenger ticket revenues made up 52% of our NAA segment's total revenues for the three months ended May 31, 2022 while onboard and other cruise revenues made up 48%. NAA segment revenues for the three months ended May 31, 2022 increased by \$1.7 billion as compared to the three months ended May 31, 2021 due to the ongoing resumption of guest cruise operations and the significant increase of ships in service. ALBDs increased to 10.1 million for the three months ended May 31, 2022 as compared to 0.0 million for the three months ended May 31, 2021. Occupancy for the three months ended May 31, 2022 was 79%.

**EA Segment**

Cruise passenger ticket revenues made up 74% of our EA segment's total revenues for the three months ended May 31, 2022 while onboard and other cruise revenues made up 26%. EA segment revenues for the three months ended May 31, 2022 increased by \$0.6 billion as compared to the three months ended May 31, 2021 due to the ongoing resumption of guest cruise operations and the significant increase of ships in service. ALBDs increased to 6.6 million for the three months ended May 31, 2022 as compared to 0.4 million for the three months ended May 31, 2021. Occupancy for the three months ended May 31, 2022 was 53% compared to 31% for the three months ended May 31, 2021.

## **Operating Costs and Expenses**

### **Consolidated**

Operating costs and expenses increased by \$2.0 billion to \$2.7 billion for the three months ended May 31, 2022 from \$0.7 billion for the three months ended May 31, 2021. These increases were driven by our ongoing resumption of guest cruise operations and restart related expenses, including the cost of returning ships to guest cruise operations and returning crew members to our ships, higher number of dry-dock days, the cost of maintaining enhanced health and safety protocols, inflation and supply chain disruptions. We anticipate that some of these costs and expenses will end in 2022.

Fuel costs increased by \$432 million to \$545 million for the three months ended May 31, 2022 from \$113 million for the three months ended May 31, 2021. This increase was caused by higher fuel consumption of 386 thousand metric tons, due to the resumption of guest cruise operations, and an increase in fuel prices of \$402 per metric ton consumed for the three months ended May 31, 2022 compared to the three months ended May 31, 2021.

Selling and administrative expenses increased by \$201 million to \$619 million for the three months ended May 31, 2022 from \$417 million for the three months ended May 31, 2021. This increase was caused by increased advertising and promotional spend incurred as part of our ongoing resumption of guest cruise operations and higher administrative expenses.

There were no ship impairment charges for the three months ended May 31, 2022. We recognized a ship impairment charge of \$49 million for the three months ended May 31, 2021.

The drivers in changes in costs and expenses for our NAA and EA segments are the same as those described for our consolidated results.

### **Nonoperating Income (Expense)**

Interest expense, net of capitalized interest decreased by \$67 million to \$370 million for the three months ended May 31, 2022 from \$437 million for the three months ended May 31, 2021. The decrease was caused by a lower average interest rate as a result of completed refinancing efforts and was partially offset by a higher average debt balance for the three months ended May 31, 2022 compared to the three months ended May 31, 2021.

## **Six Months Ended May 31, 2022 Compared to Six Months Ended May 31, 2021**

### **Revenues**

#### **Consolidated**

Cruise passenger ticket revenues made up 54% of our total revenues for the six months ended May 31, 2022 while onboard and other revenues made up 46%. Revenues for the six months ended May 31, 2022 increased by \$3.9 billion as compared to the six months ended May 31, 2021 due to the ongoing resumption of guest cruise operations and the significant increase of ships in service. ALBDs increased to 30.0 million for the six months ended May 31, 2022 as compared to 0.6 million for the six months ended May 31, 2021. Occupancy for the six months ended May 31, 2022 was 62% compared to 27% for the six months ended May 31, 2021.

#### **NAA Segment**

Cruise passenger ticket revenues made up 52% of our NAA segment's total revenues for the six months ended May 31, 2022 while onboard and other cruise revenues made up 48%. NAA segment revenues for the six months ended May 31, 2022 increased by \$2.8 billion as compared to the six months ended May 31, 2021 due to the ongoing resumption of guest cruise operations and the significant increase of ships in service. ALBDs increased to 18.8 million for the six months ended May 31, 2022 as compared to 0.0 million for the six months ended May 31, 2021. Occupancy for the six months ended May 31, 2022 was 70%.

#### **EA Segment**

Cruise passenger ticket revenues made up 74% of our EA segment's total revenues for the six months ended May 31, 2022 while onboard and other cruise revenues made up 26%. EA segment revenues for the six months ended May 31, 2022 increased by \$1.1 billion as compared to the six months ended May 31, 2021 due to the ongoing resumption of guest cruise operations and the significant increase of ships in service. ALBDs increased to 11.2 million for the six months ended May 31, 2022 as

compared to 0.6 million for the six months ended May 31, 2021. Occupancy for the six months ended May 31, 2022 was 50% compared to 27% for the six months ended May 31, 2021.

## **Operating Costs and Expenses**

### **Consolidated**

Operating costs and expenses increased by \$3.5 billion to \$4.7 billion for the six months ended May 31, 2022 from \$1.2 billion for the six months ended May 31, 2021. These increases were driven by our ongoing resumption of guest cruise operations and restart related expenses, including the cost of returning ships to guest cruise operations and returning crew members to our ships, higher number of dry-dock days, the cost of maintaining enhanced health and safety protocols, inflation and supply chain disruptions. We anticipate that some of these costs and expenses will end in 2022.

Fuel costs increased by \$694 million to \$910 million for the six months ended May 31, 2022 from \$216 million for the six months ended May 31, 2021. The increase was caused by higher fuel consumption of 690 thousand metric tons, due to the resumption of guest cruise operations, and an increase in fuel prices of \$336 per metric ton consumed for the six months ended May 31, 2022 compared to the six months ended May 31, 2021.

Selling and administrative expenses increased by \$0.3 billion to \$1.1 billion for the six months ended May 31, 2022 from \$0.9 billion for the six months ended May 31, 2021. The increase was principally driven by higher advertising and promotional spend incurred as part of our ongoing resumption of guest cruise operations.

We recognized a ship impairment charge of \$8 million for the six months ended May 31, 2022 and a ship impairment charge of \$49 million for the six months ended May 31, 2021.

The drivers in changes in costs and expenses for our NAA and EA segments are the same as those described for our consolidated results.

### **Nonoperating Income (Expense)**

Interest expense, net of capitalized interest, decreased by \$97 million to \$738 million for the six months ended May 31, 2022 from \$835 million for the six months ended May 31, 2021. The decrease was caused by a lower average interest rate as a result of completed refinancing efforts and was partially offset by a higher average debt balance for the six months ended May 31, 2022 compared to the six months ended May 31, 2021.

## **Liquidity, Financial Condition and Capital Resources**

As of May 31, 2022, we had \$7.5 billion of liquidity including cash, short-term investments and borrowings available under our Revolving Facility. During 2022, we will continue to be focused on pursuing various capital market opportunities to extend maturities and if appropriate, obtain relevant financial covenant amendments.

We had a working capital deficit of \$4.8 billion as of May 31, 2022 compared to working capital deficit of \$0.3 billion as of November 30, 2021. The increase in working capital deficit was caused by a decrease in cash and cash equivalents, an increase in customer deposits and an increase in current portion of long-term debt. Historically, during our normal operations, we operate with a substantial working capital deficit. This deficit is mainly attributable to the fact that, under our business model, substantially all of our passenger ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts generally remain a current liability until the sailing date. The cash generated from these advance receipts is used interchangeably with cash on hand from other sources, such as our borrowings and other cash from operations. The cash received as advanced receipts can be used to fund operating expenses, pay down our debt, make long-term investments or any other use of cash. Included within our working capital are \$4.8 billion and \$3.1 billion of customer deposits as of May 31, 2022 and November 30, 2021, respectively. We have paid refunds of customer deposits with respect to a portion of cancelled cruises. The amount of any future cash refunds may depend on future cruise cancellations and guest rebookings. We have agreements with a number of credit card processors that transact customer deposits related to our cruise vacations. Certain of these agreements allow the credit card processors to request, under certain circumstances, that we provide a reserve fund in cash. In addition, we have a relatively low-level of accounts receivable and limited investment in inventories.

Refer to Note 1 - "General, Liquidity and Management's Plans" of the consolidated financial statements for additional discussion regarding our liquidity.

## Sources and Uses of Cash

### *Operating Activities*

Our business used \$1.2 billion of net cash flows in operating activities during the six months ended May 31, 2022, a decrease of \$1.7 billion, compared to \$2.9 billion of net cash flows used for the same period in 2021. This decrease was due to an increase in cash inflows from customer deposits during the six months ended May 31, 2022 compared to the same period in 2021.

### *Investing Activities*

During the six months ended May 31, 2022, net cash used in investing activities was \$3.1 billion. This was driven by the following:

- Capital expenditures of \$2.6 billion for our ongoing new shipbuilding program
- Capital expenditures of \$581 million for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sale of ships and other of \$55 million
- Purchases of short-term investments of \$315 million
- Proceeds from maturity of short-term investments of \$364 million

During the six months ended May 31, 2021, net cash used in investing activities was \$4.2 billion. This was driven by the following:

- Capital expenditures of \$2.0 billion for our ongoing new shipbuilding program
- Capital expenditures of \$168 million for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sale of ships and other of \$324 million
- Purchases of short-term investments of \$2.7 billion
- Proceeds from maturity of short-term investments of \$467 million

### *Financing Activities*

During the six months ended May 31, 2022, net cash provided by financing activities of \$2.5 billion was caused by the following:

- Issuances of \$3.3 billion of long-term debt
- Repayments of \$0.7 billion of long-term debt
- Payments of \$110 million related to debt issuance costs
- Net repayments of short-term borrowings of \$114 million
- Purchases of \$82 million of Carnival plc ordinary shares and issuances of \$89 million of Carnival Corporation common stock under our Stock Swap Program

During the six months ended May 31, 2021, net cash provided by financing activities of \$4.5 billion was caused by the following:

- Repayments of \$1.4 billion of long-term debt
- Issuances of \$5.0 billion of long-term debt, including net proceeds of \$3.4 billion from the issuance of the 2027 Senior Unsecured Notes
- Net proceeds of \$996 million from our public offering of Carnival Corporation common stock

## Funding Sources

As of May 31, 2022, we had \$7.5 billion of liquidity including cash, short-term investments and borrowings available under our revolving facility. In addition, we had \$3.1 billion of undrawn export credit facilities to fund ship deliveries planned through 2024. We plan to use future cash flows from operations to fund our cash requirements including capital expenditures not funded by our export credit facilities.

<i>(in billions)</i>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Future export credit facilities at May 31, 2022	\$ 0.8	\$ 1.7	\$ 0.6

Our export credit facilities contain various financial covenants as described in Note 3 - “Debt”. At May 31, 2022, we were in compliance with the applicable covenants under our debt agreements.

### **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 10 - “Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risks” in our consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations within our Form 10-K.

#### **Interest Rate Risks**

The composition of our debt, after the effect of cross currency swaps (designated as hedges of net investments) and interest rate swaps, was as follows:

	<u>May 31, 2022</u>
Fixed rate	44 %
EUR fixed rate	16 %
Floating rate	24 %
EUR floating rate	14 %
GBP floating rate	1 %

### **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, Chief Executive Officer and Chief Climate Officer and our Chief Financial Officer and Chief Accounting Officer have evaluated our disclosure controls and procedures and have concluded, as of May 31, 2022, 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 May 31, 2022 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II - OTHER INFORMATION

### **Item 1. Legal Proceedings.**

The legal proceedings described in Note 4 – “Contingencies and Commitments” of our consolidated financial statements, including those described under “COVID-19 Actions” and “Other Regulatory or Governmental Inquiries and Investigations,” are incorporated in this “Legal Proceedings” section by reference. Additionally, SEC rules require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that we believe will exceed \$1 million.

As previously disclosed, Princess Cruises entered into a plea agreement in December 2016 with the U.S. Department of Justice, which resulted in a five-year term of probation that started in 2017 and the adoption of a court-supervised environmental compliance plan. On April 18, 2022, the probation period ended and the court-supervised environmental compliance plan terminated.

### **Item 1A. Risk Factors.**

The risk factors in this Form 10-Q below should be carefully considered, including the risk factors discussed in “Risk Factors” and other risks discussed in our Form 10-K. These risks could materially and adversely affect our results, operations, outlooks, plans, goals, growth, reputation, cash flows, liquidity, and stock price. Our business also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

#### **Operating Risk Factors**

- Events and conditions around the world, including war and other military actions, such as the current invasion of Ukraine, heightened inflation and other general concerns impacting the ability or desire of people to travel have and may lead to a decline in demand for cruises, impact our operating costs and profitability.

We have been, and may continue to be, impacted by the public’s concerns regarding the health, safety and security of travel, including government travel advisories and travel restrictions, political instability and civil unrest, terrorist attacks, war and military action, most recently the current invasion of Ukraine, and other general concerns. The current invasion of Ukraine and its resulting impacts, including supply chain disruptions, increased fuel prices and international sanctions and other measures that have been imposed, have adversely affected, and may continue to adversely affect, our business. These factors may also have the effect of heightening many other risks to our business, any of which could materially and adversely affect our business and results of operations. Additionally, we have been, and may continue to be, impacted by heightened regulations around customs and border control, travel bans to and from certain geographical areas, voluntary changes to our itineraries in light of geopolitical events, government policies increasing the difficulty of travel and limitations on issuing international travel visas. We have been and may continue to be impacted by inflation and supply chain disruptions and may also be impacted by adverse changes in the perceived or actual economic climate, such as global or regional recessions, higher unemployment and underemployment rates and declines in income levels.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

#### **I. Stock Swap Program**

We have a program that allows us to realize a net cash benefit when Carnival Corporation common stock is trading at a premium to the price of Carnival plc ordinary shares. Under the Stock Swap Program, we may elect to offer and sell shares of Carnival Corporation common stock at prevailing market prices in ordinary brokers’ transactions and repurchase an equivalent number of Carnival plc ordinary shares in the UK market.

Under the Stock Swap Program effective June 2021, the Board of Directors authorized the sale of up to \$500 million shares of Carnival Corporation common stock in the U.S. market and the purchase of Carnival plc ordinary shares on at least an equivalent basis.

We may in the future implement a program to allow us to obtain a net cash benefit when Carnival plc ordinary shares are trading at a premium to the price of Carnival Corporation common stock.

Any sales of Carnival Corporation common stock and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933, as amended. During the three months ended May 31, 2022, under the Stock Swap Program, we sold 3.9 million shares of Carnival Corporation’s common stock and repurchased the same amount of Carnival plc ordinary shares,



resulting in net proceeds of \$6 million, which were used for general corporate purposes. Since the beginning of the Stock Swap Program, first authorized in June 2021, we have sold 14.1 million shares of Carnival Corporation’s common stock and repurchased the same amount of Carnival plc ordinary shares, resulting in net proceeds of \$27 million.

<b>Period</b>	<b>Total Number of Shares of Carnival plc Ordinary Shares Purchased (a) (in millions)</b>	<b>Average Price Paid per Share of Carnival plc Ordinary Share</b>	<b>Maximum Number of Carnival plc Ordinary Shares That May Yet Be Purchased Under the Carnival Corporation Stock Swap Program (in millions)</b>
March 1, 2022 through March 31, 2022	—	\$ —	8.2
April 1, 2022 through April 30, 2022	1.1	\$ 17.52	7.1
May 1, 2022 through May 31, 2022	2.8	\$ 13.20	4.2
Total	<u>3.9</u>	\$ 14.40	

(a) No ordinary shares of Carnival plc were purchased outside of publicly announced plans or programs.

**Item 6. Exhibits.**

**INDEX TO EXHIBITS**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	Exhibit	Filing Date	
<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>Material Contracts</b>					
10.1	<a href="#">Carnival Corporation Fun Ship Nonqualified Savings Plan restated effective January 1, 2022.</a>				X
10.2	<a href="#">Indenture, dated as of May 25, 2022, among Carnival Corporation, as issuer, Carnival plc, the other Guarantors party hereto and U.S. Bank Trust Company, National Association, as trustee, principal paying agent, transfer agent, registrar and security agent, relating to the 10.500% Senior Unsecured Notes due 2030.</a>	8-K	10.1	5/25/2022	
<b>Rule 13a-14(a)/15d-14(a) certifications</b>					
31.1	<a href="#">Certification of President, Chief Executive Officer and Chief Climate Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
31.2	<a href="#">Certification of Chief Financial Officer and Chief Accounting Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
31.3	<a href="#">Certification of President, Chief Executive Officer and Chief Climate Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
31.4	<a href="#">Certification of Chief Financial Officer and Chief Accounting Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
<b>Section 1350 certifications</b>					

**INDEX TO EXHIBITS**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	Exhibit	Filing Date	
32.1*	<a href="#">Certification of President, Chief Executive Officer and Chief Climate 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.</a>				X
32.2*	<a href="#">Certification of Chief Financial Officer and Chief Accounting 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.</a>				X
32.3*	<a href="#">Certification of President, Chief Executive Officer and Chief Climate 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.</a>				X
32.4*	<a href="#">Certification of Chief Financial Officer and Chief Accounting 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.</a>				X
<b>Interactive Data File</b>					
101	The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended May 31, 2022, as filed with the Securities and Exchange Commission on June 29, 2022, formatted in Inline XBRL, are as follows:				
	(i) the Consolidated Statements of Income (Loss) for the three and six months ended May 31, 2022 and 2021;				X
	(ii) the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended May 31, 2022 and 2021;				X
	(iii) the Consolidated Balance Sheets at May 31, 2022 and November 30, 2021;				X
	(iv) the Consolidated Statements of Cash Flows for the six months ended May 31, 2022 and 2021;				X
	(v) the Consolidated Statements of Shareholders' Equity for the three and six months ended May 31, 2022 and 2021;				X
	(vi) the notes to the consolidated financial statements, tagged in summary and detail.				X
104	The cover page from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended May 31, 2022, as filed with the Securities and Exchange Commission on June 29, 2022, formatted in Inline XBRL (included as Exhibit 101).				

\* 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**

**CARNIVAL PLC**

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

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

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

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

Date: June 29, 2022

Date: June 29, 2022