June 25, 2018

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

Carnival Corporation & plc is hereby announcing that today it has released its three and six months results of operations in its earnings release and filed its joint Quarterly Report on Form 10-Q ("Form 10-Q") with the U.S. Securities and Exchange Commission ("SEC") containing the Carnival Corporation & plc 2018 three and six months unaudited consolidated financial statements.

The information included in the attached Schedules A, B and C is extracted from the Form 10-Q and has been prepared in accordance with SEC rules and regulations. The Carnival Corporation & plc unaudited consolidated financial statements contained in the Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

- **Schedule A** contains the Carnival Corporation & plc unaudited consolidated financial statements as of and for the three and six months ended May 31, 2018
- **Schedule B** contains the management's discussion and analysis ("MD&A") of financial conditions and results of operations
- **Schedule C** contains information on Carnival Corporation and Carnival plc's sales and purchases of their equity securities and use of proceeds from such sales

In addition, the Directors are today presenting in the attached **Schedule D**, the unaudited interim condensed financial statements for the Carnival plc Group ("Interim Financial Statements") as of and for the six months ended May 31, 2018. The Interim Financial Statements exclude the consolidated results of Carnival Corporation and are prepared under International Financial Reporting Standards as adopted by the European Union.

The Directors consider that within the Carnival Corporation and Carnival plc dual listed company ("DLC") arrangement, the most appropriate presentation of Carnival plc's results and financial position is by reference to the Carnival Corporation & plc U.S. GAAP unaudited consolidated financial statements ("DLC Financial Statements").

All these schedules (A, B, C & D) are presented together as Carnival plc's Group half-yearly financial report ("Interim Financial Report") in accordance with the requirements of the UK Disclosure Guidance and Transparency Rules.

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

Carnival Corporation & plc is the world's largest leisure travel company and among the most profitable and financially strong in the cruise and vacation industries, with a portfolio of 10 dynamic brands that include nine of the world's leading cruise lines. With operations in North America, Australia, Europe and Asia, its portfolio features Carnival Cruise Line, Princess Cruises, Holland America Line, Seabourn, P&O Cruises (Australia), Costa Cruises, AIDA Cruises, P&O Cruises (UK) and Cunard, as well as Fathom, the corporation's immersion and enrichment experience brand.

Together, the corporation's cruise lines operate 103 ships with 234,000 lower berths visiting over 700 ports around the world, with 18 new ships scheduled to be delivered between 2018 and 2023. Carnival Corporation & plc also operates Holland America Princess Alaska Tours, the leading tour company in Alaska and the Canadian Yukon. Traded on both the New York and London Stock Exchanges, Carnival Corporation & plc is the only group in the world to be included in both the S&P 500 and the FTSE 100 indices.

In 2017, *Fast Company* recognized Carnival Corporation as being among the "Top 10 Most Innovative Companies" in both the design and travel categories. *Fast Company* specifically recognized Carnival Corporation for its work in developing Ocean Medallion™, a high-tech wearable device that enables the world's first interactive guest experience platform capable of transforming vacation travel into a highly personalized and elevated level of customized service.

Additional information can be found on www.carnival.com, www.princess.com, www.hollandamerica.com, www.seabourn.com, www.pocruises.com.au, www.costacruise.com, www.aida.de, www.pocruises.com, www.cunard.com, and www.fathom.org.

SCHEDULE A

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended May 31,		Six Months Ended May 31,	
	2018	2017	2018	2017
Revenues				
Cruise				
Passenger ticket	$ 3,193	$ 2,872	$ 6,341	$ 5,676
Onboard and other	1,122	1,036	2,192	2,014
Tour and other	42	37	55	46
	4,357	3,945	8,589	7,736
Operating Costs and Expenses				
Cruise				
Commissions, transportation and other	577	513	1,240	1,082
Onboard and other	138	129	278	253
Payroll and related	543	513	1,101	1,032
Fuel	373	310	731	607
Food	265	253	530	504
Other ship operating	749	685	1,460	1,346
Tour and other	36	33	50	46
	2,681	2,436	5,390	4,870
Selling and administrative	605	553	1,221	1,102
Depreciation and amortization	512	456	1,000	896
	3,798	3,445	7,611	6,868
Operating Income	559	500	978	868
Nonoperating Income (Expense)				
Interest income	3	2	6	4
Interest expense, net of capitalized interest	(49)	(50)	(98)	(101)
Gains (losses) on fuel derivatives, net	41	(53)	57	(27)
Other income (expense), net	10	(15)	11	(7)
	5	(116)	(24)	(131)
Income Before Income Taxes	564	384	955	737
Income Tax Expense, Net	(3)	(5)	(3)	(7)
Net Income	$ 561	$ 379	$ 951	$ 730
Earnings Per Share				
Basic	$ 0.79	$ 0.52	$ 1.33	$ 1.01
Diluted	$ 0.78	$ 0.52	$ 1.33	$ 1.00
Dividends Declared Per Share	$ 0.50	$ 0.40	$ 0.95	$ 0.75

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

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

	Three Months Ended May 31,		Six Months Ended May 31,	
	2018	**2017**	**2018**	**2017**
Net Income	$ 561	$ 379	$ 951	$ 730
Items Included in Other Comprehensive (Loss) Income				
Change in foreign currency translation adjustment	(357)	257	(56)	257
Other	(11)	29	(17)	43
Other Comprehensive (Loss) Income	(368)	286	(73)	300
Total Comprehensive Income	$ 193	$ 665	$ 878	$ 1,030

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

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

	May 31, 2018	November 30, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,053	$ 395
Trade and other receivables, net	342	312
Inventories	402	387
Prepaid expenses and other	481	502
Total current assets	2,278	1,596
Property and Equipment, Net	35,227	34,430
Goodwill	2,950	2,967
Other Intangibles	1,183	1,200
Other Assets	546	585
	$ 42,184	$ 40,778
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	$ 837	$ 485
Current portion of long-term debt	848	1,717
Accounts payable	745	762
Accrued liabilities and other	1,571	1,877
Customer deposits	5,308	3,958
Total current liabilities	9,308	8,800
Long-Term Debt	8,172	6,993
Other Long-Term Liabilities	771	769
Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, $0.01 par value; 1,960 shares authorized; 656 shares at 2018 and 655 shares at 2017 issued	7	7
Ordinary shares of Carnival plc, $1.66 par value; 217 shares at 2018 and 2017 issued	358	358
Additional paid-in capital	8,721	8,690
Retained earnings	23,564	23,292
Accumulated other comprehensive loss	(1,855)	(1,782)
Treasury stock, 125 shares at 2018 and 122 shares at 2017 of Carnival Corporation and 37 shares at 2018 and 32 shares at 2017 of Carnival plc, at cost	(6,862)	(6,349)
Total shareholders' equity	23,933	24,216
	$ 42,184	$ 40,778

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

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

	Six Months Ended May 31,	
	2018	**2017**
OPERATING ACTIVITIES		
Net income	$ 951	$ 730
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,000	896
(Gains) losses on fuel derivatives, net	(57)	27
Share-based compensation	32	34
Other, net	4	36
	1,930	1,723
Changes in operating assets and liabilities		
Receivables	(35)	(8)
Inventories	(16)	(19)
Prepaid expenses and other	59	(28)
Accounts payable	(14)	(38)
Accrued liabilities and other	(249)	(20)
Customer deposits	1,413	1,239
Net cash provided by operating activities	3,087	2,849
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,201)	(1,859)
Proceeds from sales of ships	102	—
Payments of fuel derivative settlements	(34)	(99)
Other, net	41	24
Net cash used in investing activities	(2,092)	(1,934)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings, net	398	182
Principal repayments of long-term debt	(1,181)	(907)
Proceeds from issuance of long-term debt	1,618	467
Dividends paid	(646)	(507)
Purchases of treasury stock	(513)	(152)
Other, net	(16)	(18)
Net cash used in financing activities	(339)	(935)
Effect of exchange rate changes on cash and cash equivalents	2	14
Net increase (decrease) in cash and cash equivalents	658	(6)
Cash and cash equivalents at beginning of period	395	603
Cash and cash equivalents at end of period	$ 1,053	$ 597

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

NOTE 1 – General

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

Basis of Presentation

The Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income for the six months ended May 31, 2018 and 2017, the Consolidated Balance Sheet at May 31, 2018 and the Consolidated Statements of Cash Flows for the six months ended May 31, 2018 and 2017 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 2017 joint Annual Report on Form 10-K ("Form 10-K") filed with the U.S. Securities and Exchange Commission on January 29, 2018. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

Accounting Pronouncements

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

The FASB issued guidance, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. When effective, this standard will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles ("U.S. GAAP"). The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in U.S. GAAP. This guidance is required to be adopted by us in the first quarter of 2019 and can be applied using either a retrospective or a modified retrospective approach. Based on our assessment to date, the adoption of this guidance is not expected to have a material impact to the timing of our recognition of revenue and will require additional disclosures. We are currently evaluating if this guidance will have any other impact on our consolidated financial statements.

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

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

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

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

The FASB issued guidance, *Leases*, which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. This guidance is required to be adopted by us in the first quarter of 2020 and must be applied using a modified retrospective approach. Early adoption is permitted. Based on our assessment to date, the initial adoption of this guidance is expected to increase both our total assets and total liabilities and will require additional disclosures. We are currently evaluating if this guidance will have any other impact on our consolidated financial statements.

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

Other

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. The portion of these fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were $143 million and $136 million and $291 million and $279 million for the three and six months ended May 31, 2018 and 2017, respectively.

NOTE 2 – Unsecured Debt

At May 31, 2018, our short-term borrowings consisted of euro- denominated commercial paper of $606 million and a euro-denominated bank loan of $231 million due in 2019. For the six months ended May 31, 2018 and 2017, we had borrowings of $2 million and $111 million and repayments of $2 million and $364 million of commercial paper with original maturities greater than three months.

In December 2017, we repaid a $500 million bond and borrowed $469 million under a sterling-denominated floating rate bank loan due in 2022.

In January 2018, we repaid $365 million of euro-denominated floating rate bank loans prior to their 2018 and 2021 maturity dates.

In March 2018, we borrowed $370 million under a euro-denominated floating rate bank loan due in 2020 and borrowed $555 million under an export credit facility due in semi-annual installments through 2030.

In April 2018, we borrowed $224 million under an export credit facility due in semi-annual installments through 2030.

NOTE 3 – Contingencies

Litigation

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

Contingent Obligations – Indemnifications

Some of the debt contracts we enter into include indemnification provisions obligating us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes or changes in laws which increase our 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.

NOTE 4 – 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

	May 31, 2018				November 30, 2017			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
(in millions)		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Long-term other assets (a)	$ 140	$ —	$ 37	$ 101	$ 126	$ —	$ 49	$ 75
Total	$ 140	$ —	$ 37	$ 101	$ 126	$ —	$ 49	$ 75
Liabilities								
Fixed rate debt (b)	$ 5,296	$ —	$ 5,473	$ —	$ 5,588	$ —	$ 5,892	$ —
Floating rate debt (b)	4,610	—	4,646	—	3,658	—	3,697	—
Total	$ 9,906	$ —	$10,119	$ —	$ 9,246	$ —	$ 9,589	$ —

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

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

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

	May 31, 2018			November 30, 2017		
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	$ 1,053	$ —	$ —	$ 395	$ —	$ —
Restricted cash	15	—	—	26	—	—
Marketable securities held in rabbi trusts (a)	7	—	—	97	—	—
Derivative financial instruments	—	6	—	—	15	—
Total	$ 1,075	$ 6	$ —	$ 518	$ 15	$ —
Liabilities						
Derivative financial instruments	$ —	$ 59	$ —	$ —	$ 161	$ —
Total	$ —	$ 59	$ —	$ —	$ 161	$ —

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

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

Valuation of Goodwill and Trademarks

	Goodwill		
(in millions)	NAA (a) Segment	EA (b) Segment	Total
At November 30, 2017	$ 1,898	$ 1,069	$ 2,967
Foreign currency translation adjustment	—	(17)	(17)
At May 31, 2018	$ 1,898	$ 1,052	$ 2,950

(a) North America & Australia ("NAA")
(b) Europe & Asia ("EA")

	Trademarks		
(in millions)	NAA Segment	EA Segment	Total
At November 30, 2017	$ 927	$ 252	$ 1,179
Foreign currency translation adjustment	—	(3)	(3)
At May 31, 2018	$ 927	$ 248	$ 1,176

The determination of our reporting unit goodwill and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments. A change in the conditions, circumstances or strategy, may result in a need to recognize an impairment charge.

Derivative Instruments and Hedging Activities

(in millions)	Balance Sheet Location	May 31, 2018	November 30, 2017
Derivative assets			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Prepaid expenses and other	$ 4	$ 3
Foreign currency zero cost collars (b)	Prepaid expenses and other	2	12
Total derivative assets		$ 6	$ 15
Derivative liabilities			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Accrued liabilities and other	$ 10	$ 13
	Other long-term liabilities	14	17
Interest rate swaps (c)	Accrued liabilities and other	9	10
	Other long-term liabilities	13	17
		46	57
Derivatives not designated as hedging instruments			
Fuel (d)	Accrued liabilities and other	13	95
	Other long-term liabilities	—	9
		13	104
Total derivative liabilities		$ 59	$ 161

(a) At May 31, 2018 and November 30, 2017, we had foreign currency swaps totaling $316 million and $324 million, respectively, that are designated as hedges of our net investments in foreign operations with a euro-denominated functional currency. At May 31, 2018, these foreign currency swaps settle through September 2019.

(b) At May 31, 2018 and November 30, 2017, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See "Newbuild Currency Risks" below for additional information regarding these derivatives.

(c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed $429 million at May 31, 2018 and $479 million at November 30, 2017 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At May 31, 2018, these interest rate swaps settle through March 2025.

(d) At May 31, 2018 and November 30, 2017, we had fuel derivatives consisting of zero cost collars on Brent crude oil ("Brent") to cover a portion of our estimated fuel consumption through 2018. See "Fuel Price Risks" below for additional information regarding these derivatives.

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

	May 31, 2018				
(in millions)	Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	$ 6	$ —	$ 6	$ (4)	$ 2
Liabilities	$ 59	$ —	$ 59	$ (4)	$ 54

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

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

(in millions)	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Six Months Ended May 31, 2018	Six Months Ended May 31, 2017
Net investment hedges	$ 16	$ (17)	$ 10	$ (16)
Foreign currency zero cost collars – cash flow hedges	$ (11)	$ 27	$ (10)	$ 35
Interest rate swaps – cash flow hedges	$ —	$ 3	$ 4	$ 4

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require cash collateral to be posted or received to the extent the fuel derivative fair value payable to or receivable from an individual counterparty exceeds $100 million. At May 31, 2018 and November 30, 2017, no collateral was required to be posted to or received from our fuel derivative counterparties.

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

Financial Risks

Fuel Price Risks

Substantially all of our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We have Brent call options and Brent put options, collectively referred to as zero cost collars, that establish ceiling and floor prices and mitigate a portion of our economic risk attributable to potential fuel price increases. To maximize operational flexibility we utilized derivative markets with significant trading liquidity.

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

(in millions)	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Six Months Ended May 31, 2018	Six Months Ended May 31, 2017
Unrealized gains (losses) on fuel derivatives, net	$ 50	$ (2)	$ 82	$ 69
Realized losses on fuel derivatives, net	(9)	(51)	(25)	(96)
Gains (losses) on fuel derivatives, net	$ 41	$ (53)	$ 57	$ (27)

At May 31, 2018, our outstanding fuel derivatives consisted of zero cost collars on Brent as follows:

Maturities (a)	Transaction Dates	Barrels (in thousands)	Weighted-Average Floor Prices	Weighted-Average Ceiling Prices
Fiscal 2018				
	January 2014	1,350	$ 75	$ 110
	October 2014	1,500	$ 80	$ 114
		2,850		

(a) Fuel derivatives mature evenly over each month in 2018.

Foreign Currency Exchange Rate Risks

Overall Strategy

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

Operational Currency Risks

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

Investment Currency Risks

We consider our investments in foreign operations to be denominated in stable currencies. Our investments in foreign operations are of a long-term nature. We have $5.8 billion and $876 million of euro- and sterling-denominated debt, respectively, including the effect of foreign currency swaps, which provides an economic offset for our operations with euro and sterling functional currency. We also partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations' functional currencies.

Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decision to hedge a non-functional currency ship commitment for our cruise brands is made on a case-by-case basis, considering the amount and duration of the exposure, market volatility, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts to manage foreign currency exchange rate risk for some of our ship construction payments. At May 31, 2018, for the following newbuilds, we had foreign currency zero cost collars for a portion of euro-denominated shipyard payments. These collars are designated as cash flow hedges.

	Entered Into	Matures in	Weighted-Average Floor Rate	Weighted- Average Ceiling Rate
Nieuw Statendam	2016	November 2018	$ 1.05	$ 1.25

If the spot rate is between the ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

At May 31, 2018, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments, which represent a total unhedged commitment of $7.6 billion and relates to newbuilds scheduled to be delivered in 2019 through 2022 to non-euro functional currency brands.

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

Interest Rate Risks

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

Concentrations of Credit Risk

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

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

We currently believe the risk of nonperformance by any of our significant counterparties is remote. At May 31, 2018, our exposures under foreign currency and fuel derivative contracts and interest rate swap agreements were not material. We also monitor the creditworthiness of travel agencies and tour operators in Asia, Australia and Europe, which includes charter-hire agreements in Asia and credit and debit card providers to which we extend credit in the normal course of our business. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments. Concentrations of credit risk associated with these trade receivables, charter-hire agreements and contingent obligations are not considered to be material, principally due to the large number of unrelated accounts, the nature of these contingent obligations and their short maturities. We have not experienced significant credit losses on our trade receivables, charter-hire agreements and contingent obligations. We do not normally require collateral or other security to support normal credit sales.

NOTE 5 – Segment Information

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

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

(in millions)	Three Months Ended May 31, Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
2018					
NAA	$ 2,836	$ 1,747	$ 338	$ 317	$ 433
EA	1,449	888	191	160	210
Cruise Support	31	11	64	25	(69)
Tour and Other	42	36	11	10	(14)
	$ 4,357	$ 2,681	$ 605	$ 512	$ 559
2017					
NAA	$ 2,663	$ 1,596	$ 330	$ 301	$ 436
EA	1,212	796	161	134	120
Cruise Support	34	11	56	12	(45)
Tour and Other	37	33	6	9	(11)
	$ 3,945	$ 2,436	$ 553	$ 456	$ 500

(in millions)	Six Months Ended May 31, Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
2018					
NAA	$ 5,519	$ 3,405	$ 705	$ 617	$ 793
EA	2,952	1,892	379	316	364
Cruise Support	63	43	119	48	(147)
Tour and Other	55	50	17	19	(31)
	$ 8,589	$ 5,390	$ 1,221	$ 1,000	$ 978
2017					
NAA	$ 5,180	$ 3,152	$ 663	$ 591	$ 774
EA	2,438	1,655	320	264	199
Cruise Support	72	17	111	23	(79)
Tour and Other	46	46	8	18	(26)
	$ 7,736	$ 4,870	$ 1,102	$ 896	$ 868

NOTE 6 – Earnings Per Share

	Three Months Ended May 31,		Six Months Ended May 31,	
(in millions, except per share data)	2018	2017	2018	2017
Net income for basic and diluted earnings per share	$ 561	$ 379	$ 951	$ 730
Weighted-average shares outstanding	714	724	715	724
Dilutive effect of equity plans	1	3	2	3
Diluted weighted-average shares outstanding	715	727	717	727
Basic earnings per share	$ 0.79	$ 0.52	$ 1.33	$ 1.01
Diluted earnings per share	$ 0.78	$ 0.52	$ 1.33	$ 1.00

NOTE 7 – Shareholders' Equity

On April 10, 2018, the Boards of Directors approved a modification of the general authorization to repurchase Carnival Corporation common stock and/or Carnival plc ordinary shares (the "Repurchase Program"), which replenished the remaining authorized repurchases at the time of the approval to $1.0 billion. During the six months ended May 31, 2018, we repurchased 4.7 million shares of Carnival plc ordinary shares and 3.1 million shares of Carnival Corporation common stock for $312 million and $201 million, respectively, under the Repurchase Program. At May 31, 2018, the remaining availability under the Repurchase Program was $827 million.

During the three months ended May 31, 2018, our Boards of Directors declared a dividend to holders of Carnival Corporation common stock and Carnival plc ordinary shares of $0.50 per share, which was an increase from the prior dividend of $0.45 per share.

NOTE 8 – Property and Equipment

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

In April 2018, we transferred an EA 1,300-passenger capacity ship under a bareboat charter agreement which was accounted for as a sale.

SCHEDULE B

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

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

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

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

- The demand for cruises may decline due to adverse world events impacting the ability or desire of people to travel, including conditions affecting the safety and security of travel, government regulations and requirements, and decline in consumer confidence
- Incidents, such as ship incidents, security incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and the related adverse publicity affecting our reputation and the health, safety, security and satisfaction of guests and crew
- Changes in and compliance with laws and regulations relating to environment, health, safety, security, data privacy and protection, tax and anti-corruption under which we operate may lead to litigations, enforcement actions, fines, or penalties
- Disruptions and other damages to our information technology and other networks and operations, breaches in data security, lapses in data privacy, and failure to keep pace with developments in technology
- Ability to recruit, develop and retain qualified shipboard personnel who live on ships away from home for extended periods of time
- Increases in fuel prices and availability of fuel supply
- Fluctuations in foreign currency exchange rates
- Overcapacity and competition in the cruise ship and land-based vacation industry
- Continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain, as well as reductions in the availability of, and increases in the prices for, the services and products provided by these vendors
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations, as well as increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages
- Geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect

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.

New Accounting Pronouncements

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

Statistical Information

	Three Months Ended May 31,		Six Months Ended May 31,	
	2018	**2017**	**2018**	**2017**
Available Lower Berth Days ("ALBDs") (in thousands) (a) (b)	20,690	20,397	41,151	40,421
Occupancy percentage (c)	105.7%	104.1%	105.2%	104.3%
Passengers carried (in thousands)	2,971	2,906	5,831	5,675
Fuel consumption in metric tons (in thousands)	819	830	1,640	1,649
Fuel consumption in metric tons per thousand ALBDs	39.6	40.7	39.9	40.8
Fuel cost per metric ton consumed	$ 455	$ 374	$ 446	$ 368
Currencies (USD to 1)				
AUD	$ 0.77	$ 0.75	$ 0.77	$ 0.75
CAD	$ 0.78	$ 0.74	$ 0.79	$ 0.75
EUR	$ 1.21	$ 1.08	$ 1.21	$ 1.07
GBP	$ 1.38	$ 1.26	$ 1.38	$ 1.25
RMB	$ 0.16	$ 0.15	$ 0.16	$ 0.15

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

(b) For the three months ended May 31, 2018 compared to the three months ended May 31, 2017, we had a 1.4% capacity increase in ALBDs comprised of a 2.1% capacity increase in our NAA segment and a 0.3% capacity increase in our EA segment.

Our NAA capacity increase was caused by:

- Partial quarter impact from one Princess Cruises 3,560-passenger capacity ship that entered into service in April 2017
- Partial quarter impact from one Carnival Cruise Line 3,970-passenger capacity ship that entered into service in April 2018
- Partial quarter impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018

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

Our EA segment's capacity increase was caused by:

- Full quarter impact from one AIDA Cruises 3,290-passenger capacity ship that entered into service in June 2017

These increases were partially offset by:

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

For the six months ended May 31, 2018 compared to the six months ended May 31, 2017, we had a 1.8% capacity increase in ALBDs comprised of a 1.8% capacity increase in our NAA segment and a 1.9% capacity increase in our EA segment.

Our NAA capacity increase was caused by:

- Partial period impact from one Princess Cruises 3,560-passenger capacity ship that entered into service in April 2017
- Partial period impact from one Carnival Cruise Line 3,970-passenger capacity ship that entered into service in April 2018
- Partial period impact from one Seabourn 600-passenger capacity ship that entered into service in May 2018

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

Our EA segment's capacity increase was caused by:

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

These increases were partially offset by:

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

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

Three Months Ended May 31, 2018 ("2018") Compared to Three Months Ended May 31, 2017 ("2017")

Revenues

Consolidated

Cruise passenger ticket revenues made up 73% of our 2018 total revenues. Cruise passenger ticket revenues increased by $321 million, or 11%, to $3.2 billion in 2018 from $2.9 billion in 2017.

This increase was driven by:

- $121 million - foreign currency translational impact from a weaker U.S. dollar against the functional currencies of our foreign operations ("foreign currency translational impact")
- $90 million - increase in cruise ticket revenues, driven primarily by price improvements in our European, Alaskan, China and various other programs including World Cruises
- $44 million - increase in occupancy
- $41 million - 1.4% capacity increase in ALBDs
- $14 million - increase in air transportation revenues

The remaining 27% of 2018 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by $86 million, or 8.3%, to $1.1 billion in 2018 from $1.0 billion in 2017.

This increase was driven by:

- $27 million - foreign currency translational impact
- $25 million - higher onboard spending by our guests
- $16 million - increase in occupancy
- $15 million - 1.4% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, increased by $25 million, or 10%, to $270 million in 2018 from $245 million in 2017.

NAA Segment

Cruise passenger ticket revenues made up 71% of our NAA segment's 2018 total revenues. Cruise passenger ticket revenues increased by $129 million, or 6.8%, to $2.0 billion in 2018 compared to $1.9 billion in 2017.

This increase was driven by:
- $82 million - increase in cruise ticket revenues, driven primarily by price improvements in the European and Alaskan programs
- $40 million - 2.1% capacity increase in ALBDs

The remaining 29% of our NAA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by $44 million, or 5.7%, to $815 million in 2018 from $771 million in 2017.

This increase was driven by:
- $25 million - higher onboard spending by our guests
- $16 million - 2.1% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, increased by $10 million, or 5.7%, to $193 million in 2018 from $183 million in 2017.

EA Segment

Cruise passenger ticket revenues made up 82% of our EA segment's 2018 total revenues. Cruise passenger ticket revenues increased by $201 million, or 20%, to $1.2 billion in 2018 compared to $1.0 billion in 2017.

This increase was driven by:
- $120 million - foreign currency translational impact
- $50 million - increase in occupancy
- $28 million - increase in cruise ticket revenues, driven primarily by price improvements in the European, China and various other programs including World Cruises

The remaining 18% of our EA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by $36 million, or 16%, to $262 million in 2018 from $226 million in 2017.

This increase was caused by:
- $27 million - foreign currency translational impact
- $11 million - increase in occupancy

Concession revenues, which are included in onboard and other revenues, increased by $15 million, or 23%, to $77 million in 2018 from $63 million in 2017.

Costs and Expenses

Consolidated

Operating costs and expenses increased by $245 million, or 10%, to $2.7 billion in 2018 from $2.4 billion in 2017.

This increase was caused by:
- $82 million - foreign currency translational impact
- $67 million - higher fuel prices
- $48 million - higher dry-dock expenses and repair and maintenance expenses
- $35 million - 1.4% capacity increase in ALBD
- $23 million - higher commissions, transportation and other expenses
- $14 million - increase in occupancy

These increases were offset by gains on ship sales of $25 million.

Selling and administrative expenses increased by $52 million, or 9.3%, to $605 million in 2018 from $553 million in 2017.

Depreciation and amortization expenses increased by $55 million, or 12%, to $512 million in 2018 from $456 million in 2017.

This increase was driven by:
- $32 million - fleet enhancements and investments in shoreside assets
- $17 million - foreign currency translational impact

NAA Segment

Operating costs and expenses increased by $152 million, or 9.5%, to $1.7 billion in 2018 from $1.6 billion in 2017.

This increase was driven by:
- $45 million - higher fuel prices
- $33 million - 2.1% capacity increase in ALBDs
- $30 million - higher dry-dock expenses and repair and maintenance expenses
- $21 million - higher commissions, transportation and other expenses
- $11 million - higher port expenses

Selling and administrative expenses increased by $8 million, or 2.6%, to $338 million in 2018 from $330 million in 2017.

Depreciation and amortization expenses increased by $16 million, or 5.5%, to $317 million in 2018 from $301 million in 2017.

EA Segment

Operating costs and expenses increased by $92 million, or 12%, to $888 million in 2018 from $796 million in 2017.

This increase was caused by:
- $81 million - foreign currency translational impact
- $21 million - higher fuel prices
- $15 million - increase in occupancy
- $10 million - higher dry-dock expenses and repair and maintenance expenses

These increases were offset by gains on ship sales of $25 million.

Selling and administrative expenses increased by $30 million, or 19%, to $191 million in 2018 from $161 million in 2017. This increase was driven by foreign currency translational impact, which accounted for $20 million.

Depreciation and amortization expenses increased by $25 million, or 19%, to $160 million in 2018 from $134 million in 2017. This increase was driven by foreign currency translational impact, which accounted for $16 million.

Operating Income

Our consolidated operating income increased by $60 million, or 12%, to $559 million in 2018 from $500 million in 2017. Our NAA segment's operating income decreased by $3 million, or 0.7%, to $433 million in 2018 from $436 million in 2017, and our EA segment's operating income increased by $90 million, or 75%, to $210 million in 2018 from $120 million in 2017. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

	Three Months Ended May 31,	
(in millions)	**2018**	**2017**
Unrealized gains (losses) on fuel derivatives, net	$ 50	$ (2)
Realized losses on fuel derivatives, net	(9)	(51)
Gains (losses) on fuel derivatives, net	$ 41	$ (53)

Explanations of Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

Reconciliation of Forecasted Data

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

Constant Dollar and Constant Currency

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

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

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

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

Examples:

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

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

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

	Three Months Ended May 31,		
(dollars in millions, except yields)	2018	2018 Constant Dollar	2017
Passenger ticket revenues	$ 3,193	$ 3,072	$ 2,872
Onboard and other revenues	1,122	1,094	1,036
Gross cruise revenues	4,315	4,167	3,908
Less cruise costs			
Commissions, transportation and other	(577)	(551)	(513)
Onboard and other	(138)	(134)	(129)
	(716)	(685)	(642)
Net passenger ticket revenues	2,616	2,521	2,359
Net onboard and other revenues	984	961	907
Net cruise revenues	$ 3,599	$ 3,482	$ 3,266
ALBDs	20,689,903	20,689,903	20,396,773
Gross revenue yields	$ 208.55	$ 201.39	$ 191.59
% increase	8.8%	5.1%	
Net revenue yields	$ 173.96	$ 168.28	$ 160.15
% increase	8.6%	5.1%	
Net passenger ticket revenue yields	$ 126.43	$ 121.85	$ 115.66
% increase	9.3%	5.4%	
Net onboard and other revenue yields	$ 47.54	$ 46.43	$ 44.49
% increase	6.9%	4.4%	

	Three Months Ended May 31,		
(dollars in millions, except yields)	2018	2018 Constant Currency	2017
Net passenger ticket revenues	$ 2,616	$ 2,508	$ 2,359
Net onboard and other revenues	984	965	907
Net cruise revenues	$ 3,599	$ 3,473	$ 3,266
ALBDs	20,689,903	20,689,903	20,396,773
Net revenue yields	$ 173.96	$ 167.84	$ 160.15
% increase	8.6%	4.8%	
Net passenger ticket revenue yields	$ 126.43	$ 121.22	$ 115.66
% increase	9.3%	4.8%	
Net onboard and other revenue yields	$ 47.54	$ 46.62	$ 44.49
% increase	6.9%	4.8%	

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

	Three Months Ended May 31,		
(dollars in millions, except costs per ALBD)	**2018**	**2018 Constant Dollar**	**2017**
Cruise operating expenses	$ 2,645	$ 2,563	$ 2,403
Cruise selling and administrative expenses	594	574	548
Gross cruise costs	3,239	3,137	2,951
Less cruise costs included above			
Commissions, transportation and other	(577)	(551)	(513)
Onboard and other	(138)	(134)	(129)
(Losses) gains on ship sales and impairments	28	25	4
Restructuring expenses	—	—	—
Other	(1)	(1)	(1)
Net cruise costs	2,551	2,476	2,312
Less fuel	(373)	(373)	(310)
Net cruise costs excluding fuel	$ 2,178	$ 2,103	$ 2,002
ALBDs	20,689,903	20,689,903	20,396,773
Gross cruise costs per ALBD	$ 156.55	$ 151.63	$ 144.63
% increase	8.2%	4.8%	
Net cruise costs excluding fuel per ALBD	$ 105.27	$ 101.65	$ 98.11
% increase	7.3%	3.6%	

	Three Months Ended May 31,		
(dollars in millions, except costs per ALBD)	**2018**	**2018 Constant Currency**	**2017**
Net cruise costs excluding fuel	$ 2,178	$ 2,103	$ 2,002
ALBDs	20,689,903	20,689,903	20,396,773
Net cruise costs excluding fuel per ALBD	$ 105.27	$ 101.66	$ 98.11
% increase	7.3%	3.6%	

Adjusted fully diluted earnings per share was computed as follows:

(in millions, except per share data)	Three Months Ended May 31, 2018	2017
Net income		
U.S. GAAP net income	$ 561	$ 379
Unrealized (gains) losses on fuel derivatives, net	(50)	2
Losses (gains) on ship sales and impairments	(28)	(4)
Restructuring expenses	—	—
Other	6	1
Adjusted net income	$ 489	$ 378
Weighted-average shares outstanding	715	727
Earnings per share		
U.S. GAAP earnings per share	$ 0.78	$ 0.52
Unrealized (gains) losses on fuel derivatives, net	(0.07)	—
Losses (gains) on ship sales and impairments	(0.04)	—
Restructuring expenses	—	—
Other	0.01	—
Adjusted earnings per share	$ 0.68	$ 0.52

Net cruise revenues increased by $333 million, or 10%, to $3.6 billion in 2018 from $3.3 billion in 2017.

The increase was caused by:

- $159 million - 4.8% increase in constant currency net revenue yields
- $127 million - foreign currency impacts (including both the foreign currency translational and transactional impacts)
- $47 million - 1.4% capacity increase in ALBDs

The 4.8% increase in net revenue yields on a constant currency basis was due to a 4.8% increase in net passenger ticket revenue yields and a 4.8% increase in net onboard and other revenue yields.

The 4.8% increase in net passenger ticket revenue yields was driven primarily by price improvements in our European, Alaskan, China and various other programs including World Cruises. This 4.8% increase in net passenger ticket revenue yields was comprised of a 2.9% increase from our NAA segment and a 9.3% increase from our EA segment.

The 4.8% increase in net onboard and other revenue yields was comprised of a 4.1% increase from our NAA segment and a 4.5% increase from our EA segment.

Net cruise costs excluding fuel increased by $176 million, or 8.8%, to $2.2 billion in 2018 from $2.0 billion in 2017.

The increase was caused by:

- $75 million - foreign currency impacts (including both the foreign currency translational and transactional impacts)
- $73 million - 3.6% increase in constant currency net cruise costs excluding fuel
- $29 million - 1.4% capacity increase in ALBDs

Fuel costs increased by $62 million, or 20%, to $373 million in 2018 from $310 million in 2017. This increase was caused by higher fuel prices, which accounted for $66 million.

Six Months Ended May 31, 2018 (“2018”) Compared to Six Months Ended May 31, 2017 (“2017”)

Revenues

Consolidated

Cruise passenger ticket revenues made up 74% of our 2018 total revenues. Cruise passenger ticket revenues increased by $666 million, or 12%, to $6.3 billion in 2018 from $5.7 billion in 2017.

This increase was caused by:

- $270 million - foreign currency translational impact
- $166 million - increase in cruise ticket revenues, driven primarily by price improvements in our Australian, European, China and various other programs including World Cruises
- $103 million - 1.8% capacity increase in ALBDs
- $50 million - increase in air transportation revenues
- $48 million - increase in occupancy
- $29 million - increase in other passenger revenue

The remaining 26% of 2018 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by $178 million, or 8.9%, to $2.2 billion in 2018 from $2.0 billion in 2017.

This increase was driven by:

- $60 million - foreign currency translational impact
- $56 million - higher onboard spending by our guests
- $36 million - 1.8% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, increased by $45 million, or 9.6%, to $517 million in 2018 from $472 million in 2017.

NAA Segment

Cruise passenger ticket revenues made up 71% of our NAA segment's 2018 total revenues. Cruise passenger ticket revenues increased by $246 million, or 6.7%, to $3.9 billion in 2018 from $3.7 billion in 2017.

This increase was driven by:

- $156 million - increase in cruise ticket revenues, driven primarily by price improvements in the Australian and European programs
- $65 million - 1.8% capacity increase in ALBDs

The remaining 29% of our NAA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by $94 million, or 6.3%, to $1.6 billion in 2018 from $1.5 billion in 2017.

The increase was driven by:

- $59 million - higher onboard spending by our guest
- $26 million - 1.8% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, increased by $20 million, or 5.8%, to $364 million in 2018 from $344 million in 2017.

EA Segment

Cruise passenger ticket revenues made up 82% of our EA segment's 2018 total revenues. Cruise passenger ticket revenues increased by $432 million, or 22%, to $2.4 billion in 2018 from $2.0 billion in 2017.

This increase was caused by:

- $264 million - foreign currency translational impact
- $59 million - increase in occupancy
- $45 million - increase in cruise ticket revenues, driven primarily by price improvements in the European, China and various other programs including World Cruises
- $38 million - 1.9% capacity increase in ALBDs
- $28 million - increase in air transportation revenues

The remaining 18% of our EA segment's 2018 total revenues were comprised of onboard and other cruise revenues, which increased by $82 million, or 18%, to $528 million in 2018 from $446 million in 2017. This increase was driven by foreign currency translational impact, which accounted for $58 million.

Concession revenues, which are included in onboard and other revenues, increased by $26 million, or 20%, to $153 million in 2018 from $127 million in 2017.

Costs and Expenses

Consolidated

Operating costs and expenses increased by $520 million, or 11%, to $5.4 billion in 2018 from $4.9 billion in 2017.

This increase was driven by:
- $190 million - foreign currency translational impact
- $128 million - higher fuel prices
- $87 million - 1.8% capacity increase in ALBD
- $62 million - higher commissions, transportation and other expenses
- $42 million - higher dry-dock expenses and repairs and maintenance expenses

These increases were offset by gains on ship sales of $25 million.

Selling and administrative expenses increased by $118 million, or 11%, to $1.2 billion in 2018 from $1.1 billion in 2017.

This increase was driven by:
- $51 million - higher administrative expenses
- $42 million - foreign currency translational impact
- $20 million - 1.8% capacity increase in ALBD

Depreciation and amortization expenses increased by $104 million, or 12%, to $1.0 billion in 2018 from $0.9 billion in 2017.

This increase was driven by:
- $52 million - fleet enhancements and investments in shoreside assets
- $36 million - foreign currency translational impact

NAA Segment

Operating costs and expenses increased by $252 million, or 8.0%, to $3.4 billion in 2018 from $3.2 billion in 2017.

This increase was driven by:
- $87 million - higher fuel prices
- $56 million - 1.8% capacity increase in ALBDs
- $36 million - higher commissions, transportation and other expenses
- $28 million - higher dry-dock expenses and repairs and maintenance expenses
- $22 million - higher port expenses

Selling and administrative expenses increased by $43 million, or 6.5%, to $705 million in 2018 from $663 million in 2017.

Depreciation and amortization expenses increased by $27 million, or 4.5%, to $617 million in 2018 from $591 million in 2017.

EA Segment

Operating costs and expenses increased by $238 million, or 14%, to $1.9 billion in 2018 from $1.7 billion in 2017.

This increase was caused by:
- $185 million - foreign currency translational impact
- $40 million - higher fuel prices
- $31 million - 1.9% capacity increase in ALBDs
- $29 million - higher commissions, transportation and other expenses

These increases were partially offset by gains on ship sales of $25 million.

Selling and administrative expenses increased by $59 million, or 18% to $379 million in 2018 from $320 million in 2017. This increase was driven by foreign currency translational impact, which accounted for $41 million.

Depreciation and amortization expenses increased by $52 million, or 20%, to $316 million in 2018 from $264 million in 2017. This increase was driven by foreign currency translational impact, which accounted for $34 million.

Operating Income

Our consolidated operating income increased by $110 million, or 13%, to $978 million in 2018 from $868 million in 2017. Our NAA segment's operating income increased by $18 million, or 2.4%, to $793 million in 2018 from $774 million in 2017, and our EA segment's operating income increased by $165 million, or 83%, to $364 million in 2018 from $199 million in 2017. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

	Six Months Ended May 31,	
(in millions)	**2018**	**2017**
Unrealized gains on fuel derivatives, net	$ 82	$ 69
Realized losses on fuel derivatives, net	(25)	(96)
Gains (losses) on fuel derivatives, net	$ 57	$ (27)

Key Performance Non-GAAP Financial Indicators

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

	Six Months Ended May 31,		
(dollars in millions, except yields)	**2018**	**2018 Constant Dollar**	**2017**
Passenger ticket revenues	$ 6,341	$ 6,072	$ 5,676
Onboard and other revenues	2,192	2,132	2,014
Gross cruise revenues	8,534	8,204	7,690
Less cruise costs			
Commissions, transportation and other	(1,240)	(1,173)	(1,082)
Onboard and other	(278)	(269)	(253)
	(1,518)	(1,441)	(1,335)
Net passenger ticket revenues	5,101	4,899	4,594
Net onboard and other revenues	1,914	1,863	1,761
Net cruise revenues	$ 7,015	$ 6,762	$ 6,355
ALBDs	41,151,485	41,151,485	40,420,819
Gross revenue yields	$ 207.38	$ 199.35	$ 190.25
% increase	9.0%	4.8%	
Net revenue yields	$ 170.48	$ 164.32	$ 157.21
% increase	8.4%	4.5%	
Net passenger ticket revenue yields	$ 123.96	$ 119.05	$ 113.65
% increase	9.1%	4.7%	
Net onboard and other revenue yields	$ 46.52	$ 45.28	$ 43.56
% increase	6.8%	3.9%	

(dollars in millions, except yields)	Six Months Ended May 31, 2018	2018 Constant Currency	2017
Net passenger ticket revenues	$ 5,101	$ 4,882	$ 4,594
Net onboard and other revenues	1,914	1,871	1,761
Net cruise revenues	$ 7,015	$ 6,753	$ 6,355
ALBDs	41,151,485	41,151,485	40,420,819
Net revenue yields	$ 170.48	$ 164.10	$ 157.21
% increase	8.4%	4.4%	
Net passenger ticket revenue yields	$ 123.96	$ 118.64	$ 113.65
% increase	9.1%	4.4%	
Net onboard and other revenue yields	$ 46.52	$ 45.45	$ 43.56
% increase	6.8%	4.3%	

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

	Six Months Ended May 31,		
(dollars in millions, except costs per ALBD)	**2018**	**2018 Constant Dollar**	**2017**
Cruise operating expenses	$ 5,340	$ 5,151	$ 4,824
Cruise selling and administrative expenses	1,203	1,161	1,094
Gross cruise costs	6,544	6,312	5,918
Less cruise costs included above			
Commissions, transportation and other	(1,240)	(1,173)	(1,082)
Onboard and other	(278)	(269)	(253)
(Losses) gains on ship sales and impairments	12	8	4
Restructuring expenses	—	—	—
Other	(1)	(1)	—
Net cruise costs	5,037	4,877	4,587
Less fuel	(731)	(731)	(607)
Net cruise costs excluding fuel	$ 4,305	$ 4,146	$ 3,980
ALBDs	41,151,485	41,151,485	40,420,819
Gross cruise costs per ALBD	$ 159.02	$ 153.38	$ 146.42
% increase	8.6%	4.8%	
Net cruise costs excluding fuel per ALBD	$ 104.60	$ 100.75	$ 98.46
% increase	6.2%	2.3%	

	Six Months Ended May 31,		
(dollars in millions, except costs per ALBD)	**2018**	**2018 Constant Currency**	**2017**
Net cruise costs excluding fuel	$ 4,305	$ 4,144	$ 3,980
ALBDs	41,151,485	41,151,485	40,420,819
Net cruise costs excluding fuel per ALBD	$ 104.60	$ 100.71	$ 98.46
% increase	6.2%	2.3%	

Adjusted fully diluted earnings per share was computed as follows:

(in millions, except per share data)	**Six Months Ended May 31, 2018**	**Six Months Ended May 31, 2017**
Net income		
U.S. GAAP net income	$ 951	$ 730
Unrealized (gains) losses on fuel derivatives, net	(82)	(69)
Losses (gains) on ship sales and impairments	(12)	(4)
Restructuring expenses	—	—
Other	6	—
Adjusted net income	$ 864	$ 657
Weighted-average shares outstanding	717	727
Earnings per share		
U.S. GAAP earnings per share	$ 1.33	$ 1.00
Unrealized (gains) losses on fuel derivatives, net	(0.11)	(0.10)
Losses (gains) on ship sales and impairments	(0.02)	—
Restructuring expenses	—	—
Other	0.01	—
Adjusted earnings per share	$ 1.21	$ 0.90

Net cruise revenues increased by $660 million, or 10%, to $7.0 billion in 2018 from $6.4 billion in 2017.

The increase was caused by:

- $283 million - 4.4% increase in constant currency net revenue yields
- $263 million - foreign currency impacts (including both the foreign currency translational and transactional impacts)
- $115 million - 1.8% capacity increase in ALBDs

The 4.4% increase in net revenue yields on a constant currency basis was due to a 4.4% increase in net passenger ticket revenue yields and a 4.3% increase in net onboard and other revenue yields.

The 4.4% increase in net passenger ticket revenue yields was driven primarily by price improvements in our Australian, European, China and various other programs including World Cruises. This 4.4% increase in net passenger ticket revenue yields was comprised of a 3.4% increase from our NAA segment and a 6.9% increase from our EA segment.

The 4.3% increase in net onboard and other revenue yields was caused by similar increases in our NAA and EA segments.

Net cruise costs excluding fuel increased by $325 million, or 8.2%, to $4.3 billion in 2018 from $4.0 billion in 2017.

The increase was caused by:

- $160 million - foreign currency impacts (including both the foreign currency translational and transactional impacts)
- $93 million - 2.3% increase in constant currency net cruise costs excluding fuel
- $72 million - 1.8% capacity increase in ALBDs

Net cruise costs excluding fuel per ALBD increased by 2.3%.

Fuel costs increased by $124 million, or 21%, to $731 million in 2018 from $607 million in 2017. This was caused by higher fuel prices, which accounted for $127 million.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital ("ROIC"), reaching double-digit returns, while maintaining a strong balance sheet and strong investment grade credit ratings. We define ROIC as the twelve month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress. Our ability to generate significant operating cash flow allows us to internally fund our capital investments. We are committed to returning free cash flow to our shareholders in the form of dividends and/or share repurchases. As we continue to profitably grow our cruise business, we plan to increase our debt level in a manner consistent with maintaining our strong credit metrics. This will allow us to return both free cash flow and incremental debt proceeds to our shareholders in the form of dividends and/or share repurchases. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet, as evidenced by our investment grade credit ratings, provide us with the ability, in most financial credit market environments, to obtain debt financing.

We had a working capital deficit of $7.0 billion as of May 31, 2018 compared to a working capital deficit of $7.2 billion as of November 30, 2017. We operate with a substantial working capital deficit. This deficit is mainly attributable to the fact that, under our business model, substantially all of our passenger ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts remain a current liability until the sailing date. The cash generated from these advance receipts is used interchangeably with cash on hand from other sources, such as our borrowings and other cash from operations. The cash received as advanced receipts can be used to fund operating expenses, pay down our debt, invest in long term investments or any other use of cash. Included within our working capital deficit are $5.3 billion and $4.0 billion of customer deposits as of May 31, 2018 and November 30, 2017, respectively. In addition, we have a relatively low-level of accounts receivable and limited investment in inventories. We generate substantial cash flows from operations and our business model has historically allowed us to maintain this working capital deficit and still meet our operating, investing and financing needs. We expect that we will continue to have working capital deficits in the future.

Sources and Uses of Cash

Operating Activities

Our business provided $3.1 billion of net cash from operations during the six months ended May 31, 2018, an increase of $238 million, or 8.4%, compared to $2.8 billion for the same period in 2017. This increase was caused by an increase in our revenues less expenses settled in cash and an increase in customer deposits.

Investing Activities

During the six months ended May 31, 2018, net cash used in investing activities was $2.1 billion. This was caused by:

- Capital expenditures of $1.2 billion for our ongoing new shipbuilding program
- Capital expenditures of $965 million for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sale of ships of $102 million
- Payments of $34 million for fuel derivative settlements

During the six months ended May 31, 2017, net cash used in investing activities was $1.9 billion. This was caused by:

- Capital expenditures of $945 million for our ongoing new shipbuilding program
- Capital expenditures of $955 million for ship improvements and replacements, information technology and buildings and improvements
- Payments of $99 million for fuel derivative settlements

Financing Activities

During the six months ended May 31, 2018, net cash used in financing activities of $339 million was substantially due to the following:

- Net proceeds of short-term borrowings of $398 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of $1.2 billion of long-term debt
- Issuances of $1.6 billion of long-term debt under a term loan
- Payments of cash dividends of $646 million
- Purchases of $513 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions under our Repurchase Program

During the six months ended May 31, 2017, net cash used in financing activities of $935 million was substantially due to the following:

- Net proceeds of short-term borrowings of $182 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of $907 million of long-term debt
- Issuances of $100 million of long-term debt under a term loan
- Proceeds of $367 million of long-term debt under an export credit facility
- Payments of cash dividends of $507 million
- Purchases of $152 million of Carnival plc ordinary shares in open market transactions under our Repurchase Program

Future Commitments and Funding Sources

Our total annual capital expenditures consist of ships under contract for construction and estimated improvements to existing ships and shoreside assets which are currently expected to be:

(in billions)	2018	2019	2020	2021	2022	2023
Total annual capital expenditures	$ 4.5	$ 5.4	$ 5.4	$ 5.0	$ 4.3	$ 2.4

The year-over-year percentage increases in our annual capacity are expected to result primarily from contracted new ships entering service and are currently expected to be:

	2018	2019	2020	2021	2022	2023
Annual capacity increase (a)	2.0%	5.6%	7.1%	7.9%	4.6%	3.9%

(a) These percentage increases include only contracted ship orders and dispositions.

At May 31, 2018, we had liquidity of $13.7 billion. Our liquidity consisted of $781 million of cash and cash equivalents, which excludes $272 million of cash used for current operations, $2.3 billion available for borrowing under our revolving credit facilities, net of our outstanding commercial paper borrowings, and $10.6 billion under our committed future financings, which are comprised of ship export credit facilities. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

(in billions)	2018	2019	2020	2021	2022
Availability of committed future financing at May 31, 2018	$ 1.3	$ 2.6	$ 2.9	$ 2.9	$ 1.0

At May 31, 2018, all of our revolving credit facilities are scheduled to mature in 2021, except for $300 million that matures in 2020.

Substantially all of our debt agreements contain financial covenants as described in Note 5 - “Unsecured Debt” in the annual consolidated financial statements, which are included within our Form 10-K. At May 31, 2018, we were in compliance with our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For a discussion of our hedging strategies and market risks, see the discussion below and Note 4 - "Fair Value Measurements, Derivative Instruments and Hedging Activities 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.

Operational Currency Risks

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

Based on a 10% change in all currency exchange rates that were used in our June 25, 2018 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- $0.13 per share for the remaining two quarters of 2018
- $0.07 per share for the third quarter of 2018

Interest Rate Risks

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

	May 31, 2018
Fixed rate	28%
EUR fixed rate	30%
Floating rate	5%
EUR floating rate	29%
GBP floating rate	9%

Fuel Price Risks

Based on a 10% change in fuel prices versus the current spot price that was used to calculate fuel expense in our June 25, 2018 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- $0.12 per share for the remaining two quarters of 2018
- $0.06 per share for the third quarter of 2018

Based on a 10% change in Brent prices versus the current spot price that was used to calculate realized gains (losses) on fuel derivatives in our June 25, 2018 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- $0.01 per share for the remaining two quarters of 2018
- $0.00 per share for the third quarter of 2018

Item 4. Controls and Procedures.

A. Evaluation of Disclosure Controls and Procedures

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

Our President and Chief Executive Officer and our Chief Financial Officer and Chief Accounting Officer have evaluated our disclosure controls and procedures and have concluded, as of May 31, 2018, 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, 2018 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.

As previously disclosed, on May 19, 2017, Holland America Line and Princess Cruises notified the National Oceanic and Atmospheric Administration regarding discharges made by certain vessels in the recently expanded area of the National Marine Sanctuary in the Farallones Island. We believe the ultimate outcome of any investigation will not have a material impact on our consolidated financial statements.

On May 15, 2018, we received a Citation en Matiere Correctionnelle under which the Marseilles, France Public Prosecutor alleged that Carnival plc and the captain of P&O Cruises' *Azura* breached the French Environmental Code governing the sulfur content of fuel used during the vessel's passage through French territorial waters on March 28 and 29, 2018. Under the proceeding, the Tribunal de Grande Instance may impose a fine of up to €200,000 per defendant, among other sanctions. We believe that we have meritorious defense to this claim. We also believe that the ultimate outcome of the proceedings will not have a material impact on our consolidated financial statements.

Item 1A. Risk Factors.

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

SCHEDULE C

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

A. Repurchase Program

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

During the three months ended May 31, 2018, repurchases of Carnival Corporation common stock pursuant to the Repurchase Program were as follows:

Period	Total Number of Shares of Carnival Corporation Common Stock Purchased (in millions)	Average Price Paid per Share of Carnival Corporation Common Stock	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Repurchase Program (in millions)
March 1, 2018 through March 31, 2018	—	$ 64.99	$ 288
April 1, 2018 through April 30, 2018	1.4	$ 64.67	$ 928
May 1, 2018 through May 31, 2018	1.6	$ 63.66	$ 827
Total	2.9	$ 64.13	

During the three months ended May 31, 2018, repurchases of Carnival plc ordinary shares pursuant to the Repurchase Program were as follows:

Period	Total Number of Shares of Carnival plc Purchased (in millions)	Average Price Paid per Share of Carnival plc	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Repurchase Program (in millions)
March 1, 2018 through March 31, 2018	1.3	$ 65.21	$ 288
April 1, 2018 through April 30, 2018	0.4	$ 64.44	$ 928
May 1, 2018 through May 31, 2018	—	$ —	$ 827
Total	1.7	$ 65.02	

No shares of Carnival Corporation common stock and Carnival plc ordinary shares were purchased outside of publicly announced plans or programs.

B. Stock Swap Programs

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

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

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

Any realized economic benefit under the Stock Swap Programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program.

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

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

- In February 2016, to sell up to 26.9 million of existing Carnival plc ordinary shares in the UK market and repurchase up to 26.9 million shares of Carnival Corporation common stock in the U.S. market.

Any sales of Carnival Corporation shares and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933. During the three months ended May 31, 2018, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap Programs.

C. <u>Carnival plc Shareholder Approvals</u>

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap Programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 20.9 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2019 annual general meeting or July 10, 2019.

SCHEDULE D

CARNIVAL PLC
INTERIM CONDENSED GROUP STATEMENTS OF INCOME
(UNAUDITED)
(in millions, except per share data)

	Six Months Ended May 31, 2018	Six Months Ended May 31, 2017
Revenues		
Cruise		
Passenger ticket	$ 3,092	$ 2,610
Onboard and other	779	677
Tour and other	55	46
	3,926	3,333
Operating Costs and Expenses		
Cruise		
Commissions, transportation and other	669	544
Onboard and other	127	108
Payroll and related	461	412
Fuel	329	278
Food	223	201
Other ship operating	900	872
Tour and other	49	46
	2,757	2,461
Selling and administrative	457	393
Depreciation and amortisation	367	321
	3,581	3,175
Operating Income	345	158
Nonoperating Income (Expense)		
Interest income	2	1
Interest expense, net of capitalised interest	(13)	(18)
Other (expense) income, net	(105)	77
	(116)	60
Income Before Income Taxes	229	218
Income Tax Benefit (Expense), Net	2	(3)
Net Income	$ 231	$ 215
Earnings Per Share		
Basic	$ 1.11	$ 1.00
Diluted	$ 1.11	$ 0.99

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

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements. Set out below is the U.S. GAAP and adjusted consolidated earnings per share included within the DLC Financial Statements of this Interim Financial Report for the six months ended May 31:

	2018	2017
DLC basic earnings per share	$ 1.33	$ 1.01
DLC diluted earnings per share	$ 1.33	$ 1.00
DLC adjusted diluted earnings per share	$ 1.21	$ 0.90

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

	Six Months Ended May 31,	
	2018	**2017**
Net Income	$ 231	$ 215
Other Comprehensive (Loss) Income		
Items that will not be reclassified through the Statements of Income		
Remeasurements of post-employment benefit obligations	5	(2)
Items that may be reclassified through the Statements of Income		
Changes in foreign currency translation adjustment	(106)	236
Other	46	2
	(60)	238
Other Comprehensive (Loss) Income	(55)	236
Total Comprehensive Income	$ 176	$ 451

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

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

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

	May 31, 2018	November 30, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 301	$ 265
Trade and other receivables, net	159	153
Inventories	186	208
Prepaid expenses and other	138	169
Total current assets	783	795
Property and Equipment, Net	13,197	13,497
Goodwill	607	620
Other Intangibles	5	19
Other Assets	267	227
	$ 14,860	$ 15,158
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	$ 837	$ 65
Current portion of long-term debt	237	424
Amount owed to the Carnival Corporation group	701	1,560
Accounts payable	307	369
Accrued liabilities and other	718	790
Customer deposits	1,730	1,641
Total current liabilities	4,530	4,849
Long-Term Debt	1,605	1,202
Other Long-Term Liabilities	240	263
Shareholders' Equity		
Share capital	358	358
Share premium	168	164
Retained earnings	9,513	9,474
Other reserves	(1,554)	(1,152)
Total shareholders' equity	8,485	8,844
	$ 14,860	$ 15,158

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

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

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

	Six Months Ended May 31, 2018	Six Months Ended May 31, 2017
OPERATING ACTIVITIES		
Income before income taxes	$ 229	$ 218
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation and amortisation	367	321
Share-based compensation	6	6
Interest expense, net	11	17
Other, net	(9)	34
	375	378
Changes in operating assets and liabilities		
Receivables	(7)	8
Inventories	21	(57)
Prepaid expenses and other	14	(11)
Accounts payable	(59)	(5)
Accrued and other liabilities	(131)	(10)
Customer deposits	128	305
Cash provided by operations before interest and income taxes	570	826
Interest received	2	—
Interest paid	(19)	(22)
Income taxes paid, net	(12)	(9)
Net cash provided by operating activities	541	795
INVESTING ACTIVITIES		
Purchases of property and equipment	(431)	(589)
Proceeds from sales of ships	102	—
Other, net	2	35
Net cash used in investing activities	(327)	(554)
FINANCING ACTIVITIES		
Changes in amounts owed to Carnival Corporation group	(737)	62
Proceeds from short-term borrowings, net	818	182
Principal repayments of long-term debt	(215)	(132)
Proceeds from issuance of long-term debt	469	—
Dividends paid	(189)	(149)
Purchases of treasury shares	(319)	(152)
Other, net	(11)	(15)
Net cash used in financing activities	(184)	(204)
Effect of exchange rate changes on cash and cash equivalents	6	13
Net increase in cash and cash equivalents	36	50
Cash and cash equivalents at beginning of period	265	225
Cash and cash equivalents at end of period	$ 301	$ 275

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

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

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

				Reserves						
	Share capital	Share premium	Retained earnings	Translation reserve	Cash flow hedges	Treasury shares	Other reserves	Merger reserve	Total	Total shareholders' equity
2017										
Balances at November 30, 2016	$ 358	$ 154	$ 8,907	$ (2,598)	$ (60)	$ (36)	$ (392)	$ 1,503	$(1,583)	$ 7,836
Comprehensive income										
Net income	—	—	215	—	—	—	—	—	—	215
Changes in foreign currency translation adjustment	—	—	—	236	—	—	—	—	236	236
Other, net	—	—	(2)	—	2	—	—	—	2	—
Total comprehensive income	—	—	213	236	2	—	—	—	238	451
Purchase of treasury shares	—	—	—	—	—	(157)	—	—	(157)	(157)
Share repurchase obligations	—	—	—	—	—	—	307	—	307	307
Cash dividends declared	—	—	(159)	—	—	—	—	—	—	(159)
Other, net	—	8	(1)	—	—	—	—	—	—	7
Balances at May 31, 2017	$ 358	$ 162	$ 8,960	$ (2,362)	$ (58)	$ (193)	$ (85)	$ 1,503	$(1,195)	$ 8,285
2018										
Balances at November 30, 2017	$ 358	$ 164	$ 9,474	$ (2,058)	$ (55)	$ (372)	$ (170)	$ 1,503	$(1,152)	$ 8,844
Comprehensive income										
Net income	—	—	231	—	—	—	—	—	—	231
Changes in foreign currency translation adjustment	—	—	—	(106)	—	—	—	—	(106)	(106)
Other, net	—	—	5	43	3	—	—	—	46	51
Total comprehensive income	—	—	236	(63)	3	—	—	—	(60)	176
Purchase of treasury shares	—	—	—	—	—	(312)	—	—	(312)	(312)
Share repurchase obligations	—	—	—	—	—	—	(30)	—	(30)	(30)
Cash dividends declared	—	—	(197)	—	—	—	—	—	—	(197)
Other, net	—	4	—	—	—	—	—	—	—	4
Balances at May 31, 2018	$ 358	$ 168	$ 9,513	$ (2,121)	$ (52)	$ (684)	$ (200)	$ 1,503	$(1,554)	$ 8,485

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

Within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the DLC Financial Statements.

CARNIVAL PLC
NOTES TO INTERIM CONDENSED GROUP FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - General

Basis of Preparation

Carnival plc was incorporated in England and Wales in 2000 and its headquarters is located at Carnival House, 100 Harbour Parade, Southampton, Hampshire, SO15 1ST, UK (registration number 04039524). The Interim Financial Statements have been prepared on the basis of the accounting policies and methods of computation, including estimates and assumptions, adopted and disclosed in Carnival plc and its subsidiaries and associates (referred to collectively in these Interim Financial Statements as the "Group," "our," "us" and "we") consolidated statutory financial statements for the year ended November 30, 2017. These Interim Financial Statements were approved by the Board of Directors on June 25, 2018.

Carnival Corporation and Carnival plc operate a dual listed company ("DLC") arrangement, known as Carnival Corporation & plc, whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and provisions in Carnival Corporation's Articles of Incorporation and By-Laws and Carnival plc's Articles of Association. The two companies operate as a single economic enterprise with a single senior executive management team and identical Boards of Directors, but each has retained its separate legal identity. Each company's shares are publicly traded; on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange for Carnival plc. The Carnival plc American Depository Shares are traded on the NYSE.

The Boards of Directors consider that within the DLC arrangement, the most appropriate presentation of Carnival plc's results and financial position is by reference to the U.S. generally accepted accounting principles ("U.S. GAAP") DLC Financial Statements because all significant financial and operating decisions affecting the DLC companies are made on a joint basis to optimize the consolidated performance as a single economic entity. Accordingly, the DLC Financial Statements for the six months ended May 31, 2018 are provided to shareholders as other information, which are included in Schedule A. In addition, the related management commentary has been included in Schedule B as other information. Schedules A & B do not form part of these Carnival plc Interim Financial Statements.

The assessment of liquidity, financial conditions and capital resources within Schedule B indicates that Carnival Corporation & plc is well positioned to meet its commitments and obligations for at least 12 months from the date of the report. In light of these circumstances, the Board of Directors of the Group have a reasonable expectation that Carnival Corporation & plc has adequate resources to continue its operational existence and continue to adopt the going concern basis of preparing the Carnival plc Interim Financial Statements.

These Interim Financial Statements are required to satisfy reporting requirements of the United Kingdom Listing Authority and do not include the consolidated results and financial position of Carnival Corporation and its subsidiaries. These Interim Financial Statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority ("FCA") and with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union ("IAS 34"). The Interim Financial Statements should be read in conjunction with the audited annual financial statements for the year ended November 30, 2017, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Our Interim Financial Statements are presented in U.S. dollars as this is our presentation currency.

The preparation of our Interim Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies as well as reported and disclosed amounts in these financial statements. The estimates and underlying assumptions are based on historical experience and various other factors that we believe to be reasonable under the circumstances and form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates used in preparing these Interim Financial Statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Status of Financial Statements

Our Interim Financial Statements for the six months ended May 31, 2018 have not been audited or reviewed by the auditors.

Our Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended November 30, 2017 were approved by the Board of Directors on January 29, 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was (i) unqualified, (ii) did not contain an emphasis of matter paragraph and (iii) did not contain any statement under section 498 of the Companies Act 2006.

Accounting Pronouncements

The International Accounting Standards Board ("IASB") issued amendments to the standard, IAS 7, *Statement of Cash Flows*, which requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On December 1, 2017, we adopted the amendments of IAS 7 and it did not have a material impact to our financial statements. We will disclose additional information about movements in liabilities arising from financing activities in our annual financial statements for the year ending November 30, 2018.

The IASB issued a new standard, IFRS 15, *Revenue from Contracts with Customers*. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. IFRS 15 requires an entity to recognise the amount of revenue to which it expects to be entitled when the transfer of control of the promised goods or services passes to the customers. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed under current IFRS, and introduces the use of a five step model. This standard is required to be adopted by us is for the financial year commencing December 1, 2018 and can be applied using either a retrospective or a modified retrospective approach. Based on our assessment to date, the adoption of this guidance is not expected to have a material impact to the timing of our recognition of revenue and will require additional disclosures. We are currently evaluating if this guidance will have any other impact on our financial statements.

The IASB issued a new standard, IFRS 9, *Financial Instruments*, which replaces the previous standard and will include changes on classification, measurement and derecognition of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. This standard is required to be adopted by us for the financial year commencing December 1, 2018. We are currently evaluating the impact that this standard will have on our financial statements.

The IASB issued a new standard, IFRS 16, *Leases*. This standard will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed for lessees. The only exceptions are short-term and low-value leases. The total operating lease expense will be replaced with depreciation and interest expense. This standard is required to be adopted by us for the financial year commencing December 1, 2019. Based on our assessment to date, the initial adoption of this guidance is expected to increase both our total assets and total liabilities and will require additional disclosures. We are currently evaluating if this guidance will have any other impact on our financial statements.

NOTE 2 - Property and Equipment

(in millions)		
At November 30, 2017	$	13,497
Foreign currency translation adjustment		(258)
Additions		450
Disposals		(128)
Depreciation		(366)
At May 31, 2018	$	13,197

In March 2018, we sold a Europe and Asia ("EA") 700-passenger capacity ship.

In April 2018, we transferred an EA 1,300-passenger capacity ship under a bareboat charter agreement which was accounted for as a sale.

NOTE 3 - Goodwill

(in millions)		
At November 30, 2017	$	620
Foreign currency translation adjustment		(13)
At May 31, 2018	$	607

At July 31, 2017, we performed our annual goodwill impairment reviews and no goodwill was impaired.

The determination of our cash-generating units or cruise brands' goodwill fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments. A change in the conditions, circumstances or strategy may result in a need to recognise an impairment charge.

NOTE 4 - Unsecured Debt

At May 31, 2018, our short-term borrowings consisted of euro-denominated commercial paper of $606 million and a euro-denominated bank loan of $231 million due in 2019. For the six months ended May 31, 2018, we had no borrowings and repayments of commercial paper with original maturities greater than three months. For the six months ended May 31, 2017, we had borrowings of $111 million and repayments of $364 million of commercial paper with original maturities greater than three months.

In December 2017, we borrowed $469 million under a sterling-denominated floating rate bank loan due in 2022.

In January 2018, we repaid $122 million of euro-denominated floating rate bank loans prior to its 2021 maturity dates.

NOTE 5 - Ship Commitments

At May 31, 2018, we had 10 ships under contract for construction. The estimated total future commitments, including the contract prices with the shipyards, design and engineering fees, capitalised interest, construction oversight costs and various owner supplied items are as follows:

(in millions)	May 31,
Fiscal	**2018**
2018	$ 1,407
2019	2,068
2020	2,026
2021	2,127
2022	1,756
2023	993
Total	$ 10,377

NOTE 6 - Contingencies

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

NOTE 7 - Dividends

	Quarters Ended	
(in millions, except per share data)	**February 28**	**May 31**
2018		
Dividends declared per share	$ 0.45	$ 0.50
Dividend declarations	$ 93	$ 104
2017		
Dividends declared per share	$ 0.35	$ 0.40
Dividend declarations	$ 75	$ 85

NOTE 8 - Segment Information

As previously discussed, within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is by reference to the DLC Financial Statements. Carnival Corporation & plc revised its operating segments due to changes in its internal reporting as a result of the recent strategic realignment of the business in Australia. The presentation of prior period segment information has been revised to reflect this change. The operating segments are reported on the same basis as the internally reported information that is provided to the chief operating decision maker (“CODM”), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. The CODM assesses performance and makes decisions to allocate resources for Carnival Corporation & plc based upon review of the results across all of the segments. Carnival Corporation & plc has four reportable segments comprised of (1) North America and Australia cruise operations (“NAA”), (2) EA cruise operations, (3) Cruise Support and (4) Tour and Other.

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

(in millions)	Six Months Ended May 31, Revenues	Operating costs and expenses	Selling and administrative	Depreciation and amortisation	Operating income (loss)
2018					
NAA	$ 5,519	$ 3,405	$ 705	$ 617	$ 793
EA	2,952	1,892	379	316	364
Cruise Support	63	43	119	48	(147)
Tour and Other	55	50	17	19	(31)
Carnival Corporation & plc – U.S. GAAP	8,589	5,390	1,221	1,000	978
Carnival Corporation, U.S. GAAP vs IFRS differences and eliminations (a)	(4,663)	(2,633)	(764)	(633)	(633)
Carnival plc – IFRS	$ 3,926	$ 2,757	$ 457	$ 367	$ 345
2017					
NAA	$ 5,180	$ 3,152	$ 663	$ 591	$ 774
EA	2,438	1,655	320	264	199
Cruise Support	72	17	111	23	(79)
Tour and Other	46	46	8	18	(26)
Carnival Corporation & plc – U.S. GAAP	7,736	4,870	1,102	896	868
Carnival Corporation, U.S. GAAP vs IFRS differences and eliminations (a)	(4,403)	(2,409)	(709)	(575)	(710)
Carnival plc – IFRS	$ 3,333	$ 2,461	$ 393	$ 321	$ 158

(a) Carnival Corporation consists primarily of cruise brands that do not form part of the Group; however, these brands are included in Carnival Corporation & plc and thus represent substantially all of the reconciling items. The U.S. GAAP vs IFRS accounting differences principally relate to differences in the carrying value of goodwill and other intangibles, ships and related depreciation expenses. The eliminations include ship charters between Carnival Corporation and the Group.

NOTE 9 - Related Party Transactions

There have been no changes in the six months ended May 31, 2018 to the nature of the related party transactions described in the Group IFRS financial statements for the year ended November 30, 2017 that have a material effect on the financial position or results of operations of the Group. All amounts owed to the Carnival Corporation group are unsecured and repayable on demand.

During the six months ended May 31, 2018, Holland America Line and Princess Cruises purchased land tours from us totaling $17 million ($16 million in 2017) and packaged these land tours for sale with their cruises. In addition, during each of the six months ended May 31, 2018 and 2017, we sold pre- and post-cruise vacations, shore excursions and transportation services to the Carnival Corporation group.

During the six months ended May 31, 2018 and 2017, Carnival plc had ship charter agreements with Princess Cruises and Carnival Cruise Line for ships operating in Australia and Asia. Princess Cruises and Carnival Cruise Line are subsidiaries of Carnival Corporation. The total charter expense for the six months ended May 31, 2018 were $362 million ($340 million in 2017), which was included in other ship operating expenses.

At May 31, 2018 and November 30, 2017, Carnival Corporation owned 1.1 million or 0.5%, of Carnival plc's ordinary shares, which are non-voting. At May 31, 2018 and November 30, 2017 Carnival Investments Limited ("CIL"), a wholly-owned subsidiary of Carnival Corporation, owned 24.9 million or 11.5% of Carnival plc's ordinary shares, which are also non-voting. During the six months ended May 31, 2018, Carnival Corporation and CIL received dividends on their Carnival plc ordinary shares in the aggregate amount of $23 million.

During the six months ended May 31, 2018, Carnival plc continued to provide a guarantee to the Merchant Navy Officers Pension Fund for certain employees who have transferred from Carnival plc to a subsidiary of Carnival Corporation.

Within the DLC arrangement, there are instances where the Group provides services to Carnival Corporation group companies and also where Carnival Corporation group companies provide services to the Group.

NOTE 10 - Principal Risks and Uncertainties

The principal risks and uncertainties affecting our business activities are included in Item 4. Principal Risks and Uncertainties of our 2017 Strategic Report and remain the same.

NOTE 11 - Seasonality

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

NOTE 12 - 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

	May 31, 2018				November 30, 2017			
		Fair Value				Fair Value		
(in millions)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets								
Long-term other assets (a)	$ 67	$ —	$ —	$ 67	$ 39	$ —	$ —	$ 38
Total	$ 67	$ —	$ —	$ 67	$ 39	$ —	$ —	$ 38
Liabilities								
Fixed rate debt (b)	$ 593	$ —	$ 628	$ —	$ 1,014	$ —	$ 1,065	$ —
Floating rate debt (b)	2,095	—	2,111	—	688	—	695	—
Total	$ 2,688	$ —	$ 2,739	$ —	$ 1,702	$ —	$ 1,760	$ —

(a) Long-term other assets are comprised of notes receivable. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.
(b) The debt amounts above do not include the impact of interest rate swaps or debt issuance costs. The fair values of our debt were estimated based on appropriate market interest rates being applied to this debt.

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

	May 31, 2018			November 30, 2017		
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	$ 301	$ —	$ —	$ 265	$ —	$ —
Marketable securities held in trust (a)	—	—	—	1	—	—
Derivative financial instruments	—	—	—	—	—	—
Total	$ 301	$ —	$ —	$ 266	$ —	$ —
Liabilities						
Derivative financial instruments	$ —	$ 16	$ —	$ —	$ 19	$ —
Total	$ —	$ 16	$ —	$ —	$ 19	$ —

(a) At November 30, 2017, marketable securities held in trusts are restricted to funding certain deferred compensation and non-qualified U.S. pension plans.

Derivative Instruments and Hedging Activities

(in millions)	Balance Sheet Location	May 31, 2018	November 30, 2017
Derivative liabilities			
Derivatives designated as hedging instruments			
Interest rate swaps (a)	Accrued liabilities and other	$ 6	$ 6
	Other long-term liabilities	10	13
Total derivative liabilities		$ 16	$ 19

(a) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed $328 million at May 31, 2018 ($363 million at November 30, 2017) of EURIBOR-based floating rate euro debt to fixed rate euro debt. At May 31, 2018, these interest rate swaps settle through March 2025.

Our derivative contracts include rights of offset with our counterparties.

(in millions)	May 31, 2018 Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	$ —	$ —	$ —	$ —	$ —
Liabilities	$ 16	$ —	$ 16	$ —	$ 16

	November 30, 2017 Gross Amounts	Gross Amounts Offset in the Balance Sheet	Total Net Amounts Presented in the Balance Sheet	Gross Amounts not Offset in the Balance Sheet	Net Amounts
Assets	$ —	$ —	$ —	$ —	$ —
Liabilities	$ 19	$ —	$ 19	$ —	$ 19

There are no credit risk related contingent features in our derivative agreements. The amount of estimated cash flow hedges' unrealised gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant.

NOTE 13 - Reserves and Other Equity Activity

On April 10, 2018, the Boards of Directors approved a modification of the general authorization to repurchase Carnival Corporation common stock and/or Carnival plc ordinary shares (the "Repurchase Program"), which replenished the remaining authorized repurchases at the time of the approval to $1.0 billion. During the six months ended May 31, 2018, we repurchased 4.7 million shares of Carnival plc ordinary shares and 3.1 million shares of Carnival Corporation common stock for $312 million and $201 million, respectively, under the Repurchase Program. At May 31, 2018, the remaining availability under the Repurchase Program was $827 million.

In May 2018, we entered into an agreement to purchase a maximum of $200 million of our own shares during the closed period, which ended June 26, 2018, as part of the Repurchase Program. The accrual of $200 million for this agreement is classified as Other reserves with the payment obligation recognized in Accrued liabilities and other.

NOTE 14 - Responsibility Statement

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

The Directors of Carnival plc are listed in the Carnival plc Annual Report for the year ended November 30, 2017. No new Directors have been appointed during the six months ended May 31, 2018. A list of current Directors is maintained and is available for inspection on the Group's website at www.carnivalplc.com.

By order of the Board

/s/ Micky Arison	/s/ Arnold W. Donald
Micky Arison	Arnold W. Donald
Chairman of the Board of Directors	President and Chief Executive Officer and Director
June 25, 2018	June 25, 2018