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

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2019

OR

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

For the transition period from ______ to ______

Commission file number: 001-9610	Commission file number: 001-15136
Carnival Corporation	Carnival plc
(Exact name of registrant as specified in its charter)	(Exact name of registrant as specified in its charter)
Republic of Panama	England and Wales
(State or other jurisdiction of incorporation or organization)	(State or other jurisdiction of incorporation or organization)
59-1562976	98-0357772
(I.R.S. Employer Identification No.)	(I.R.S. Employer Identification No.)
3655 N.W. 87th Avenue Miami, Florida 33178-2428	Carnival House, 100 Harbour Parade, Southampton SO15 1ST, United Kingdom
(Address of principal executive offices) (Zip Code)	(Address of principal executive offices) (Zip Code)
(305) 599-2600	011 44 23 8065 5000
(Registrant’s telephone number, including area code)	(Registrant’s telephone number, including area code)
None	None
(Former name, former address and former fiscal year, if changed since last report)	(Former name, former address and former fiscal year, if changed since last report)

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

Common Stock ($0.01 par value)	Ordinary Shares each represented by American Depositary Shares ($1.66 par value), Special Voting Share, GBP 1.00 par value and Trust Shares of beneficial interest in the P&O Princess Special Voting Trust
(Title of each class)	(Title of each class)
CCL	CUK
(Trading Symbol)	(Trading Symbol)
New York Stock Exchange, Inc.	New York Stock Exchange, Inc.
(Name of each exchange on which registered)	(Name of each exchange on which registered)

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

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files). Yes ☑ No ☐

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

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

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

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

At June 14, 2019, Carnival Corporation had outstanding 527,000,548 shares of Common Stock, $0.01 par value.

At June 14, 2019, Carnival plc had outstanding 189,386,190 Ordinary Shares $1.66 par value, one Special Voting Share, GBP 1.00 par value and 527,000,548 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

CARNIVAL CORPORATION & PLC

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended May 31,		Six Months Ended May 31,	
	2019	2018	2019	2018
Revenues				
Cruise				
Passenger ticket	$ 3,257	$ 3,193	$ 6,456	$ 6,341
Onboard and other	1,510	1,122	2,955	2,192
Tour and other	71	42	99	55
	4,838	4,357	9,511	8,589
Operating Costs and Expenses				
Cruise				
Commissions, transportation and other	613	577	1,322	1,240
Onboard and other	485	138	952	278
Payroll and related	566	543	1,123	1,101
Fuel	423	373	804	731
Food	269	265	538	530
Other ship operating	742	749	1,472	1,460
Tour and other	61	36	90	50
	3,159	2,681	6,301	5,390
Selling and administrative	621	605	1,250	1,221
Depreciation and amortization	542	512	1,059	1,000
	4,323	3,798	8,609	7,611
Operating Income	515	559	902	978
Nonoperating Income (Expense)				
Interest income	5	3	9	6
Interest expense, net of capitalized interest	(54)	(49)	(105)	(98)
Gains on fuel derivatives, net	—	41	—	57
Other income (expense), net	(7)	10	(9)	11
	(56)	5	(105)	(24)
Income Before Income Taxes	459	564	797	955
Income Tax Expense, Net	(8)	(3)	(10)	(3)
Net Income	$ 451	$ 561	$ 787	$ 951
Earnings Per Share				
Basic	$ 0.65	$ 0.79	$ 1.14	$ 1.33
Diluted	$ 0.65	$ 0.78	$ 1.13	$ 1.33

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,	
	2019	**2018**	**2019**	**2018**
Net Income	$ 451	$ 561	$ 787	$ 951
Items Included in Other Comprehensive Income (Loss)				
Change in foreign currency translation adjustment	(194)	(357)	(114)	(56)
Other	(13)	(11)	(13)	(17)
Other Comprehensive Income (Loss)	(207)	(368)	(127)	(73)
Total Comprehensive Income	$ 244	$ 193	$ 660	$ 878

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, 2019	November 30, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,202	$ 982
Trade and other receivables, net	405	358
Inventories	501	450
Prepaid expenses and other	727	436
Total current assets	2,835	2,225
Property and Equipment, Net	36,814	35,336
Goodwill	2,907	2,925
Other Intangibles	1,172	1,176
Other Assets	785	738
	$ 44,512	$ 42,401
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	$ 480	$ 848
Current portion of long-term debt	1,614	1,578
Accounts payable	792	730
Accrued liabilities and other	1,675	1,654
Customer deposits	5,815	4,395
Total current liabilities	10,377	9,204
Long-Term Debt	9,080	7,897
Other Long-Term Liabilities	948	856
Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, $0.01 par value; 1,960 shares authorized; 657 shares at 2019 and 656 shares at 2018 issued	7	7
Ordinary shares of Carnival plc, $1.66 par value; 217 shares at 2019 and 2018 issued	358	358
Additional paid-in capital	8,785	8,756
Retained earnings	25,138	25,066
Accumulated other comprehensive income (loss) ("AOCI")	(2,076)	(1,949)
Treasury stock, 130 shares at 2019 and 129 shares at 2018 of Carnival Corporation and 54 shares at 2019 and 48 shares at 2018 of Carnival plc, at cost	(8,104)	(7,795)
Total shareholders' equity	24,108	24,443
	$ 44,512	$ 42,401

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, 2019	Six Months Ended May 31, 2018
OPERATING ACTIVITIES		
Net income	$ 787	$ 951
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	1,059	1,000
Gains on fuel derivatives, net	—	(57)
Share-based compensation	27	32
Other, net	10	4
	1,883	1,930
Changes in operating assets and liabilities		
Receivables	(50)	(35)
Inventories	5	(16)
Prepaid expenses and other	(302)	59
Accounts payable	68	(14)
Accrued liabilities and other	48	(249)
Customer deposits	1,516	1,413
Net cash provided by (used in) operating activities	3,169	3,087
INVESTING ACTIVITIES		
Purchases of property and equipment	(3,021)	(2,201)
Proceeds from sales of ships	6	102
Payments of fuel derivative settlements	(6)	(34)
Other, net	103	30
Net cash provided by (used in) investing activities	(2,918)	(2,103)
FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings, net	(357)	398
Principal repayments of long-term debt	(338)	(1,181)
Proceeds from issuance of long-term debt	1,722	1,618
Dividends paid	(694)	(646)
Purchases of treasury stock	(316)	(513)
Other, net	(43)	(16)
Net cash provided by (used in) financing activities	(26)	(339)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(5)	2
Net increase (decrease) in cash, cash equivalents and restricted cash	220	646
Cash, cash equivalents and restricted cash at beginning of period	996	422
Cash, cash equivalents and restricted cash at end of period	$ 1,215	$ 1,068

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

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

	Three Months Ended						
	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	AOCI	Treasury stock	Total shareholders' equity
At February 28, 2018	$ 7	$ 358	$ 8,708	$ 23,360	$ (1,486)	$ (6,565)	$ 24,382
Net income	—	—	—	561	—	—	561
Other comprehensive income	—	—	—	—	(368)	—	(368)
Cash dividends declared ($0.50 per share)	—	—	—	(357)	—	—	(357)
Purchases of treasury stock under the Repurchase Program and other	—	—	13	—	—	(298)	(284)
At May 31, 2018	$ 7	$ 358	$ 8,721	$ 23,564	$ (1,855)	$ (6,862)	$ 23,933
At February 28, 2019	$ 7	$ 358	$ 8,776	$ 25,033	$ (1,869)	$ (8,063)	$ 24,241
Net income	—	—	—	451	—	—	451
Other comprehensive income	—	—	—	—	(207)	—	(207)
Cash dividends declared ($0.50 per share)	—	—	—	(346)	—	—	(346)
Purchases of treasury stock under the Repurchase Program and other	—	—	9	—	—	(41)	(32)
At May 31, 2019	$ 7	$ 358	$ 8,785	$ 25,138	$ (2,076)	$ (8,104)	$ 24,108

	Six Months Ended						
	Common stock	Ordinary shares	Additional paid-in capital	Retained earnings	AOCI	Treasury stock	Total shareholders' equity
At November 30, 2017	$ 7	$ 358	$ 8,690	$ 23,292	$ (1,782)	$ (6,349)	$ 24,216
Net income	—	—	—	951	—	—	951
Other comprehensive income	—	—	—	—	(73)	—	(73)
Cash dividends declared ($0.95 per share)	—	—	—	(679)	—	—	(679)
Purchases of treasury stock under the Repurchase Program and other	—	—	32	—	—	(514)	(482)
At May 31, 2018	$ 7	$ 358	$ 8,721	$ 23,564	$ (1,855)	$ (6,862)	$ 23,933
At November 30, 2018	$ 7	$ 358	$ 8,756	$ 25,066	$ (1,949)	$ (7,795)	$ 24,443
Changes in accounting principles (a)	—	—	—	(24)	—	—	(24)
Net income	—	—	—	787	—	—	787
Other comprehensive income	—	—	—	—	(127)	—	(127)
Cash dividends declared ($1.00 per share)	—	—	—	(691)	—	—	(691)
Purchases of treasury stock under the Repurchase Program and other	—	—	29	—	—	(310)	(280)
At May 31, 2019	$ 7	$ 358	$ 8,785	$ 25,138	$ (2,076)	$ (8,104)	$ 24,108

(a) We adopted the provisions of *Revenue from Contracts with Customers* and *Derivatives and Hedging* on December 1, 2018.

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

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

NOTE 1 – General

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

Basis of Presentation

The Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Cash Flows and the Consolidated Statements of Shareholders' Equity for the three and six months ended May 31, 2019 and 2018, and the Consolidated Balance Sheet at May 31, 2019 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 2018 joint Annual Report on Form 10-K ("Form 10-K") filed with the U.S. Securities and Exchange Commission on January 28, 2019. 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 guidance, *Revenue from Contracts with Customers* ("ASC 606")*,* 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. On December 1, 2018, we adopted this guidance using the modified retrospective method for all contracts as of the adoption date. Results for reporting periods beginning after December 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under ASC 605.

The impact of the adoption of ASC 606 on our consolidated financial statements primarily relates to the gross presentation of prepaid travel agent commissions (Consolidated Balance Sheet), shore excursions and other onboard revenues and costs (Consolidated Statement of Income) which were historically presented net. As of December 1, 2018, we recorded a cumulative effect adjustment of $24 million to retained earnings related to the accounting for our loyalty programs.

The following tables summarize the impacts of ASC 606 adoption on our consolidated financial statements:

	Three months ended May 31, 2019		
(in millions)	Prior to adoption of ASC 606	Adjustments	As Reported
Consolidated Statement of Income			
Onboard and other (Revenues)	$ 1,167	$ 343	$ 1,510
Revenues (Total)	$ 4,495	$ 343	$ 4,838
Onboard and other (Operating Costs and Expenses)	$ 142	$ 343	$ 485
Operating Costs and Expenses (Total)	$ 3,980	$ 343	$ 4,323
Operating Income	$ 515	$ —	$ 515
Net Income	$ 451	$ —	$ 451

	Six months ended May 31, 2019		
(in millions)	Prior to adoption of ASC 606	Adjustments	As Reported
Consolidated Statement of Income			
Onboard and other (Revenues)	$ 2,289	$ 666	$ 2,955
Revenues (Total)	$ 8,845	$ 666	$ 9,511
Onboard and other (Operating Costs and Expenses)	$ 286	$ 666	$ 952
Operating Costs and Expenses (Total)	$ 7,943	$ 666	$ 8,609
Operating Income	$ 902	$ —	$ 902
Net Income	$ 787	$ —	$ 787

	At May 31, 2019		
(in millions)	Prior to adoption of ASC 606	Adjustments	As Reported
Consolidated Balance Sheet			
Prepaid expenses and other	$ 517	$ 210	$ 727
Total current assets	$ 2,625	$ 210	$ 2,835
Customer deposits	$ 5,606	$ 210	$ 5,815
Total current liabilities	$ 10,167	$ 210	$ 10,377

	Six months ended May 31, 2019		
(in millions)	Prior to adoption of ASC 606	Adjustments	As Reported
Consolidated Statement of Cash Flows			
Prepaid expenses and other	$ (92)	$ (210)	$ (302)
Customer deposits	$ 1,306	$ 210	$ 1,516
Net cash provided by operating activities	$ 3,169	$ —	$ 3,169

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. On December 1, 2018, we adopted this guidance using the prospective transition method. The adoption of this guidance had no 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. On December 1, 2018, we adopted this guidance using the retrospective method for each period presented. The adoption of this guidance had no impact on our consolidated financial statements.

The FASB issued amended guidance, *Statement of Cash Flows - Restricted Cash.* On December 1, 2018, we adopted this guidance using the retrospective method for each period presented. As a result, we now present restricted cash with cash and cash equivalents in the statement of cash flows. The reclassification of restricted cash balances from investing activities to changes in cash, cash equivalents and restricted cash was not material for the period presented.

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. On December 1, 2018, we adopted this guidance using the modified retrospective method. The adoption of this guidance had no impact on our consolidated financial statements.

The FASB issued amended 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. On December 1, 2018, we early adopted this guidance using the modified retrospective approach, which did not have a material impact on our financial statements. At the time of adoption, we changed the method by which we assess effectiveness for outstanding net investment hedges from the forward method to the spot method. Under the spot method, the change in fair value of the hedging instrument attributable to hedge effectiveness remains in AOCI until the net investment is sold or liquidated, while the impact attributable to components excluded from the assessment of hedge effectiveness is recorded in interest expense, net of capitalized interest, on a systematic and rational basis. Previous gains or losses incurred under the forward method related to net investment hedges will remain in AOCI within the foreign currency translation adjustments component and will be reclassified to earnings when the net investment is sold or liquidated. As required by this guidance, we have also added certain disclosures about hedging activities and their effect 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 which allows entities to either apply the new lease standard to the beginning of the earliest period presented or only to the current period consolidated financial statements. The initial adoption of this guidance is expected to increase both our total assets and total liabilities, reflecting the lease rights and obligations arising from our lease arrangements, and will require additional disclosures. We are evaluating certain contractual arrangements to determine if they contain an implicit right to use an asset that would qualify as a leasing arrangement under the new guidance.

The FASB issued amended guidance, *Intangibles - Goodwill and Other - Internal-Use Software,* which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. The expense related to deferred implementation costs is required to be presented in the same income statement line item as the related hosting fees. Additionally, the payments for deferred implementation costs are required to be presented in the same line item in the statement of cash flows as payments for the related hosting fees. This guidance is required to be adopted by us in the first quarter of 2021 and must be applied using either a prospective or a retrospective approach. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

NOTE 2 – Revenue and Expense Recognition

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

Future travel discount vouchers are included as a reduction of cruise passenger ticket revenues when such vouchers are utilized. Guest cancellation fees are recognized in cruise passenger ticket revenues at the time of cancellation.

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

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. A portion of these fees, taxes and charges vary with guest head counts and are directly imposed on a revenue-producing arrangement. This portion of the fees, taxes and charges is expensed in commissions, transportation and other costs when the corresponding revenues are recognized. For the three and six months ended May 31, the fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were $154 million and $317 million in 2019 and $143 million and $291 million in 2018. The remaining portion of fees, taxes and charges are also included in cruise passenger ticket revenues and are expensed in other ship operating expenses when the corresponding revenues are recognized.

Revenues and expenses from our hotel and transportation operations, which are included in our Tour and Other segment, are recognized at the time the services are performed or expenses are incurred. Revenues from the long-term leasing of ships, which are also included in our Tour and Other segment, are recognized ratably over the term of the agreement.

Customer Deposits

Our payment terms generally require an initial deposit to confirm a reservation, with the balance due prior to the voyage. Cash received from guests in advance of the cruise is recorded in customer deposits and in other long-term liabilities on our Consolidated Balance Sheets. These amounts include refundable deposits. We had customer deposits of $6.0 billion and $4.7 billion as of May 31, 2019 and December 1, 2018. During the six months ended May 31, 2019, we recognized revenues of $3.7 billion related to our customer deposits as of December 1, 2018. Our customer deposits balance changes due to the seasonal nature of cash collections, the recognition of revenue and foreign currency translation.

Contract Receivables

Although we generally require full payment from our customers prior to or concurrently with their cruise, we grant credit terms to a relatively small portion of our revenue source. We also have receivables from credit card merchants for cruise ticket purchases and onboard revenue. These receivables are included within trade and other receivables, net.

Contract Assets

Contract assets are amounts paid prior to the start of a voyage, which we record as an asset within prepaid expenses and other and which are subsequently recognized as commissions, transportation and other at the time of revenue recognition. We have contract assets of $210 million and $151 million as of May 31, 2019 and December 1, 2018.

NOTE 3 – Unsecured Debt

At May 31, 2019, our short-term borrowings consisted of euro-denominated commercial paper of $480 million. For the six months ended May 31, 2019, there were no borrowings or repayments of commercial paper with original maturities greater than three months. For the six months ended May 31, 2018, we had borrowings of $2 million and repayments of $2 million of commercial paper with original maturities greater than three months.

In December 2018, we borrowed $852 million under an export credit facility due in semi-annual installments through 2031.

In February 2019, we borrowed $587 million under a euro-denominated export credit facility due in semi-annual installments through 2031. We also entered into an $899 million export credit facility, which may be drawn in euro or U.S. dollars in 2023 and will be due in semi-annual installments through 2035. The interest rate on this export credit facility can be fixed or floating, at our discretion.

In March 2019, we borrowed $283 million under two euro-denominated floating rate bank loans due in 2023.

NOTE 4 – Contingencies

Litigation

On May 2, 2019, two lawsuits were filed against Carnival Corporation in the U.S. District Court for the Southern District of Florida under Title III of the Cuban Liberty and Democratic Solidarity Act, also known as the Helms-Burton Act. The complaint filed by Havana Docks Corporation alleges it holds an interest in the Havana Cruise Port Terminal and the complaint filed by Javier Garcia-Bengochea alleges that he holds an interest in the Port of Santiago, Cuba, both of which were expropriated by the Cuban Government. The complaints further allege that Carnival Cruise Line "trafficked" in those properties by embarking and disembarking passengers at these facilities. The plaintiffs seek all available statutory remedies, including the value of the expropriated property, plus interest, treble damages, attorneys' fees and costs. We believe we have meritorious defenses to the claims and we intend to vigorously defend against them. We do not believe that it is likely that the outcome of these matters will be material, but litigation is inherently unpredictable and there can be no assurances that the final outcome of the case might not be material to our operating results or financial condition.

Additionally, in the normal course of our business, various claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits, or any settlement of 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, lawsuits and settlements, as applicable, each and in the aggregate, 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 5 – Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risks

Fair Value Measurements

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

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

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

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

	May 31, 2019				November 30, 2018			
	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)	$ 182	$ —	$ 29	$ 151	$ 127	$ —	$ 30	$ 95
Total	$ 182	$ —	$ 29	$ 151	$ 127	$ —	$ 30	$ 95
Liabilities								
Fixed rate debt (b)	$ 6,665	$ —	$ 6,915	$ —	$ 5,699	$ —	$ 5,799	$ —
Floating rate debt (b)	4,615	—	4,659	—	4,695	—	4,727	—
Total	$ 11,280	$ —	$11,574	$ —	$ 10,394	$ —	$10,526	$ —

(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, 2019			November 30, 2018		
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Cash and cash equivalents	$ 1,202	$ —	$ —	$ 982	$ —	$ —
Restricted cash	14	—	—	14	—	—
Derivative financial instruments	—	25	—	—	—	—
Total	$ 1,215	$ 25	$ —	$ 996	$ —	$ —
Liabilities						
Derivative financial instruments	$ —	$ 22	$ —	$ —	$ 29	$ —
Total	$ —	$ 22	$ —	$ —	$ 29	$ —

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, 2018	$ 1,898	$ 1,027	$ 2,925
Foreign currency translation adjustment	—	(19)	(19)
At May 31, 2019	$ 1,898	$ 1,008	$ 2,906

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

	Trademarks		
(in millions)	**NAA Segment**	**EA Segment**	**Total**
At November 30, 2018	$ 927	$ 242	$ 1,169
Foreign currency translation adjustment	—	(4)	(4)
At May 31, 2019	$ 927	$ 238	$ 1,165

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, including decisions about the allocation of new ships amongst brands and the transfer of ships between brands (influencing fair values in the future), may result in a need to recognize an impairment charge.

Derivative Instruments and Hedging Activities

(in millions)	Balance Sheet Location	May 31, 2019	November 30, 2018
Derivative assets			
Derivatives designated as hedging instruments			
Cross currency swaps (a)	Prepaid expenses and other	$ 19	$ —
	Other assets	6	—
Total derivative assets		$ 25	$ —
Derivative liabilities			
Derivatives designated as hedging instruments			
Cross currency swaps (a)	Accrued liabilities and other	$ 3	$ 5
Foreign currency zero cost collars (b)	Other long-term liabilities	1	—
Interest rate swaps (c)	Accrued liabilities and other	7	8
	Other long-term liabilities	11	11
		22	23
Derivatives not designated as hedging instruments			
Fuel	Accrued liabilities and other	—	6
Total derivative liabilities		$ 22	$ 29

(a) At May 31, 2019 and November 30, 2018, we had cross currency swaps totaling $984 million and $156 million, respectively, that are designated as hedges of our net investment in foreign operations with a euro-denominated functional currency. At May 31, 2019, these cross currency swaps settle through December 2030.

(b) At May 31, 2019, 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 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 $340 million at May 31, 2019 and $385 million at November 30, 2018 of EURIBOR-based floating rate euro debt to fixed rate euro debt. At May 31, 2019, these interest rate swaps settle through March 2025.

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

	May 31, 2019				
(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	$ 29	$ (4)	$ 25	$ (3)	$ 22
Liabilities	$ 26	$ (4)	$ 22	$ (3)	$ 18

	November 30, 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	$ —	$ —	$ —	$ —	$ —
Liabilities	$ 29	$ —	$ 29	$ —	$ 29

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

	Three Months Ended May 31,		Six Months Ended May 31,	
(in millions)	2019	2018	2019	2018
Gains (losses) recognized in AOCI:				
Cross currency swaps – net investment hedges	$ 29	$ 16	$ 18	$ 10
Foreign currency zero cost collars – cash flow hedges	$ (1)	$ (11)	$ (1)	$ (10)
Interest rate swaps – cash flow hedges	$ —	$ —	$ 1	$ 4
Gains (losses) reclassified from AOCI – cash flow hedges:				
Interest rate swaps – Interest expense, net of capitalized interest	$ (2)	$ (2)	$ (4)	$ (5)
Gains (losses) recognized on derivative instruments (amount excluded from effectiveness testing – net investment hedges)				
Cross currency swaps – Interest expense, net of capitalized interest	$ 6	$ —	$ 11	$ —

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

We manage our exposure to fuel price risk by managing our consumption of fuel. Substantially all of our exposure to market risk for changes in fuel prices relates to the consumption of fuel on our ships. We manage fuel consumption through ship maintenance practices, modifying our itineraries and implementing innovative technologies. We are also adding new, more fuel efficient ships to our fleet and are strategically disposing of smaller, less fuel efficient ships.

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. At May 31, 2019, we had $7.0 billion and $835 million of euro- and sterling-denominated debt, respectively, including the effect of cross currency swaps, which provide 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, 2019, for the following newbuilds, we had foreign currency zero cost collars for a portion of our euro-denominated shipyard payments. These collars are designated as cash flow hedges.

	Entered Into	Matures in	Weighted-Average Floor Rate	Weighted- Average Ceiling Rate
Carnival Panorama	2019	October 2019	$ 1.05	$ 1.28
Enchanted Princess	2019	June 2020	$ 1.04	$ 1.28
Mardi Gras	2019	August 2020	$ 1.04	$ 1.28

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, 2019, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments to non-euro functional currency brands, which represent a total unhedged commitment of $7.5 billion for newbuilds scheduled to be delivered from 2020 through 2025.

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 believe the risk of nonperformance by any of our significant counterparties is remote. At May 31, 2019, our exposures under foreign currency contracts, cross currency swaps 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 6 – Segment Information

Our operating segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker ("CODM"), who is the President 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) NAA cruise operations, (2) EA cruise operations, (3) Cruise Support and (4) Tour and Other.

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

	Three Months Ended May 31,				
(in millions)	**Revenues**	**Operating costs and expenses**	**Selling and administrative**	**Depreciation and amortization**	**Operating income (loss)**
2019					
NAA	$ 3,162	$ 2,033	$ 342	$ 339	$ 447
EA	1,561	1,033	185	166	177
Cruise Support	44	32	87	27	(102)
Tour and Other	71	61	7	9	(7)
	$ 4,838	$ 3,159	$ 621	$ 542	$ 515
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

	Six Months Ended May 31,				
(in millions)	**Revenues**	**Operating costs and expenses**	**Selling and administrative**	**Depreciation and amortization**	**Operating income (loss)**
2019					
NAA	$ 6,239	$ 4,043	$ 695	$ 667	$ 833
EA	3,087	2,108	390	318	270
Cruise Support	86	60	152	55	(180)
Tour and Other	99	90	13	19	(22)
	$ 9,511	$ 6,301	$ 1,250	$ 1,059	$ 902
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

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

(in millions)	Three Months Ended May 31, 2019	Six Months Ended May 31, 2019
North America	$ 2,639	$ 5,159
Europe	1,350	2,749
Australia and Asia	741	1,324
Other	108	279
	$ 4,838	$ 9,511

NOTE 7 – Earnings Per Share

	Three Months Ended May 31,		Six Months Ended May 31,	
(in millions, except per share data)	**2019**	**2018**	**2019**	**2018**
Net income for basic and diluted earnings per share	$ 451	$ 561	$ 787	$ 951
Weighted-average shares outstanding	691	714	692	715
Dilutive effect of equity plans	2	1	2	2
Diluted weighted-average shares outstanding	693	715	694	717
Basic earnings per share	$ 0.65	$ 0.79	$ 1.14	$ 1.33
Diluted earnings per share	$ 0.65	$ 0.78	$ 1.13	$ 1.33

NOTE 8 – Supplemental Cash Flow Information

(in millions)	May 31, 2019	November 30, 2018
Cash and cash equivalents (Consolidated Balance Sheets)	$ 1,202	$ 982
Restricted cash included in prepaid expenses and other and other assets	14	14
Total cash, cash equivalents and restricted cash (Consolidated Statements of Cash Flows)	$ 1,215	$ 996

For the six months ended May 31, 2019 and 2018, we issued notes receivable upon sale of ships of $104 million and $35 million.

NOTE 9 – Property and Equipment

In March 2019, we sold and transferred an NAA segment 1,680-passenger capacity ship.

In April 2019, we sold and transferred an NAA segment 1,260-passenger capacity ship.

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:

- Adverse world events impacting the ability or desire of people to travel may lead to a decline in demand for cruises
- Incidents concerning our ships, guests or the cruise vacation industry as well as adverse weather conditions and other natural disasters may impact the satisfaction of our guests and crew and lead to reputational damage
- Changes in and non-compliance with laws and regulations under which we operate, such as those relating to health, environment, safety and security, data privacy and protection, anti-corruption, economic sanctions, trade protection and tax may lead to litigation, enforcement actions, fines, penalties and reputational damage
- Breaches in data security and lapses in data privacy as well as disruptions and other damages to our principal offices, information technology operations and system networks and failure to keep pace with developments in technology may adversely impact our business operations, the satisfaction of our guests and crew and lead to reputational damage
- Ability to recruit, develop and retain qualified shipboard personnel who live away from home for extended periods of time may adversely impact our business operations, guest services and satisfaction
- Increases in fuel prices and availability of fuel supply may adversely impact our scheduled itineraries and costs
- Fluctuations in foreign currency exchange rates may adversely impact our financial results
- Overcapacity and competition in the cruise and land-based vacation industry may lead to a decline in our cruise sales and pricing
- Geographic regions in which we try to expand our business may be slow to develop or ultimately not develop how we expect
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests

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

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

New Accounting Pronouncements

Refer to our consolidated financial statements for further information on *New 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.

Third and Fourth Quarter 2019

As previously disclosed, we expect results for the third and fourth quarter to be unfavorably impacted by voyage disruptions related to *Carnival Vista*, the U.S. government’s policy change on travel to Cuba, and lower net revenue yields in the second half of the year compared to guidance released on March 26, 2019.

Statistical Information

	Three Months Ended May 31,		Six Months Ended May 31,	
	2019	2018	2019	2018
Available Lower Berth Days (“ALBDs”) (in thousands) (a) (b)	21,645	20,690	42,944	41,151
Occupancy percentage (c)	105.3%	105.7%	105.0%	105.2%
Passengers carried (in thousands)	3,101	2,971	6,038	5,831
Fuel consumption in metric tons (in thousands)	835	819	1,664	1,640
Fuel consumption in metric tons per thousand ALBDs	38.6	39.6	38.8	39.9
Fuel cost per metric ton consumed	$ 507	$ 455	$ 483	$ 446
Currencies (USD to 1)				
AUD	$ 0.70	$ 0.77	$ 0.71	$ 0.77
CAD	$ 0.75	$ 0.78	$ 0.75	$ 0.79
EUR	$ 1.12	$ 1.21	$ 1.13	$ 1.21
GBP	$ 1.30	$ 1.38	$ 1.29	$ 1.38
RMB	$ 0.15	$ 0.16	$ 0.15	$ 0.16

(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, 2019 compared to the three months ended May 31, 2018, we had a 4.6% capacity increase in ALBDs comprised of a 0.5% capacity increase in our NAA segment and a 12% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Partial period impact from one Carnival Cruise Line 3,960-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
- Full period impact from one Holland America Line 2,670-passenger capacity ship that entered into service in December 2018

The increase in our NAA segment's capacity was partially offset by:

- Partial period impact from one P&O Cruises (Australia) 1,680-passenger capacity ship removed from service in March 2019
- Partial period impact from one P&O Cruises (Australia) 1,260-passenger capacity ship removed from service in April 2019

Our EA segment's capacity increase was caused by:

- Full period impact from one AIDA 5,230-passenger capacity ship that entered into service in December 2018
- Partial period impact from one Costa Cruises 4,200-passenger capacity ship that entered into service in March 2019

The increase in our EA segment's capacity was 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

For the six months ended May 31, 2019 compared to the six months ended May 31, 2018, we had a 4.4% capacity increase in ALBDs comprised of a 2.8% capacity increase in our NAA segment and a 7.1% capacity increase in our EA segment.

Our NAA segment's capacity increase was caused by:

- Partial period impact from one Carnival Cruise Line 3,960-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
- Partial period impact from one Holland America Line 2,670-passenger capacity ship that entered into service in December 2018

The increase in our NAA segment's capacity was partially offset by:

- Partial period impact from one P&O Cruises (Australia) 1,680-passenger capacity ship removed from service in March 2019
- Partial period impact from one P&O Cruises (Australia) 1,260-passenger capacity ship removed from service in April 2019

Our EA segment's capacity increase was caused by:

- Partial period impact from one AIDA 5,230-passenger capacity ship that entered into service in December 2018
- Partial period impact from one Costa Cruises 4,200-passenger capacity ship that entered into service in March 2019

The increase in our EA segment's capacity was 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, 2019 ("2019") Compared to Three Months Ended May 31, 2018 ("2018")

Revenues

Consolidated

Cruise passenger ticket revenues made up 67% of our 2019 total revenues. Cruise passenger ticket revenues increased by $64 million, or 2.0%, to $3.3 billion in 2019 from $3.2 billion in 2018.

This increase was caused by:

- $147 million - 4.6% capacity increase in ALBDs
- $30 million - increase in air transportation revenues

These increases were partially offset by:

- $95 million - net unfavorable foreign currency translational impact
- $14 million - decrease in occupancy

Onboard and other cruise revenues made up 31% of our 2019 total revenues. Onboard and other cruise revenues increased by $388 million, or 35%, to $1.5 billion in 2019 from $1.1 billion in 2018.

This increase was caused by:

- $343 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $52 million - 4.6% capacity increase in ALBDs
- $26 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translational impact of $29 million.

Tour and other revenues made up 1.5% of our 2019 total revenues. Tour and other revenues increased by $28 million, or 67%, to $71 million in 2019 from $42 million in 2018.

Concession revenues, which are included in onboard and other revenues, increased by $1 million, or 0.5%, to $272 million in 2019 from $270 million in 2018.

NAA Segment

Cruise passenger ticket revenues made up 65% of our NAA segment's 2019 total revenues. Cruise passenger ticket revenues increased by $46 million, or 2.3%, to $2.1 billion in 2019 compared to $2.0 billion in 2018.

This increase was driven by:

- $26 million - increase in cruise ticket revenues, driven primarily by price improvements in the Caribbean program, partially offset by net unfavorable foreign currency transactional impact
- $10 million - 0.5% capacity increase in ALBDs

The remaining 35% of our NAA segment's 2019 total revenues were comprised of onboard and other cruise revenues, which increased by $280 million, or 34%, to $1.1 billion in 2019 from $0.8 billion in 2018. This increase was driven by the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue guidance of $272 million.

Concession revenues, which are included in onboard and other revenues, remained at $193 million in both 2019 and 2018.

EA Segment

Cruise passenger ticket revenues made up 78% of our EA segment's 2019 total revenues. Cruise passenger ticket revenues increased by $29 million, or 2.5%, to $1.2 billion in 2019 compared to $1.2 billion in 2018.

This increase was caused by:

- $140 million - 12% capacity increase in ALBDs
- $17 million - increase in air transportation revenue

These increases were partially offset by:

- $90 million - net unfavorable foreign currency translational impact
- $20 million - decrease in cruise ticket revenues
- $17 million - decrease in occupancy

The remaining 22% of our EA segment's 2019 total revenues were comprised of onboard and other cruise revenues, which increased by $83 million, or 32%, to $346 million in 2019 from $262 million in 2018.

This increase was caused by:

- $64 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $31 million - 12% capacity increase in ALBDs
- $16 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translational impact of $26 million.

Concession revenues, which are included in onboard and other revenues, increased by $1 million, or 1.5%, to $78 million in 2019 from $77 million in 2018.

Costs and Expenses

Consolidated

Operating costs and expenses increased by $478 million, or 18%, to $3.2 billion in 2019 from $2.7 billion in 2018.

This increase was caused by:

- $343 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $122 million - 4.6% capacity increase in ALBD
- $43 million - higher fuel prices
- $34 million - increase in various other costs
- $32 million - higher commissions, transportation and other expenses
- $28 million - gains of ship sales in 2018
- $26 million - increase in tour and other costs
- $15 million - higher cruise payroll and related expenses

These increases were partially offset by:

- $71 million - net favorable foreign currency translational impact
- $65 million - lower dry dock expense and repair and maintenance expenses
- $16 million - gains on ship sales in 2019
- $10 million - lower fuel consumption per ALBD

Selling and administrative expenses increased by $16 million, or 2.7%, to $621 million in 2019 from $605 million in 2018.

Depreciation and amortization expenses increased by $31 million, or 6.0%, to $542 million in 2019 from $512 million in 2018.

NAA Segment

Operating costs and expenses increased by $286 million, or 16%, to $2.0 billion in 2019 from $1.7 billion in 2018.

This increase was caused by:

- $272 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $26 million - higher fuel prices
- $13 million - higher commissions, transportation and other expenses
- $11 million - higher cruise payroll and related expense
- $11 million - various other costs

These increases were partially offset by:

- $39 million - lower dry dock expense and repair and maintenance expenses
- $16 million - gains on ship sales in 2019

Selling and administrative expenses increased by $4 million, or 1.2%, to $342 million in 2019 from $338 million in 2018.

Depreciation and amortization expenses increased by $22 million, or 7.0%, to $339 million in 2019 from $317 million in 2018.

EA Segment

Operating costs and expenses increased by $145 million, or 16%, to $1.0 billion in 2019 from $0.9 billion in 2018.

This increase was caused by:

- $105 million - 12% capacity increase in ALBDs
- $64 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $28 million - gains of ship sales in 2018
- $19 million - various other costs
- $18 million - higher commissions, transportation and other expenses
- $17 million - higher fuel prices

These increases were partially offset by:

- $68 million - net favorable foreign currency translational impact
- $24 million - lower dry dock expense and repair and maintenance expenses

Selling and administrative expenses decreased by $7 million, or 3.5%, to $185 million in 2019 from $191 million in 2018.

Depreciation and amortization expenses increased by $7 million, or 4.3%, to $166 million in 2019 from $160 million in 2018.

Operating Income

Our consolidated operating income decreased by $44 million, or 7.9%, to $515 million in 2019 from $559 million in 2018. Our NAA segment's operating income increased by $14 million, or 3.1%, to $447 million in 2019 from $433 million in 2018, and our EA segment's operating income decreased by $33 million, or 16%, to $177 million in 2019 from $210 million in 2018. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

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

There were no unrealized or realized gains or losses on fuel derivatives for the three months ended May 31, 2019.

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. 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 2019 periods’ currency exchange rates have remained constant with the 2018 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)	**2019**	**2019 Constant Dollar**	**2018**
Passenger ticket revenues	$ 3,257	$ 3,352	$ 3,193
Onboard and other revenues	1,510	1,538	1,122
Gross cruise revenues	4,767	4,890	4,315
Less cruise costs			
Commissions, transportation and other	(613)	(634)	(577)
Onboard and other	(485)	(493)	(138)
	(1,098)	(1,127)	(716)
Net passenger ticket revenues	2,644	2,718	2,616
Net onboard and other revenues	1,025	1,045	984
Net cruise revenues	$ 3,669	$ 3,763	$ 3,599
ALBDs	21,644,723	21,644,723	20,689,903
Gross revenue yields	$ 220.24	$ 225.94	$ 208.55
% increase (decrease)	5.6%	8.3%	
Net revenue yields	$ 169.52	$ 173.87	$ 173.96
% increase (decrease)	(2.6)%	(0.1)%	
Net passenger ticket revenue yields	$ 122.17	$ 125.59	$ 126.43
% increase (decrease)	(3.4)%	(0.7)%	
Net onboard and other revenue yields	$ 47.35	$ 48.28	$ 47.54
% increase (decrease)	(0.4)%	1.6%	

	Three Months Ended May 31,		
(dollars in millions, except yields)	**2019**	**2019 Constant Currency**	**2018**
Net passenger ticket revenues	$ 2,644	$ 2,741	$ 2,616
Net onboard and other revenues	1,025	1,046	984
Net cruise revenues	$ 3,669	$ 3,786	$ 3,599
ALBDs	21,644,723	21,644,723	20,689,903
Net revenue yields	$ 169.52	$ 174.92	$ 173.96
% increase (decrease)	(2.6)%	0.6%	
Net passenger ticket revenue yields	$ 122.17	$ 126.61	$ 126.43
% increase (decrease)	(3.4)%	0.1%	
Net onboard and other revenue yields	$ 47.35	$ 48.31	$ 47.54
% increase (decrease)	(0.4)%	1.6%	

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)	**2019**	**2019 Constant Dollar**	**2018**
Cruise operating expenses	$ 3,098	$ 3,169	$ 2,645
Cruise selling and administrative expenses	614	629	594
Gross cruise costs	3,712	3,798	3,239
Less cruise costs included above			
Commissions, transportation and other	(613)	(634)	(577)
Onboard and other	(485)	(493)	(138)
Gains (losses) on ship sales and impairments	16	17	28
Restructuring expenses	—	—	—
Other	(20)	(20)	(1)
Net cruise costs	2,610	2,668	2,551
Less fuel	(423)	(423)	(373)
Net cruise costs excluding fuel	$ 2,187	$ 2,245	$ 2,178
ALBDs	21,644,723	21,644,723	20,689,903
Gross cruise costs per ALBD	$ 171.51	$ 175.49	$ 156.55
% increase (decrease)	9.6%	12.1 %	
Net cruise costs excluding fuel per ALBD	$ 101.05	$ 103.73	$ 105.27
% increase (decrease)	(4.0)%	(1.5)%	

	Three Months Ended May 31,		
(dollars in millions, except costs per ALBD)	**2019**	**2019 Constant Currency**	**2018**
Net cruise costs excluding fuel	$ 2,187	$ 2,250	$ 2,178
ALBDs	21,644,723	21,644,723	20,689,903
Net cruise costs excluding fuel per ALBD	$ 101.05	$ 103.94	$ 105.27
% increase (decrease)	(4.0)%	(1.3)%	

Adjusted fully diluted earnings per share was computed as follows:

	Three Months Ended May 31,	
(in millions, except per share data)	2019	2018
Net income		
U.S. GAAP net income	$ 451	$ 561
Unrealized (gains) losses on fuel derivatives, net	—	(50)
(Gains) losses on ship sales and impairments	(16)	(28)
Restructuring expenses	—	—
Other	22	6
Adjusted net income	$ 457	$ 489
Weighted-average shares outstanding	693	715
Earnings per share		
U.S. GAAP earnings per share	$ 0.65	$ 0.78
Unrealized (gains) losses on fuel derivatives, net	—	(0.07)
(Gains) losses on ship sales and impairments	(0.02)	(0.04)
Restructuring expenses	—	—
Other	0.03	0.01
Adjusted earnings per share	$ 0.66	$ 0.68

Net cruise revenues increased by $70 million, or 1.9%, to $3.7 billion in 2019 from $3.6 billion in 2018.

The increase was caused by:

- $166 million - 4.6% capacity increase in ALBDs
- $21 million - 0.6% increase in constant currency net revenue yields

These increases were partially offset by net unfavorable foreign currency impacts (including both the foreign currency translational and transactional impacts) of $117 million.

The 0.6% increase in net revenue yields on a constant currency basis was due to a 0.1% increase in net passenger ticket revenue yields and a 1.6% increase in net onboard and other revenue yields.

This 0.1% increase in net passenger ticket revenue yields was driven primarily by price improvements in the Caribbean program. This 0.1% increase in net passenger ticket revenue yields was comprised of a 3.0% increase from our NAA segment and a 3.5% decrease from our EA segment.

The 1.6% increase in net onboard and other revenue yields was comprised of a 0.9% increase from our NAA segment and a 3.8% increase from our EA segment.

Net cruise costs excluding fuel increased by $9 million, or 0.4%, to $2.2 billion in 2019 compared to $2.2 billion in 2018.

The increase was caused by a 4.6% capacity increase in ALBDs of $101 million.

This increase was partially offset by:

- $62 million - net favorable foreign currency impacts (including both the foreign currency translational and transactional impacts)
- $29 million - 1.3% decrease in constant currency net cruise costs excluding fuel

Fuel costs increased by $50 million, or 14%, to $423 million in 2019 from $373 million in 2018.

This increase was caused by:

- $43 million - higher fuel prices
- $17 million - 4.6% capacity increase in ALBDs

These increases were partially offset by lower fuel consumption per ALBD of $10 million.

Six Months Ended May 31, 2019 (“2019”) Compared to Six Months Ended May 31, 2018 (“2018”)

Revenues

Consolidated

Cruise passenger ticket revenues made up 68% of our 2019 total revenues. Cruise passenger ticket revenues increased by $115 million, or 1.8%, to $6.5 billion in 2019 from $6.3 billion in 2018.

This increase was caused by:
- $276 million - 4.4% capacity increase in ALBDs
- $64 million - increase in air transportation revenues

These increases were partially offset by:
- $185 million - net unfavorable foreign currency translational impact
- $24 million - decrease in cruise ticket revenues, driven primarily by net unfavorable foreign currency transactional impact partially offset by price improvements in the Caribbean program

Onboard and other cruise revenues made up 31% of 2019 total revenues. Onboard and other cruise revenues increased by $763 million, or 35%, to $3.0 billion in 2019 from $2.2 billion in 2018.

This increase was caused by:
- $666 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $96 million - 4.4% capacity increase in ALBDs
- $59 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translation impact of $55 million.

Tour and other revenues made up 1.0% of our 2019 total revenues. Tour and other revenues increased by $44 million, or 79%, to $99 million in 2019 from $55 million in 2018.

Concession revenues, which are included in onboard and other revenues, increased by $9 million, or 1.8%, to $526 million in 2019 from $517 million in 2018.

NAA Segment

Cruise passenger ticket revenues made up 65% of our NAA segment’s 2019 total revenues. Cruise passenger ticket revenues increased by $143 million, or 3.6%, to $4.1 billion in 2019 from $3.9 billion in 2018.

This increase was caused by:
- $107 million - 2.8% capacity increase in ALBDs
- $26 million - increase in air transportation revenues
- $23 million - increase in cruise ticket revenues, driven primarily by price improvements in the Caribbean program, partially offset by net unfavorable foreign currency transactional impact

The remaining 35% of our NAA segment’s 2019 total revenues were comprised of onboard and other cruise revenues, which increased by $576 million, or 36%, to $2.2 billion in 2019 from $1.6 billion in 2018.

The increase was driven by:
- $525 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $43 million - 2.8% capacity increase in ALBDs

Concession revenues, which are included in onboard and other revenues, increased by $11 million, or 2.9%, to $375 million in 2019 from $364 million in 2018.

EA Segment

Cruise passenger ticket revenues made up 78% of our EA segment's 2019 total revenues. Cruise passenger ticket revenues decreased by $12 million, or 0.5%, to $2.4 billion in 2019 compared to $2.4 billion in 2018.

This decrease was caused by:
- $172 million - net unfavorable foreign currency translational impact
- $31 million - decrease in cruise ticket revenues
- $13 million - decrease in occupancy

These decreases were offset by:
- $171 million - 7.1% capacity increase in ALBDs
- $36 million - increase in air transportation revenues

The remaining 22% of our EA segment's 2019 total revenues were comprised of onboard and other cruise revenues, which increased by $147 million, or 28%, to $675 million in 2019 from $528 million in 2018.

This increase was caused by:
- $127 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $38 million - 7.1% capacity increase in ALBDs
- $33 million - higher onboard spending by our guests

These increases were partially offset by net unfavorable foreign currency translational impact of $48 million.

Concession revenues, which are included in onboard and other revenues, decreased by $1 million, or 0.9%, to $151 million in 2019 from $153 million in 2018.

Costs and Expenses

Consolidated

Operating costs and expenses increased by $910 million, or 17%, to $6.3 billion in 2019 from $5.4 billion in 2018.

This increase was caused by:
- $666 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $232 million - 4.4% capacity increase in ALBD
- $76 million - higher commissions, transportation and other expenses
- $61 million - higher fuel prices
- $41 million - increase in various other costs
- $40 million - increase in tour and other costs
- $28 million - gains on ship sales in 2018

These increases were partially offset by:
- $143 million - net favorable foreign currency translational impact
- $59 million - lower dry-dock expenses and repair and maintenance expenses
- $21 million - lower fuel consumption per ALBD
- $16 million - gains on ship sales in 2019

Selling and administrative expenses increased by $29 million, or 2.4%, to $1.2 billion in 2019 compared to $1.2 billion in 2018.

Depreciation and amortization expenses increased by $59 million, or 5.9%, to $1.1 billion in 2019 from $1.0 billion in 2018.

NAA Segment

Operating costs and expenses increased by $638 million, or 19%, to $4.0 billion in 2019 from $3.4 billion in 2018.

This increase was caused by:

- $525 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $93 million - 2.8% capacity increase in ALBDs
- $42 million - higher commissions, transportation and other expenses
- $38 million - higher fuel prices
- $29 million - various other costs

These increases were partially offset by:

- $35 million - lower dry-dock expenses and repair and maintenance expenses
- $16 million - gains on ship sales in 2019

Selling and administrative expenses decreased by $10 million, or 1.4%, to $695 million in 2019 from $705 million in 2018.

Depreciation and amortization expenses increased by $50 million, or 8.2%, to $667 million in 2019 from $617 million in 2018.

EA Segment

Operating costs and expenses increased by $216 million, or 11%, to $2.1 billion in 2019 from $1.9 billion in 2018.

This increase was caused by:

- $130 million - 7.1% capacity increase in ALBDs
- $127 million - related to the gross presentation of shore excursions and other onboard revenues as a result of the adoption of new revenue accounting guidance
- $37 million - higher commissions, transportation and other expenses
- $29 million - various other costs
- $28 million - gains on ship sales in 2018
- $23 million - higher fuel prices

These increases were partially offset by:

- $132 million - net favorable foreign currency translational impact
- $24 million - lower dry-dock expenses and repair and maintenance expenses

Selling and administrative expenses increased by $11 million, or 2.9% to $390 million in 2019 from $379 million in 2018.

Depreciation and amortization expenses increased by $2 million, or 0.6%, to $318 million in 2019 from $316 million in 2018.

Operating Income

Our consolidated operating income decreased by $77 million, or 7.8%, to $902 million in 2019 from $978 million in 2018. Our NAA segment's operating income increased by $40 million, or 5.1%, to $833 million in 2019 from $793 million in 2018, and our EA segment's operating income decreased by $94 million, or 26%, to $270 million in 2019 from $364 million in 2018. These changes were primarily due to the reasons discussed above.

Nonoperating Income (Expense)

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

There were no unrealized or realized gains or losses on fuel derivatives for the six months ended May 31, 2019.

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)	2019	2019 Constant Dollar	2018
Passenger ticket revenues	$ 6,456	$ 6,641	$ 6,341
Onboard and other revenues	2,955	3,010	2,192
Gross cruise revenues	9,412	9,651	8,534
Less cruise costs			
Commissions, transportation and other	(1,322)	(1,368)	(1,240)
Onboard and other	(952)	(969)	(278)
	(2,274)	(2,336)	(1,518)
Net passenger ticket revenues	5,134	5,273	5,101
Net onboard and other revenues	2,003	2,041	1,914
Net cruise revenues	$ 7,137	$ 7,315	$ 7,015
ALBDs	42,943,919	42,943,919	41,151,485
Gross revenue yields	$ 219.16	$ 224.73	$ 207.38
% increase (decrease)	5.7%	8.4%	
Net revenue yields	$ 166.20	$ 170.33	$ 170.48
% increase (decrease)	(2.5)%	(0.1)%	
Net passenger ticket revenue yields	$ 119.55	$ 122.79	$ 123.96
% increase (decrease)	(3.6)%	(0.9)%	
Net onboard and other revenue yields	$ 46.64	$ 47.54	$ 46.52
% increase (decrease)	0.3%	2.2%	

	Six Months Ended May 31,		
(dollars in millions, except yields)	2019	2019 Constant Currency	2018
Net passenger ticket revenues	$ 5,134	$ 5,317	$ 5,101
Net onboard and other revenues	2,003	2,045	1,914
Net cruise revenues	$ 7,137	$ 7,361	$ 7,015
ALBDs	42,943,919	42,943,919	41,151,485
Net revenue yields	$ 166.20	$ 171.42	$ 170.48
% increase (decrease)	(2.5)%	0.6%	
Net passenger ticket revenue yields	$ 119.55	$ 123.81	$ 123.96
% increase (decrease)	(3.6)%	(0.1)%	
Net onboard and other revenue yields	$ 46.64	$ 47.61	$ 46.52
% increase (decrease)	0.3%	2.3%	

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:

(dollars in millions, except costs per ALBD)	Six Months Ended May 31, 2019	Six Months Ended May 31, 2019 Constant Dollar	Six Months Ended May 31, 2018
Cruise operating expenses	$ 6,211	$ 6,354	$ 5,340
Cruise selling and administrative expenses	1,237	1,267	1,203
Gross cruise costs	7,448	7,621	6,544
Less cruise costs included above			
Commissions, transportation and other	(1,322)	(1,368)	(1,240)
Onboard and other	(952)	(969)	(278)
Gains (losses) on ship sales and impairments	14	15	12
Restructuring expenses	—	—	—
Other	(20)	(20)	(1)
Net cruise costs	5,168	5,280	5,037
Less fuel	(804)	(804)	(731)
Net cruise costs excluding fuel	$ 4,364	$ 4,476	$ 4,305
ALBDs	42,943,919	42,943,919	41,151,485
Gross cruise costs per ALBD	$ 173.44	$ 177.46	$ 159.02
% increase (decrease)	9.1 %	11.6 %	
Net cruise costs excluding fuel per ALBD	$ 101.63	$ 104.23	$ 104.60
% increase (decrease)	(2.8)%	(0.4)%	

(dollars in millions, except costs per ALBD)	Six Months Ended May 31, 2019	Six Months Ended May 31, 2019 Constant Currency	Six Months Ended May 31, 2018
Net cruise costs excluding fuel	$ 4,364	$ 4,483	$ 4,305
ALBDs	42,943,919	42,943,919	41,151,485
Net cruise costs excluding fuel per ALBD	$ 101.63	$ 104.39	$ 104.60
% increase (decrease)	(2.8)%	(0.2)%	

Adjusted fully diluted earnings per share was computed as follows:

(in millions, except per share data)	Six Months Ended May 31, 2019	Six Months Ended May 31, 2018
Net income		
U.S. GAAP net income	$ 787	$ 951
Unrealized (gains) losses on fuel derivatives, net	—	(82)
(Gains) losses on ship sales and impairments	(14)	(12)
Restructuring expenses	—	—
Other	22	6
Adjusted net income	$ 795	$ 864
Weighted-average shares outstanding	694	717
Earnings per share		
U.S. GAAP earnings per share	$ 1.13	$ 1.33
Unrealized (gains) losses on fuel derivatives, net	—	(0.11)
(Gains) losses on ship sales and impairments	(0.02)	(0.02)
Restructuring expenses	—	—
Other	0.03	0.01
Adjusted earnings per share	$ 1.15	$ 1.21

Net cruise revenues increased by $122 million, or 1.7%, to $7.1 billion in 2019 from $7.0 billion in 2018.

The increase was caused by:

- $306 million - 4.4% capacity increase in ALBDs
- $40 million - 0.6% increase in constant currency net revenue yields

These increases were partially offset by net unfavorable foreign currency impacts (including both the foreign currency translational and transactional impacts) of $224 million.

The 0.6% increase in net revenue yields on a constant currency basis was due to a 2.3% increase in net onboard and other revenue yields partially offset by a 0.1% decrease in net passenger ticket revenue yields.

The 0.1% decrease in net passenger ticket revenue yields was driven primarily by net unfavorable foreign currency impact (including both the foreign currency translational and transactional impacts) partially offset by price improvements in the Caribbean program. This 0.1% decrease in net passenger ticket revenue yields was comprised of a 1.4% increase from our NAA segment and a 2.0% decrease from our EA segment.

The 2.3% increase in net onboard and other revenue yields was comprised of a 1.6% increase from our NAA segment and a 3.1% increase from our EA segment.

Net cruise costs excluding fuel increased by $59 million, or 1.4%, to $4.4 billion in 2019 from $4.3 billion in 2018. This increase was caused by a 4.4% capacity increase in ALBDs, which accounted for $188 million.

This increase was partially offset by net favorable foreign currency impacts (including both the foreign currency translational and transactional impacts) of $119 million.

Fuel costs increased by $72 million, or 10%, to $804 million in 2019 from $731 million in 2018.

This increase was caused by:

- $62 million - higher fuel prices
- $32 million - 4.4% capacity increase in ALBDs

These increases were partially offset by lower fuel consumption by ALBD by $21 million.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and sustain and grow our double-digit return on invested capital (“ROIC”), 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 improvements, debt maturities and dividend payments. We have $10.8 billion of committed export credit facilities available to fund the vast majority of our new ship growth capital. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity through our available cash and cash equivalents and committed financings for immediate and future liquidity needs and to maintain 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 improvements, new ship growth capital, debt maturities and dividend payments. We believe that our ability to generate significant operating cash flows and our strong balance sheet, as evidenced by our strong 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 $7.5 billion as of May 31, 2019 compared to a working capital deficit of $7.0 billion as of November 30, 2018. The increase in working capital deficit was caused by an increase in customer deposits offset by decrease in short-term debt and increase in cash and cash equivalents. 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, make long-term investments or any other use of cash. Included within our working capital deficit are $5.8 billion and $4.4 billion of customer deposits as of May 31, 2019 and November 30, 2018, 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 $3.2 billion of net cash from operations during the six months ended May 31, 2019, an increase of $82 million, or 2.7%, compared to $3.1 billion for the same period in 2018.

Investing Activities

During the six months ended May 31, 2019, net cash used in investing activities was $2.9 billion. This was caused by the following:

- Capital expenditures of $2.1 billion for our ongoing new shipbuilding program
- Capital expenditures of $876 million for ship improvements and replacements, information technology and buildings and improvements

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

- 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

Financing Activities

During the six months ended May 31, 2019, net cash used in financing activities of $26 million was caused by the following:

- Net repayments of short-term borrowings of $357 million in connection with our availability of, and needs for, cash at various times throughout the period
- Repayments of $338 million of long-term debt
- Issuances of $1.7 billion of long-term debt
- Payments of cash dividends of $694 million

- Purchases of $316 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, 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

Capital Expenditure and Capacity Forecast

Our annual capital expenditure forecast consists of contracted new ship growth capital, estimated payments for planned new ship growth capital and capital improvements.

(in billions)	2019	2020	2021	2022
Annual capital expenditure forecast	$ 6.7	$ 5.7	$ 5.9	$ 5.4

Our annual capacity forecast consists of contracted new ships and announced dispositions.

	2019	2020	2021	2022
Annual capacity increase	4.5%	7.3%	6.1%	5.3%

Funding Sources

At May 31, 2019, we had liquidity of $14.1 billion. Our liquidity consisted of $898 million of cash and cash equivalents, which excludes $304 million of cash used for current operations, $2.4 billion available for borrowing under our revolving credit facilities, net of our outstanding commercial paper borrowings, and $10.8 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)	2019	2020	2021	2022	2023
Availability of committed future financing at May 31, 2019	$ 2.0	$ 2.8	$ 2.8	$ 2.3	$ 0.9

At May 31, 2019, all of our revolving credit facilities are scheduled to mature in 2021, except for $392 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, 2019, 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 10 - “Fair Value Measurements, Derivative Instruments and Hedging Activities and Financial Risks” in our consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations within our Form 10-K.

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 20, 2019 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- $0.14 per share for the remaining two quarters of 2019
- $0.08 per share for the third quarter of 2019

Interest Rate Risks

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

	May 31, 2019
Fixed rate	26%
EUR fixed rate	37%
Floating rate	5%
EUR floating rate	26%
GBP floating rate	7%

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 20, 2019 guidance, we estimate that our adjusted diluted earnings per share guidance would change by the following:

- $0.10 per share for the remaining two quarters of 2019
- $0.05 per share for the third quarter of 2019

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, 2019, 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, 2019 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, Princess Cruises entered into a plea agreement in December 2016 with the U.S. Department of Justice with respect to violations of federal laws related to illegal discharges of oily bilge water for incidents occurring in 2013 and prior. The U.S. District Court for the Southern District of Florida accepted the plea agreement in April 2017, and ordered that Princess Cruises pay a fine and complete a five-year term of probation. Carnival Corporation was further required to adopt a five-year court-supervised environmental compliance plan. In March 2019, the probation officer filed a petition seeking to revoke the probation based on alleged violations of the conditions of probation. In June 2019, the court approved a settlement pursuant to which Carnival Corporation agreed to additional oversight and environmental goals, adjustments to certain reporting requirements, as well as a restructuring of the compliance function, in addition to a $20 million financial penalty.

As previously disclosed, Princess Cruises entered into a plea agreement in December 2016 with the U.S. Department of Justice with respect to violations of federal laws related to illegal discharges of oily bilge water for incidents occurring in 2013 and prior. The U.S. District Court for the Southern District of Florida accepted the plea agreement in April 2017, and ordered that Princess Cruises pay a fine and complete a five-year term of probation. Carnival Corporation was further required to adopt a five-year court-supervised environmental compliance plan. In March 2019, the probation officer filed a petition seeking to revoke the probation based on alleged violations of the conditions of probation. In June 2019, the court approved a settlement pursuant to which Carnival Corporation agreed to additional oversight and environmental goals, adjustments to certain reporting requirements, as well as a restructuring of the compliance function, in addition to a $20 million financial penalty.

Refer to our consolidated financial statements for further information on *Legal Proceedings*.

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.

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"). Effective August 2018, the company 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, 2019, no shares of Carnival Corporation common stock were repurchased pursuant to the Repurchase Program.

During the three months ended May 31, 2019, 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, 2019 through March 31, 2019	0.2	$ 50.31	$ 453
April 1, 2019 through April 30, 2019	0.6	$ 52.31	$ 424
May 1, 2019 through May 31, 2019	0.1	$ 52.78	$ 419
Total	0.8	$ 51.98	

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

B. <u>Stock Swap Programs</u>

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.

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

- In 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. We had 22.0 million shares remaining under this authorization at May 31, 2019.

- In 2016, to sell up to 26.9 million of existing shares of Carnival plc in the UK market and repurchase up to 26.9 million shares of Carnival Corporation common stock in the U.S. market. We had 26.0 million shares remaining under this authorization at May 31, 2019.

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, 2019, 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 19.2 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2020 annual general meeting or July 15, 2020.

Item 6. Exhibits.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date	Filed/ Furnished Herewith
Articles of incorporation and by-laws					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation	8-K	3.1	4/17/2003	
3.2	Third Amended and Restated By-Laws of Carnival Corporation	8-K	3.1	4/20/2009	
3.3	Articles of Association of Carnival plc	8-K	3.3	4/20/2009	
Material contracts					
10.1	Amended and Restated Carnival Corporation 2011 Stock Plan				X
10.2	Amended and Restated Carnival plc 2014 Employee Share Plan				X
10.3	Form of Non-Employee Director Restricted Stock Award Agreement for the Carnival Corporation 2011 Stock Plan				X
Rule 13a-14(a)/15d-14(a) certifications					
31.1	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer and Chief Accounting Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.3	Certification of President and Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.4	Certification of Chief Financial Officer and Chief Accounting Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
Section 1350 certifications					
32.1*	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification of Chief Financial Officer and Chief Accounting Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.3*	Certification of President and Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.4*	Certification of Chief Financial Officer and Chief Accounting Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date	Filed/ Furnished Herewith
	Interactive Data File				
101	The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended May 31, 2019, as filed with the Securities and Exchange Commission on June 24, 2019, formatted in XBRL, are as follows:				
	(i) the Consolidated Statements of Income for the three and six months ended May 31, 2019 and 2018;				X
	(ii) the Consolidated Statements of Comprehensive Income for the three and six months ended May 31, 2019 and 2018;				X
	(iii) the Consolidated Balance Sheets at May 31, 2019 and November 30, 2018;				X
	(iv) the Consolidated Statements of Cash Flows for the three and six months ended May 31, 2019 and 2018;				X
	(v) the Consolidated Statements of Shareholders' Equity for the three and six months ended May 31, 2019 and 2018				
	(vi) the notes to the consolidated financial statements, tagged in summary and detail.				X

* These items are furnished and not filed.

SIGNATURES

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

CARNIVAL CORPORATION

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

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

Date: June 24, 2019

CARNIVAL PLC

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

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

Date: June 24, 2019

Exhibit 31.1

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 24, 2019

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

Exhibit 31.2

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 24, 2019

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

Exhibit 31.3

I, Arnold W. Donald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 24, 2019

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

Exhibit 31.4

I, David Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carnival plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 24, 2019

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

Exhibit 32.1

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2019 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: June 24, 2019

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

Exhibit 32.2

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2019 as filed by Carnival Corporation with the Securities and Exchange Commission on the date hereof (the “Report”), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival Corporation.

Date: June 24, 2019

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

Exhibit 32.3

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2019 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: June 24, 2019

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

Exhibit 32.4

In connection with the Quarterly Report on Form 10-Q for the quarter ended May 31, 2019 as filed by Carnival plc with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Carnival plc.

Date: June 24, 2019

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